

National Centre for Advanced Studies In Humanities and Social Sciences - 2013

The audit of financial statement of the National Centre for Advanced Studies In Humanities and Social Sciences for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 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

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 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 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 the National Centre for Advanced Studies In Humanities and Social Sciences 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 Accounting Deficiencies

Receivables totaling Rs. 6,228,732 due from 8 grantees, whose post graduations were cancelled after being concurred post graduations had not been disclosed in the financial statements as contingent assets.

2.2.2 Lack of evidence for audit

Although a sum of 24,000 had been paid to an external company on 11 February 2013 as a registration fee to obtain internet facilities, a formal agreement signed with the external company was not made available for audit.

2.2.2 Non- compliance with Laws, Rules, Regulations and Management Decisions

The Following non- compliances were observed in audit.

Reference to Laws, Rules, Regulations etc.	Non-compliance
(a) Paragraph 16 (1) of Advanced Studies In Humanities and Social Sciences Ordinance No of 2005	Although the Director of the Centre should be a fulltime officer of the Centre a fulltime Director had been appointed as an acting basis since the year 2011
(b) Financial Regulation 756 of the Democratic socialist Republic of Sri Lanka	The annual Board of survey reports had not been prepared in accordance with the specified forms and only the actual balances had been reported.

3.1 Financial Review

3.1 Financial Results

According to the financial statements presented, the operation of the Centre for the year ended 31 December 2013 had resulted in a surplus of Rs.166,709 as compared with the surplus of Rs.223,210 for the preceding year. Increase of personal emoluments, contractual services, provision for employees and establishment development fund by Rs.485,172, Rs.482,489 and Rs.725,000 respectively had been specially effected to decrease the financial results by Rs.56,501 in the year under review.

3.2 Analytical Financial Review

As the capital and revenue expenditure estimates had not been specifically prepared, sums of Rs.500,000 and Rs.1,210,879 had been transferred to the PhD/Mphil Grants Funds account from the capital grants for rehabilitation and acquisition grants respectively.

4. Operation Review

4.1 Performance

The following observations are made

- (a) Even though a scholarship holder should complete a Mphil degree within the period of 3 to 5 years, 72 grantees who had been given grants totaling Rs.74,508,750 from 2005 to 2009 had not completed their courses even by 31 December of the year under review.
- (b) A lecturer who had obtained grants and registered for studies in a foreign country had cancelled the agreement after the receipt of one years share of grant and resided in a local university for such studies. It was observed in audit that the opportunity of getting the chance of studying in a foreign country or locally by an another applicant's is deprived of by utilizing the grants given, though a financial loss was not incurred by the Centre

4.2 Management Inefficiencies

In granting advances estimates should be prepared as per requirements but advances had not been given accordingly. As such, an audit test check revealed that cash ranging from 62 to 81 percent of the advances granted had been refunded again in 3 instances.

4.3 Transactions of contentious nature

The following observations are made

- (a) A sum of Rs.1,000,000 had been credited to the Staff and Institutional Development Fund set up without Treasury approval in the year under review.
- (b) Payments at various rates had been made to the officers of the Centre and resource persons for conducting courses and workshops only by obtaining the approval of the of Management without Treasury approval.
- (c) According to the assignment register of the computer application assistant in the Centre who draws daily pay at Rs.1,125, it was stated that he would assist courses. However, a sum of Rs.36,000 had been paid to the computer application assistant for 4 certificate courses in Introduction to SPSS for statistical analysis, contrary to the relevant rate.

5. Accountability and Good Governance

5.1 Action Plan

Even though the action plan had been prepared, it was not consistent with the annual budget and the financial statements and as such the progress of achieving the targets stated in the action plan could not be reviewed.

5.2 Budgetary control

A budget had not been prepared for the year under review in terms of paragraph 5.2.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003 and there were variances between the budgeted expenditure and actual expenditure ranging from 13 to 100 per cent thus indicating that the budget had not been used as an effective instrument of financial control.

5.3 Observations on unresolved audit issues

According to the order given at the meeting of the Committee on Public Enterprises held on 05 July 2011, if grants had to be given to lectures who were related to other fields out side the fields stated in the ordinance, the ordinance should be amended accordingly, Nevertheless, an effective course of action had not been taken to amend the ordinance even as at 31 December 2013.

6. Systems and Controls

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

- (a) Issuing Grants
- (b) Conducting workshops Lectures and Courses
- (c) Granting Advances