

## **National Centre for Advanced Studies in Humanities and Social Sciences - 2014**

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The audit of financial statement of the National Centre for Advanced Studies in Humanities and Social Sciences for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014 and the statement of income, statement of changes in funds and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Sub Section 107(5) of the Universities Act, No.16 of 1978 and Advanced Studies in Humanities and Social Sciences Ordinance No.02 of 2005. My comments and observations which I consider should be published with the Annual Report of the Centre in terms of Section 108(1) of the Universities Act appear in this report.

### **1.2 Management Responsibility for the Financial Statements**

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Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### **1.3 Auditor's Responsibility**

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My Responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessment

the auditor considers internal control relevant to the Centre's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Centre's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Financial statements. Sub-sections (3) and (4) of the Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **2. Financial Statements**

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### **2.1 Opinion**

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In my opinion, the financial statements give a true and fair view of the financial position of the National Centre for Advanced Studies in Humanities and Social Sciences as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

### **2.2 Comments on Financial Statements**

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#### **2.2.1 Accounting Deficiencies**

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A sum of Rs. 193,518 receivable from an officer whose Mphil/phd was cancelled after being conferred in the year 2005 had not been disclosed in the financial statements.

### **2.3 Non- compliance with Laws, Rules, Regulations and Management Decisions**

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The following non- compliances were observed in audit.

Reference to Laws, Rules, Regulations etc.	Non-compliance
(a) Humanities and Social Sciences Ordinance No.2 of 2005 Paragraph 9	Even though the Council of Regents should meet at least twice per a calendar year, only one meeting had been held during the year 2014.
(b) Inland Revenue Act, No.10 of 2006	In the recovery of pay as you earn tax, a sum of Rs.1,125,000 paid as allowances to three fellows and senior fellows members of the Centre had not been taken into consideration.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
(i) Financial Regulation 371(2) (b)	Ad hoc sub imprest had been issued exceeding Rs.20,000 in 19 instances contrary to the Financial Regulations.
(ii) Financial Regulation 751	The Inventory Register had not been properly maintained and only the receipts of goods had been entered therein.

### **3. Financial Review**

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#### **3.1 Financial Results**

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According to the financial statements presented, the operations of the Centre for the year ended 31 December 2014 had resulted in a surplus of Rs.100,511 as compared with the corresponding surplus of Rs.166,709 for the preceding year, thus a deterioration of Rs.66,198 in the financial results of the year under review was observed as compared to the preceding year. Even though the income had increased

by Rs.17 million in the year under review, increase in the expenditure on personal emoluments by Rs.1,313,768, supplies by Rs.206,197, maintenance by Rs.219,695, and granting by Rs.12,360,305 had mainly attributed to this deterioration.

#### **4. Operating Review**

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##### **4.1 Performance**

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The following observations are made.

(a) Even though a scholarship holder should complete a Master of Philosophy degree within the period of 3 to 5 years, 48 grantees who had been awarded grants totalling Rs.56,060,497 from the year 2005 to 2009 had not completed the degrees even by the end of the year under review.

(b) Out of the 10 programmes planned to be conducted as per the Action Plan of the year under review, 9 programmes had not been conducted.

##### **4.2 Management Inefficiencies**

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The requirement had not been properly ascertained when issuing advances based on the estimates. As a result, advances had been granted exceeding the requirement and cash ranging from 25 to 74 per cent had been refunded.

##### **4.3 Transactions of Contentious Nature**

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A sum of Rs.750,000 which had been granted to an officer had been cancelled due to the failure to complete the studies and out of the granted amount, only a sum of Rs.550,000 had been recovered from him. The balance of Rs.200,000 had been written off on the approval of Council of Management stating that it was spent on basic education activities.

#### **4.4 Under utilization of Funds**

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Sums of Rs.10,682 and Rs.720,650 received in the years 2012 and 2014 respectively for the rehabilitation and improvements had not been utilized up to 31 December of the year under review.

### **5. Accountability and Good Governance**

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#### **5.1 Action Plan**

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The Action Plan had not been prepared so as to compare with the annual budget and the financial statements, thus the progress of achieving the targets of the Centre could not be properly evaluated.

#### **5.2 Budgetary Control**

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The budget presented for audit had not been prepared in accordance with the format stipulated in paragraph 5.2 of the Public Enterprises Circular No.PED/12 of 02 June 2003. Variances between the budgeted expenditure and actual expenditure ranging from 19 to 44 per cent were observed, thus indicating that the budget had not been made use of as an effective instrument of financial control.

#### **5.3 Unresolved Audit Paragraphs**

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The Committee on Public Enterprises at its meeting held on 05 July 2011 had directed to make amendments to the Ordinance with the view of awarding grants for lecturers not related to the fields specified in the Humanities and Social Sciences Ordinance. Nevertheless, relevant grants had been awarded without being made the amendments to the Ordinance in the year 2014 as well.

**6. Systems and Controls**

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Weaknesses in systems and controls observed during the course of audit were brought to the notice of the Director of the Centre from time to time. Special attention is needed in respect of the following areas of control

- (a) Budgetary Control
- (b) Financial Management
- (c) Control over Motor Vehicles
- (d) Internal Control