

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Institute of Human Resource Advancement affiliated to the University of Colombo for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including 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) and 108 (1) of the Universities Act, No. 16 of 1978 and Section 23 of the Institute of Human Resource Advancement Ordinance, No. 11 of 1979 enacted under Sub-section 18 of the Universities Act and provisions of the National Audit Act, No. 19 of 2018. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Institute as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute's financial reporting process.

As per Sub-Section 16(1) of the National Audit Act, No. 19 of 2018, the Institute is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Institute.

1.4 Audit Scope

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Institute to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Institute, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Institute has complied with applicable written law, or other general or special directions issued by the governing body of the Institute ;
- Whether the Institute has performed according to its powers, functions and duties; and
- Whether the resources of the Institute had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Non- compliance with the Sri Lanka Public Sector Accounting Standards

The following observations are made.

Non-Compliance with the reference to particular Standard	Comments of the Management	Recommendation
(a) In accordance with paragraph 65 of Public Sector Accounting Standard 07, the residual value and the useful life of an asset shall be reviewed at least at each annual reporting date and expected differences shall be accounted for as a change in an accounting estimate as per Public Sector Accounting Standard-03. However, no action had been taken accordingly in respect of fully depreciated property, plant and equipment amounted to Rs.663,439.	It will be corrected in the future.	Need to be complied with public sector accounting standards.
(b) Regarding the capital grants of Rs.4,000,000 received by the institute during the year under review, identification and measurement in the financial statements had not been done in accordance with Sri Lanka Public Sector Accounting Standard 11.	No answers provided.	Need to be complied with public sector accounting standards.

1.5.2 Accounting Policies

The following observation is made.

Audit Observation

According to the accounting policy, the income of the Bachelor of Labor Education course should be accounted on a cash basis, but the application fees of Rs.721,200 received during the year under review had been accounted as deferred income.

Comments of the Management

It could not be considered income as applicants had not been determined by December.

Recommendation

Need to be complied with accounting policies.

1.5.3 Accounting Deficiencies

The following observations are made.

Audit Observation

(a) The basis for recognizing the income related to 22 courses had not been disclosed in the financial statements, except for the Bachelor of Labor Education course. The amount of Rs.11,813,750 received from those courses held by the institution during the year under review had not been recognized as direct income but had been recognized as deferred income. Accordingly, the income of the year and the deferred income had been understated and overstated respectively in that amount in the financial statements.

Comments of the Management

Course fee income is accounted as deferred income as it is utilized throughout the duration of the course.

Recommendation

Income should be accounted accurately.

(b) Instead of recognizing the course income related to the year, due to the method of recognizing an amount equal to the expenditure as income, the total income of Rs. 25,526,363 related to the short-term and degree courses that were started between the year 2016 and the year 2021 and completed by 31 December 2021 had been accounted as deferred income.

After the completion of a certain course, after the course coordinator notifies the finance department in writing that the respective courses have been completed, the income related to the courses will be recognized as income for the year.

The income related to the year should be accurately identified and accounted for.

1.6 Payables

Audit Observation	Comments of the Management	Recommendation
Although the contract for preparation of Geographical Information Database (GID) had been completed, Rs.1,100,035 payable to the consultants had not been settled till 31 December 2021.	We have not received the relevant bills for this.	Actions should be taken for settlement with the concerned parties.

2. Financial Review

2.1 Financial Results

The operating result for the year under review was a surplus of Rs. 10,571,041 and corresponding surplus amounted to Rs. 37,713,081 in the previous year, thus observed that a decrease of Rs.27,142,040 of the financial results. Decrease in extension course income by Rs.15,107,672 and other income by Rs.6,296,405 had influence mainly for the above-mentioned decline.

3. Operational Review

3.1 Under -utilization of Funds

Audit Observation	Comments of the Management	Recommendation
Although there was a balance of Rs.3,815,947 in the Welfare and Social Responsibility fund of the institution as of the last day of the year under review, no amount had been utilized during the period to achieve the desired objectives of the establishment of the fund.	Due to the rapid spread of the Covid-19 epidemic situation, social distancing had to be maintained, and many of the institute's employees were infected with the Covid disease, so there was no suitable environment to carry out welfare and social responsibilities.	Purposeful tasks should be identified and spent in a planned manner.