

National Centre for Advanced Studies in Humanities and Social Sciences – 2015

The audit of financial statements of the National Centre for Advanced Studies in Humanities and Social Sciences for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 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 Sections 107,111 of the Universities Act, No.16 of 1978, and Section 26 of the 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's Responsibility for the Financial Statements

The 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 Auditing 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 judgement, 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 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 financial statements

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

2. Financial Statements

2.1 Opinion

The financial statements give a true and fair view of the financial position of National Centre for Advanced Studies in Humanities and Social Sciences as at 31 December 2015 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 Non-clarified Differences

The balance of the grants decided to be recovered from the beneficiaries shown as contingent assets in the notes of the financial statements, had been overstated by a sum of Rs. 131,500 than the balance of the schedules.

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

The following Non-compliances were observed.

Reference to Laws, Rules, Regulations and etc.	Non-compliance
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(a) Section 7(9) of the Humanities and Social Sciences Ordinance, NO. 02 of 2005

Even though the Regent Council should meet at least twice in a calendar year, the Council had met only once in the year under review.

(b) Financial Regulation 371 (2) of Democratic Socialist Republic of Sri Lanka

"Ad hoc" Sub-Imprests should be given only to the staff grade officers. However, it was observed at audit test check that , non-staff grade officers had been issued "ad hoc" Sub-Imprests in 16 instances by the Centre.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operating results of the Centre for the year under review had been a surplus of Rs. 252,845 as compared with the surplus of Rs.100, 511 for the preceding year, thus observing an improvement of Rs.152, 334 in the financial results of the year under review as compared with the preceding year. The increase in the recurrent grants by a sum of Rs. 2,312,000 despite the increase in the employee remunerations by a sum of Rs. 2,014,577 had mainly attributed to the improvement of the financial results. In comparing the financial results of the year under review and 4 preceding years, the deficit of Rs. 149,080 for the year 2011 had been transformed into a profit from the year 2012 onwards, and through gradual improvement, it had become a surplus of Rs. 252,845 by the year under review. In considering the employee remunerations and depreciations, the overall

contribution of the Centre had continuously grown and it was Rs. 13,796,859 during the year under review.

3.2 Analytical Financial Review

The current and quick ratios of the Centre was 1:1, and as compared with the preceding year, the current ratio and the quick ratio had decreased by 17 per cent and 16 per cent respectively. Such a situation had arisen due to the fact that financial grants during the year had not been given to the beneficiaries, and retained in hand as commitments amounting to Rs. 34,378,174.

4. Operating Review

4.1 Performance

The main objectives of the Centre include: encouraging the researches relating to the fields within the scope of the Centre under the purview of the network of universities with importance of national level, and contribution towards the modification and generation of human resources. Enabling the nation to absorb state-of-the-art knowledge, and trailblazing opinions. facilitation of guidance from the specialists, other intellects, and local and foreign universities for post graduate studies.

In order to fulfil the said objectives within the year 2015, a sum of Rs. 86,000,000 had been granted to 142 beneficiaries by the Treasury, whereas a sum of Rs. 29,460,000 for 44 new beneficiaries, and a sum of Rs. 54,140,000 for the beneficiaries currently proceeding with degree studies, had been utilized during the year under review.

Moreover, 25 workshops and courses relating to the field had been conducted during the year under review in order to generate human resources.

Grants had been made by the Centre for 407 beneficiaries during the period from 2005 to 2015, and 46 beneficiaries to whom installments had been given before 31 December 2010, had not concluded their degree studies even up to May 2016. The Centre had granted a sum of Rs. 52,581,999 in favour of the said beneficiaries.

4.2 Underutilization of Funds

The Centre had received a sum of Rs. 86,000,000 from the Treasury from January to October 2015 for awarding the degrees of Master of Philosophy, and Doctor of Philosophy. However, only a sum of Rs. 48,719,944 had been paid as grants as at 31 December 2015, whereas a sum of Rs. 34,571,904 had been retained as commitments. As such, about 43 per cent of the sum received by the Centre in connection with the said matter, had been allocated to be granted in the ensuing year without being granted in cash during the year 2015.

4.3 Staff Administration

The approval received from the Treasury on the staff in terms of Section 9.2 of Public Enterprises Circular, No. 12 of 02 June 2003, had not been made available to audit.

5. Accountability and Good Governance

5.1 Action Plan

The following observations are made.

- (a.) Information such as, organizational structure, approved and actual cadre, annual budget estimate, Procurement plan, and internal audit plan that should have been included in the annual Action Plan in terms of Section 3 of the Public Finance Circular, No. 01/2014 dated 17 February 2014, had not been included in the action plan for the year 2015 of the Centre.
- (b.) Despite being planned to grant a sum of Rs. 70,000,000 during the year under review to 92 beneficiaries who had already been provided with grants as per the Action Plan, in order to proceed with their degree studies, only 79 beneficiaries had been provided with grants amounting to Rs. 54,140,000 during the year.
- (c.) The course “Statistics for Researchers” planned to be conducted during the year under review, had not been conducted.
- (d.) Irrespective of the plans to publish 02 NCAS Journals during the year under review, action had been taken to publish only 01 journal.

5.2 Budgetary Control

The following observations are made.

- (a.) The budgeted financial statements had not been included in the annual budget estimate in terms of Section 5.2.1 of the Public Enterprises Circular, No. PED/ 12 of 02 June 2003.
- (b.) As variations ranging from 23 per cent to 60 per cent were observed between the budgeted and actual expenditure, it was observed that the budget had not been made use of as an effective instrument of financial control.

5.3 Unresolved Audit Paragraphs

Even though it was pointed out according to the directions given at the meeting of the Committee on Public Enterprises held on 05 July 2011 that the Ordinance should be revised if it is necessary to award scholarship to the lecturers relating to the field other than the field mentioned in the Ordinance, this activity had been included in the Action Plan for the year under review as well, and action had not been taken even up to the end of the year under review to revise the Ordinance.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Director from time to time. Special attention is needed in respect of the following areas of control.

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| (a) Internal control relating to grants | Encouraging all beneficiaries to conclude their studies. |
| (b) Control of advances | Prompt settlement of advances obtained.
Grant of advances in a manner not exceeding the requirement. |