

**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 2022 comprising the statement of financial position as at 31 December 2022 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 provisions of the Section 23 of the Institute of Human Resource Advancement Ordinance No. 11 of 1979 enacted under the Section 107(5) and Section 18 of the Universities Act No. 16 of 1978, the section 108 (1) of the University Act and 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 2022, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

**1.2 Basis for 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 intends 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 Auditor's Responsibilities for the Audit of the Financial Statements**

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 scepticism 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, misrepresentations, 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 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 Preparation of Financial Statements**

### **1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards**

The following observation is made.

<b>Non - Compliance with the Reference to the Particular Standard</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
The residual value and useful lifetime of an asset should be reviewed annually in accordance with paragraph 65 of Sri Lanka Public Sector Accounting Standards 7 and any expected changes should be accounted for as a change in accounting estimate in accordance with Sri Lanka Public Sector Accounting Standards 3. However, the same way was not followed regarding library books, office equipment, electrical equipment and furniture costed for Rs.5,041,834 were further in use despite being fully depreciated.	Revaluation will be done in the next year.	Sri Lanka Accounting standards should be followed.

## 1.5.2 Accounting Deficiencies

The following observations are made.

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) The course income of Rs.73,960,254 and application fees of Rs.722,800 of the year under review had been credited to the Development Fund and the Deferred Income Account respectively instead of being shown as income of the year in the financial performance statement, as such, the income of the year was understated by Rs.74,683,054.	Transfers to the Development Fund cannot be treated as general income of the institution and should be treated directly as income of the Development Fund itself.	The revenue relevant to the year should be included in the income of the year.
(b) Due to depreciation for the year was calculated without applying the useful lives of two categories of fixed assets disclosed in the financial statements, the depreciation of the year was over calculated by Rs. 923,340.	Depreciation will be calculated according to the depreciation calculation policy. But in the revaluation of assets, different types of assets in respective asset categories are revaluation separately. The changes in the useful lifetime of those assets and all those values were difficulty to show.	Depreciation related to the year should be accurately calculated and accounted for.
(c) A Library Development Fund was established during the year under review and the library deposit (Student Library deposit) received during the period from 2016 to 2021 was transferred to that fund, but it was not disclosed in the financial statements.	No amount received as library deposits has been transferred to the library development fund during the year and only the amount received as library fees has been transferred to that account. It was stated in the statement of changes in equity.	Required disclosures should be made in the financial statements.

## 1.6 Accounts Payables

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
Retention money total amounting to Rs. 312,568 between the years 03 and 05 had not been settled.	The relevant deposits have not been settled as all the requirements for settlement have not been met. Deposits which can be released, will be settled in this year.	Arrangements should be made for settlement to the concerned parties.

## 1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

	<b>Reference to Laws, Rules, Regulations etc</b>	<b>Non-compliance</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a)	Financial Regulation 371(5) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Although the obtained sub imprest should be settled within 10 days after the completion of the work, sub imprest of Rs. 345,600 taken in 7 instances was held for a period of 11 days to 50 days in hand and the full amount was settled again.	That the relevant deficiencies will be corrected.	The Financial Regulations should be followed.
(b)	University Grants Commission Circular No. 974 dated 04 January 2012	08 officers were recruited for the post of Program Assistant on contract basis outside the approved scheme of recruitment in the year 2021.	That the recruitment was made on the instruction of the then Director.	Recruitment should be done as per approved scheme of recruitment.

## 2. Financial Review

### 2.1 Financial Results

The operating result for the year under review was a surplus of Rs.41,801,341 and corresponding surplus amounted to Rs.2,151,637 in the previous year, thus observing an improvement of Rs.39,649,704 of the financial results. The increase in interest income on short term deposits by Rs.52,048,535 and increase in course income by Rs.45,084,371 had mainly attributed to said improvement.

### 2.2 Trend Analysis of major Income and Expenditure items

Government grants had decreased by 2.6 percent, while interest income on short-term deposits by 218 percent, other course income by 77 percent and course expenses by 84 percent had increased, compared to the previous year.

### 2.3 Ratio Analysis

The current ratio in the previous year was 3:1 and in the year under review was 5:1 and the profitable ratio was 1.1 percent in the previous year and was 14 percent in the year under review.

**3. Operational Review**  
**3.1 Under Utilization of Funds**

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
The balance of Rs.3,815,947 in the Welfare and Social Responsibility Fund was not utilized for the purposes of establishing funds for two years and the balance of Rs.1,252,313 in the Training and Development Fund remained underutilized during the year under review.	That it has become difficult to use funds for the intended purposes of the fund due to the government expenditure restriction policies in the present.	Intendent purposes should be identified and spent in a planned manner.