

Institute of Human Resources Advancement Affiliated to the University of Colombo - 2013

The audit of financial statements of the Institute of Human Resources Advancement Affiliated to the University of Colombo comprising the statement of the financial position as at 31 December 2013 and the financial performance income statement 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 Section 13(1) of the Finance Act, No. 38 of 1971 and Sub-section 107(5) of the Universities Act No. 16 of 1978 and Section 23 of the Institute of Human Resources Advancement Ordinance, No. 11 of 1979 enacted under Section 18 of the Universities Act. My comments and observations which I consider should be published with the Annual Report of the Institute in terms of Section 108(1) of the Universities Act, appear in this report.

1:2 Management's Responsibility for the Financial Statements

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

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 consist with International Standards of Supreme Audit Institutions (ISSAI 1000 – 1810). Those Standards require that I comply with ethical requirements and plan 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 judgements, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute'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 Institute'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 financial statements. Sub - sections (30 and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary power to the Auditor General to determine the scope and the 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.

1:4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2:2 of this report.

2. Financial statements

2:1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report the financial statements give a true and fair view of the financial position of Institute of Human Resources Advancement as at 31 December 2013 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

2:2:1 Sri Lanka Public Sector Accounting Standards

The following observations are made.

- (a) Two motor vehicles costing Rs.2,961,340 brought to account in the financial statements for the year under review at zero value had not been revalued and shown in the financial statements.
- (b) Adjustments amounting to Rs.11,755,919 relating to the preceding year had been adjusted to the Accumulated Fund of the year under review instead of being brought to account as restatements with retrospective effect.

2:2:2 Accounting Deficiencies

A motor cycle and a bicycle costing Rs.75,553 had been sold during the year under review and the money received from the sale had been credited to the sundry income without making the necessary adjustments for the computation of the results accruing from the sale.

2:2:3 Accounts Receivable and Payable

Even though the loan granted by the Institute to a lecturer should have been recovered in 05 years, the sum not so recovered amounted to Rs.191,000.

2:2:4 Lack of Evidence for Audit

The information such as the dates of commencement of the courses, the number of students enrolled and the payment of course fees relating to two courses conducted by the Institute had not been furnished to audit.

2:3 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed.

Reference to Laws, Rules, Regulations
and Management Decisions

Non-compliance

(a) Section 29 of the Universities Act, No 16 of 1978 and Paragraph 6 of the Institute Ordinance, No 11 of 1979.

Even though the approval of the University Grants Commission should be obtained for the conduct of Postgraduate and other Courses, such approval had not been obtained for 14 Postgraduate Courses and 114 other Courses conducted by the Institute.

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

Financial Regulation 371(2)

(i) Even though the advances obtained should be settled immediately after the completion of the purpose, the settlement of advances amounting to Rs.910,500 obtained by three officers in 08 instances had been delayed by 14 days to 152 days.

(ii) An advance older than 05 years amounting to Rs.218,679 had not been settled up to the date of audit. No action whatsoever had been taken to identify and recover the past due advances or for the determination of the officers responsible for the non-recovery.

(c) Treasury Circular No. 842 of 19 December 1978 and the University Grants Commission Circular No. 49 of 13 November 1979.

Even though the Registers of Fixed Assets should be maintained properly, out of the 04 Registers of Fixed Assets maintained by the Institute from the year 2012, three registers had not been maintained properly.

- (d) Public Enterprises Circular No. PED/25 of 29 July 2004. Even though the approval of the General Treasury should be obtained for the investments of Public Enterprises such approval had not been obtained for the investments amounting to Rs.28,211,292.

2:4 Transactions without Adequate Authority

Even though the limit specified by the Financial Regulations for the grant of advances is Rs.20,000, the approval of the Secretary to the Treasury had not been obtained for the following revisions made to that limit based on the post of the officer.

Post of Officer -----	Limit of Advances -----
	Rs.
Co-ordinator	1,000,000
Deputy Registrar / Deputy Bursar	500,000
Senior Assistant Registrar/ Senior Assistant Bursar	300,000
Assistant Registrar/ Assistant Bursar	250,000
Clerk / Permanent	100,000

3. Financial Review

3:1 Financial Results

According to the financial statements presented the financial results of the Institute for the year ended 31 December 2013 amounted to a surplus of Rs.15,174,119 as compared with the corresponding surplus of Rs.19,061,471 for the preceding year. The decrease of the financial results for the year under review as compared with the preceding year by a sum of Rs.3,887,352 had been mainly due to the increase of employees' salaries by a sum of Rs.2,579,385 and external courses expenditure by a sum of Rs.3,627,498.

4. Operating Review

4:1 Performance

4:1:1 Conduct of Examinations and Release of Results

The test check carried out revealed that the results of 06 courses out of 34 courses conducted by the Institute had not been released despite the elapse of over one year after the conduct of the examinations.

4:2 Idle and Underutilized Assets

A sum of Rs.23 million (approximately) belonging to the Institute had been retained in the Bank Current Account without the management paying attention to use the money for a useful purpose.

5. Accountability and Good Governance

5:1 Draft Annual Report

A copy of the draft Annual Report had not been furnished to the Auditor General with the annual financial statements in terms of the Public Enterprises Circular No. PED/12 of 02 June 2003.

6. Systems and Controls

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

- (a) Assets Management
- (b) Accounting
- (c) Financial Management