

Institute of Human Resources Advancement – 2016

The audit of financial statements of the Institute of Human Resources Advancement Affiliated to the University of Colombo for the year ended 31 December 2016, comprising the statement of financial position as at 31 December 2016 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 Section 108(1) 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 Sub-section 107(5) and Section 18 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

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 consist 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 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. Section 111 of the Universities Act, No. 16 of 1978 give discretionary powers 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

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

2. Financial Statements

2.1 Qualified Opinion

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 Affiliated to the University of Colombo as at 31 December 2016 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 Accounting Deficiencies

The following observations are made.

- (a) Deposits amounting to Rs.3,996,475 unidentified on long- term in the Bank Account maintained for the short- term courses of the Institute had been brought to account as accrued expenditure without identifying the source of income.
- (b) The values of staff loans and Advances and Payables had been stated under non- current assets in the statement of financial position.

2.2.2 Lack of Evidence for Audit

The Register of Fixed Assets had not been furnished to audit for the confirmation of the value of fixed assets amounting to Rs.52,995,480 stated in the financial statements.

2.3 Accounts Receivable and Payable

Even though loan balances amounting to Rs.191,100 and Rs.84,944 given to a Senior Lecturer and to an Officer had been lapsed over 13 years and 06 years respectively, action had not been taken to recover them.

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

The following non-compliances were observed in the audit.

Reference to Laws, Rules and Regulations

Non- compliance

- (a) Establishments Code of University Grants Commission and the Higher Educational Institutions
- (i) Section 2.2 of Chapter I
- (ii) Sections 3.1 and 3.2 of Chapter XX
- (b) Financial Regulation 756 of Financial Regulations of the Democratic Socialist Republic of Sri Lanka
- (c) Public Finance Circular No.03/2015 of 14 June 2015
- (d) Public Enterprises Circular No.PED/25 of 29 July 2004
- (e) University Grants Commission Circular No.636 of 14 July 1995
- It was observed at the audit test check that a sum of Rs.325,283 had been overpaid in the year under review due to providing a fixed allowance instead of making payments as stated in the Establishments Code in making payments for deploying in overtime service.
- Even though all officers of the academic staff and the non- academic staff of the Institute should notify the times of attendance and departure, salaries and allowances amounting to Rs.14,519,885 had been paid without confirming the attendance of 06 officers of the academic staff.
- A Board of Survey had not been carried out as at 31 December 2016.
- Even though advances should be settled as soon as the relevant function had been completed, time ranging from 60 days to 110 days had lapsed for the settlement of advances of which the total value being a sum of Rs.44,925 obtained in 05 instances and advances of which the total value being a sum of Rs.115,381 obtained in 08 instances had not been settled even by 24 January 2017.
- Even though the approval of the Treasury should be obtained relating to investing money belonging to Public Enterprises, it was observed in the audit that the approval of the Treasury had not been obtained relating to the investments valued at Rs.89.5 million in the year 2015 and Rs.40 million in the year 2016.
- Even though examination results should be released within a period of 03 months from the date of commencement of the examination, the Institute had spent time ranging from 05 months to 07 months for issuing the results of 05 examinations held in the years 2015 and 2016 contrary to it. The results of an examination held in June 2016 had not been released even up to the date of audit of 30 June 2017.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Institute for the year under review had resulted in a surplus of Rs.61,576,424 as compared with the corresponding surplus of Rs.24,437,356 for the preceding year, thus indicating an improvement of Rs.37,139,068 in the financial result in the year under review as compared with the preceding year. The decrease of expenditure for elaborate courses by a sum of Rs.33,437,619 and the increase of other income by a sum of Rs.2,112,639 had been the main reason for the above improvement.

Even though the surplus of the Institute amounting to Rs.19,061,471 in the year 2012 had been decreased to a sum of Rs.11,340,232 as at the end of the year 2014, thereafter it had continuously improved and had been a sum of Rs.576,424 in the year under review. However, even though the contribution amounting to Rs.49,124,600 in the year 2012 had been decreased to a sum of Rs.47,458,572 after making adjustments for employees remuneration and for depreciation on non- current assets to the financial result again, it had been improved to a sum of Rs.104,774,561 as at the end of the year under review.

