

## **Institute of Human Resources Advancement Affiliated to the University of Colombo - 2014**

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The audit of financial statements of the Institute of Human Resources Advancement Affiliated to the University of Colombo for the year ended 31 December 2014, comprising the statement of financial position as at 31 December 2014 and the statement of financial performance, statement of changes in equity 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 Section 23 of the Institute of Human Resources Advancement Ordinance, No. 11 of 1979 enacted under Section 18 of the Universities Act and Section 108 (1) 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**

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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 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 (3) 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**

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

**2. Financial statements**

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**2:1 Qualified Opinion**

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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 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 Sri Lanka Public Sector Accounting Standards**

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The following observations are made.

- (a) In terms of the Sri Lanka Public Sector Accounting Standard 07, fixed assets should be disclosed in the financial statements, whereas the land 27.86 perches in extent occupied by the Institute and vested by the University of Colombo by the letter dated 14 November 1983 had not been disclosed in the financial statements of the Institute.
- (b) Although fully depreciated motor vehicles costing Rs.2,961,340 were further being used by the Institute, those had not been revalued to depict their fair value.

**2:2:2 Accounting Deficiencies**

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Capital Grants amounting to Rs.7,276,370 received from the Government for the year under review had been spent on recurrent expenditure.

**2.2.3 Transactions not Supported by an Adequate Authority**

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A sum of Rs.1,000,000 out of the Development Fund had been transferred to the insurance coverage scheme which had been initiated by the Institute without being obtained the Treasury approval and a sum of Rs.4,188,040 or 1 per cent of the course income had been credited to this Fund according to the directives of the Academic Committee. Nevertheless, the approval of the Board of Council had not been obtained for this purpose.

**2:3 Accounts Receivable and Payable**

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Action had not been taken to recover the balance of the Distress Loan amounting to Rs.191,000 due from an interdicted lecturer.

## **2:4 Non-compliance with Laws, Rules, Regulations and Management Decisions**

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The following non-compliances with Laws, Rules, Regulations and Management Decisions were observed.

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Non-compliance</b>
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. -----	
Financial Regulation 371	Unidentified advances amounting to Rs.220,479 granted from the Treasury Fund had not been settled.
(b) Public Enterprises Circular No. PED/25 of 29 July 2004.	Sum totalling Rs.22,537,408 had been invested without the approval of the General Treasury.
(c) Treasury Circular No. 842 of 19 December 1978 and the University Grants Commission Circular No. 49 of 13 November 1979.	Register of Fixed Assets had not been maintained properly.

## **3. Financial Review**

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### **3:1 Financial Results**

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According to the financial statements presented, the financial results of the Institute for the year ended 31 December 2014 had been a surplus of Rs.11,340,232 as compared with the corresponding surplus of Rs. 15,174,118 for the preceding year. The decrease of the surplus of the year under review as compared with the preceding year by Rs.3,833,886 had been mainly due to the decrease of the Capital Grants by Rs.7,403,000 and increase of employees' salaries by a sum of Rs.1,689,688.

## **4. Operating Review**

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### **4:1 Management Inefficiencies**

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The Institute had continuously invested a sum of Rs.20,000,000 in call deposits over a period of 15 months and attention had not been focused on the investment of the said amount in an activity meant for the achievement of the objectives of the Institute or investment activity that derives other benefits.

### **4:2 Underutilization of Funds**

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Average monthly cash balance totalling Rs.37,648,113 relating to 05 bank accounts of the Institute had remained underutilized.

**4.3 Idle and Underutilized Assets.**

Capital provisions amounting to Rs.12,000,000 obtained from the General Treasury for the improvement of the building of the Institute in the year 2014 had not been utilized for the relevant purpose up to 30 July 2015 and capital provisions of Rs.3,668,896 received in the year 2013 and prior to that year as well had remained underutilized. Accordingly, the unspent provisions as at 31 December 2014 amounted to Rs.15,668,896

**5. 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