

National Centre for Advanced Studies in Humanities and Social Sciences – 2017

The audit of financial statements of the National Centre for Advanced Studies in Humanities and Social Sciences for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 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 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.

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

Except for the effects from the matters referred to in paragraph 2:2 of this report, 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 2017 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 Politics

The accounting policy for the income earning through the courses conducted by the center had not been disclosed by notes to the accounts as per the Public Sector Accounting Standard 10, thus a sum of Rs.132,000 received during the year under reviewed for preceding year course income, had been considered as income of the year under review.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) A sum of Rs.643,528 had been shown as receivable from the granters in the financial statements of 2016 and out of that a sum of Rs.193,518 had been received during the year under review but instead of making adjustment to the PhD/Mphil grants receivable account, it had been accounted in PhD government grants income during the year under review.
- (b) Two air conditioners purchased for a sum of Rs.72,500 and Rs.140,000 during the years 2011 and 2014 respectively had been accounted in rehabilitation expenses instead of accounted under non – current assets and therefore, non-current assets were understated by that amount. Thus, those assets had not been entered in to fixed assets register.
- (c) Treasury grants amounting to Rs.2,649,084 relevant to the year under review had been shown as Rs.450,374 under financing activities in the cash flow statement and, therefore, financing activities in the cash flow statement was understated by Rs.2,198,710.

2.3 Non Compliances with Laws, Rules, Regulations and Management Decisions

In terms of section 16(1) of Humanities and Social Sciences Ordinance No.02 of 2005, the Director of the Centre should be a full time officer, but a full time Director had not been appointed to that position since 2011 to the date of audit of 30 June 2018.

2.4 Transaction without Proper Authority

A sum of Rs.15 million and Rs.10 million invested in fixed deposits had been withdrawn on 03 April and 29 June respectively during the year under review without approval of the “Regent Council” authority.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial results of the Centre for the year under review had been a surplus of Rs. 1,237,687 as compared with the surplus of Rs.211,222 for the preceding year, thus observing an improvement of Rs.1,026,465 in the financial results of the year under review as compared with the preceding year. The increase in the fixed deposits interest by a sum of Rs. 2,429,760 was the main reason attribute for this improvement.

In comparing the financial results of the year under review and four preceding years, the surplus of Rs. 166,709 for the year 2013 had improved to a surplus of Rs. 1,237,687 in the year under review with variation. After make adjustment of considering the employee remunerations and depreciations for non – current assets, the contribution of 2013 amounting to Rs.10,027,236 had continuously grown and it was Rs. 16,724,789 at the end of the year under review.

4. Operating Review

4.1 Performance

4.1.1 Planning

As per the Public Finance circular No.01/2014 of 17 February 2014, the following items had not been included in to the action plan prepared for the Centre.

- (a) The updated organization structure of the institute for the year, approved cadre and the actual cadre details.
- (b) Action Plan on priority basis prepared based on annual budget of the year and implementing time framework.

4.1.2 Activity and Review

- (a) According to the 2017 Action Plan, following observations are made on the performance of the strategies used for the achievement of main targets and sub objectives and the activities.

- (i) Even though a sum of Rs. 60 million had been allocated to Supply financial facilities for 50 beneficiaries who are already received fund and engaged in education and carrying out post-graduate courses, only a sum of Rs. 35 million had been used for 41 beneficiaries
 - (ii) Even though a sum of Rs.30 million had been allocated for grants for 80 university academic staff, used only Rs.15 million for 21 staff members.
 - (iii) With objective or motivate university academic staff for research activities, it was planned to train 300 members by conducting 13 programmes but only 08 programmes had been conducted and trained only 107 members.
 - (iv) A sum of Rs.0.1 million had been allocated for 02 activities for 40 university academic staff towards organizing seminars helping for research activities and publish outcome of the research towards motivate research activities, so such, under the first activity conducting invitee seminars and printing 02 journals had not been done. Thus, it was planned to publish 200 abstracts in research conference, but only 48 abstracts had been reviewed and printed under the second activity.
 - (v) Even though, a sum of Rs.3.5 million had been allocated to establish a Centre data storage system under the improvement of library facility to improve knowledge of researchers, the relevant activity had not been fulfilled.
 - (vi) Even though a sum of Rs.0.32 million had been allocated to conduct 05 Excel/Access workshops with 120 participants, only a sum of Rs.0.21 million had been incurred and had conducted only 02 programmes and only 46 had participated.
- (b) The following observations are made with relevant to the performance of degree grants for Master of Philosophy and Doctor of Philosophy.
- (i) Even though the number of beneficiaries of awarded degrees in Master of Philosophy and Doctor of Philosophy had remained in the range of 60 to 46 from the year 2005 upto the year 2014 but compared to the year 2014 end of the year 2017 the beneficiaries of degree awarded remained in the low range such as 46 to 15.
 - (ii) Grants made by the Centre for 38 beneficiaries for PHD and Mphil degrees during the period from 2005 to 2012 should have been completed their degrees by end of 2016, but had not been completed their degree studies even up to end of 2017. The centre had granted a sum of Rs.34,317,407 in favour of the said beneficiaries.
 - (iii) A sum of Rs.4,380,044 should be received from 04 beneficiaries, due to cancel the grants given from the year 2006 up to year 2009 who have not properly conducted their degree studies.

4.2 Underutilization of Funds

A sum of Rs. 7,147,509 received as capital grant from the line Ministry from the time period of 2015 to 2017 for 03 programmes had not been utilized.

4.3 Staff Administration

The following observations are made.

- (a) With compare to year 2013 staff salaries and wages had increased by 35 per cent equivalent to Rs.1,395,039 and overtime including other allowances had increased by 105 per cent equivalent to Rs.3,176,185 during the year under review.
- (b) Compare to the year 2013 total staff cost had increased by 65 per cent equivalent to Rs.4,571,224 during the year under review and per capita staff cost had compared to the year 2013 increased by 92 per cent equivalent to Rs.464,827.
- (c) Percentage of Annual salaries and weges value shown against overtime and other allowances during from the year 2013 to 2017 were shown as per cents of 75,102,165,157 and 114 respectively.

5. Sustainable Development

5.1 Achievement of Sustainable Development Goals and Objectives

The following observations are made.

- (a) Every public institution should act in compliance with the circular No. NP/SP/SDG/17 of 14 August 2017 issued by the secretary to the Ministry of National Policies and Economic Affairs on the '2030 agenda' of the United Nations for sustainable development. However, the National Centre for Advanced Studies in Humanities and Social Sciences had not aware as to how to function with respect to the duties under preview of their scope.
- (b) Upon being unaware of the said agenda for the year 2030 the centre had not taken action to identify the goals of the activities relating to sustainable development targets and milestones in achieving the target as well as the indicators for evaluating the performance.

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.

- (a) Internal control relating to grants and courses Encouraging beneficiaries given grants to complete their studies within stipulated time period and not taken proper action to recover grants from who do not follow the above conditions.
- (b) Planning Action had not taken to achieve target by minimizing variations of the action plan.