4. Operating Review

4.1 Performance

Even though achieving excellence through awarding academic courses with high quality, achieving excellence through the management of academic courses, creating a research and development environment in the Institute, building strategic relationships with the private sector to contribute for the national development, achieving excellence through following excellent and effective administrative action and achieving excellence through attractive teaching, academic and administrative environment being the objectives of the Institute, it was observed in the audit that only 02 activities had been implemented in the year under review out of the 16 activities included in the Action Plan for the achievement of those functions.

The Performance Report had not been furnished in the year under review by the Institute to confirm the progress of the intended activities included in the Action Plan sufficiently.

4.2 Management Activities

The following observations are made.

- (a) Even though the Higher Diploma in Audio Video Production and Media Technology had been initiated in the year 2014 by the Institute, students had not been recruited for the course since the year 2014 on the Institute not being acquired with lecturers with specialized knowledge in the relevant field.

- (b) A laptop computer valued at Rs.69,900 belonging to the Institute which had been used for the Diploma Awards Ceremony held in the New Arts Theatre of the University of Colombo on 01 June 2014 had been misplaced and action had not been taken to recover the loss incurred to the Institute by carrying out a proper inquiry in this connection.
- (c) The land 27.86 perches in extent in which the building constructed for the administrative and academic activities of the Institute is located belongs to the University of Colombo and action had not been taken to transfer the ownership of that land and bring to account its value.

4.3 Operating Activities

Even though a sum of Rs.10,000,000 had been invested in a seven- day term deposit on an interest rate of 4.5 per cent in March 2016, it had been maintained in the same manner up to June 2017. The Institute could have been earned an interest income of Rs.825,000 if this amount was invested in a fixed deposit under an annual interest rate of 8.25 per cent remained as at that date, for a period of one year and a loss of interest income amounting to Rs.375,000 had been incurred to the Institute due to deploying in short- term investment.

4.4 Idle and Underutilized Assets

The following observations are made.

- (a) A Media Laboratory had been initiated in the year 2011 and equipment valued at Rs.10,425,293 within the period from the year 2011 to the year 2013 and a writing table valued at Rs.14,378 in the year under review had been purchased for the laboratory. However, this laboratory had not been used from the year 2011 and remained idle from the date of purchase of those assets. The Director of the Institute had informed on 04 October 2017 that the Institute does not have the ability either to properly maintain the laboratory or to recruit a skillful permanent staff which could maintain it by introducing a course which enables the use of the laboratory.
- (b) The total of the money and short- term investment balances remained in the end of the year under review had been a sum of Rs.338,656,044 and unspent Capital Grants amounting to Rs.23,723,718 had been included in that balance. As such, it was observed that those funds had been continuously retained without deploying for the achievement of the objectives of the Institute.

4.5 Identified Losses

A sum of Rs.31,850 had been paid as surcharge due to not making payment of the provident funds approved for an employee.

4.6 Personnel Administration

The following observations are made.

- (a) The approved cadre for the Institute of Human Resources Advancement had been 97 and the number of vacancies had been 30 on the actual cadre being 67. Two posts out of the 09 posts of lecturership of the academic staff necessary for properly maintaining the activities of the Institute remained vacant.
- (b) Nineteen Programme Assistants and 21 employees as Office Assistants and as Labourer (Health Services) had been recruited on contract basis in the year 2016 without recruiting for the relevant vacancies of the Approved Cadre.

5. Accountability and Good Governance

5.1 Corporate Plan

In terms of the Public Enterprises Circular No.PED/12 of 02 June 2003, a Corporate Plan for a period not less than 03 years should be prepared, timely reviewed and updated for achieving the Vision and Mission of the Institute. However, even though the Corporate Plan of this Institute had been prepared for the period from the year 2013 to the year 2017, action had not been taken to update it.

5.2 Procurement Plan

Twelve Items not included in the Procurement Plan furnished for the year 2016 had been purchased by spending a sum of Rs.2,015,899 and it was observed in the audit that sufficient attention had not paid on the needs of the Institute in preparing the Procurement Plan accordingly.

6. 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.

Areas of Systems and Controls

Observations

(a) Management of Fixed Assets

Not preparing the Register of Fixed Assets and not carrying out the Annual Board of Survey.

(b) Management of Investments

Not obtaining the approval of the Treasury for the investments and not making investments by considering the requirement.

