

Institute of Human Resources Advancement Affiliated to the University of Colombo 2010

1. Financial Statements

1.1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Institute of Human Resources Advancement Affiliated to the University of Colombo had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 1.2 of this report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Institute of Human Resources Advancement Affiliated to the University of Colombo as at 31 December 2010 and the financial results of its operations and cash flows for the year then ended.

1.2 Comments on Financial Statements

1.2.1 Presentation of Financial Statements

An audit query incorporating the accounting errors appeared in the financial statements presented for audit on 01 March 2011 was forwarded to the Director on 19 April 2011. Accordingly, the amended financial statements had been presented to audit on 05 May 2011.

1.2.2 Accounting Deficiencies

1.2.3 Unidentified Balances

Action had not been taken to identify the balances of 3 advance accounts amounting to Rs.200,166 remained continuously up to 31 December 2010.

1.2.4 Balances Remained Unrecoverable

The balances of 3 accounts amounting to Rs.257,853 as at 31 December 2010 had remained without recovering for period from 02 years to 04 years.

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

Instances of non-compliance with laws, rules, regulations etc are given below.

Reference to Laws, Rules, Regulations etc.,	Non-compliance
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(a) Public Enterprises Circular No. PED/12 dated 02 June 2003 paragraph 6.5.1	A copy of the draft annual report along with the financial statements had not been submitted to the Auditor General.
(b) Circular No. PED 25 dated 29 July 2004	Although approval of the General Treasury should be obtained by the Institute for the investment of its funds, the approval had not been obtained for a sum of Rs.6,000,000 invested in the year 2009 and for the fixed deposits amounting to Rs.9,200,000 invested in the year 2010.

1.2.6 Transactions not Supported by Adequate Authority

A sum of Rs.413,000 had been received from 826 applicants at the rate of Rs.500 per applicant as application fees of the Course of Bachelor of Labour Education in the academic year 2010. Out of that amount, expenditure such as supervision of examination, marking of answer scripts, holiday pay and overtime allowances etc had been incurred contrary to the Public Enterprises Circular No. 95 dated 14 June 1994. Similarly a sum of Rs.167,800 had been paid as allowances to an officer worked in the Project for the Welfare of the Students from the income of the course. Necessity of the above officer to the course in labour education had not been confirmed in audit.

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented, the working of the Institute for the year ended 31 December 2010 had resulted in a deficit of Rs.18,098,126 before taking into account the Government Grant for recurrent expenditure as compared with the corresponding deficit of Rs.12,297,565 for the preceding year. Accordingly, the deficit for the year under review had increased by Rs.5,800,561. The deficit for the year under review had been converted to a surplus of Rs.901,874 due to the Government Grant of Rs.19,000,000 received for recurrent expenditure. The deficit for the preceding year had been converted into a surplus of Rs.4,508,435 due to the Government Grant of Rs.16,806,000 received for the recurrent expenditure of that year. Increase of expenditure by Rs.8,089,186 as compared with the increase of revenue by Rs.4,482,625 had mainly affected for the decrease of surplus for the year under review by Rs.3,606,561 as compared with the preceding year.

2.1.1 Transaction of Contentious Nature

A sum of Rs.78,450 had been paid in the year 2010 as salaries and incentive allowances for proficiency in the second and third languages in accordance with the Circular issued by the University Grants Commission contrary to the Public Enterprises Circular No. 95 of 14 June 1994. Even though the Director General of Public Enterprises and the Director General of the National Budget had reported to the University Grants Commission that the payment of this allowance was contrary to the rules and regulations of the Government, this payment is being continuously made.

2.2 Operating Review

2.2.1 Performance

The following observations are made.

- (a) The number of students registered in the year 2010 for the Degree Course in Labour Education which is the major Degree Course conducted by the Institute had been 126 and indicate a decrease of 44 students over that of the preceding year.
- (b) Eighteen courses charging fees had been conducted during the year 2010 and 9319 students had been registered for them. Students who had not sat for the examinations was 576 and it represented 6 per cent of the registered students. Number of failures was 576 and it represented 6.6 per cent of the students sat for the examination. The results of 06 examinations had not been released even after the elapse of 04 to 10 months.

- (c) A sum of Rs.54,497,829 had been collected during the year 2010 as fees charging course fees indicating an increase of 14 per cent as compared with the preceding year.
- (d) The number of hours allocated during the year 2010 for the Degree Course in Labour Education had been 1107.5 hours and it had been determined in accordance with the Semester System. Accordingly, the number of hours allocated had increased by 417.5 lecture hours over that of the preceding year. Similarly, the total number of lecture hours conducted in the year 2010 had been 1107.5 and indicated an increase of 658.5 hours as compared with the previous year. Out of the lecture hours conducted, 423 lecture hours had been conducted by five internal lectures of the Institute while 724.5 hours had been conducted by 24 visiting lectures. Accordingly, the number of lecture hours conducted by the internal lectures had been increased by 254 hours and the number of lecture hours conducted by the visiting lectures had also been increased by 444.5 hours as compared with the preceding year. Out of the total number of lecture hours, the lecture hours conducted by the internal lectures represented by 37 per cent.

2.2.2 Underutilised Assets

Out of three finger printing machines purchased by Rs.330,155 in the month of September 2007 and February 2008, two machines had remained in a not repairable condition. As such, those machines had not been used since the year 2008.

2.2.3 Corporate Plan and Action Plan

Although the Corporate Plan should be prepared annually in terms of Paragraph 5.1.3 of Chapter 5 of the Public Enterprises Circular No. PED 12 of 02 June 2003, a Corporate Plan or an Action Plan for that year had not been prepared since the year 2009. As a result, the objectives and targets anticipated to be achieved by the Institute for every year and the financial and physical progress thereon could not be examined.

2.2.4 Budgetary Control

Although a Corporate Plan and an Action Plan should be prepared and an annual budget also should be prepared based on them in terms of Public Enterprises Circular No. PED 12 dated 02 June 2003, the Institute had prepared a budget without considering the above plans.

3. Systems and Controls

Special attention is needed in respect of the following areas of control.

- (a) Activities of Examinations
- (b) Recording the Fixed Assets in the Registers