

1.1 Qualified Opinion

The audit of the financial statements of National Centre for Advanced Studies in Humanities and Social Sciences for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 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, 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 provision of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be report 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 accompanying financial statements give a true and fair view of the financial position of the Centre as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified 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 determine 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 Centre'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 intend to liquidate the Centre or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Centre's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Centre 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 Centre.

1.4 Audit Scope

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 auditor's 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 Company's 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 Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's 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 auditor's report. However, future events or conditions may cause the Company 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 Centre, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Centre has complied with applicable written law, or other general or special directions issued by the governing body of the Centre;
- Whether the Centre has performed according to its powers, functions and duties; and
- Whether the resources of the Centre had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Internal Control over the preparation of financial statements.

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Issues with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under this heading.

1.5.2 Accounting Deficiencies

	Audit Observation	Management Comments	Recommendation
(a)	University lecturers had obtained grants to do PhD and MPhil courses in previous years but as they were not used to follow the respective courses, a sum of Rs.2,870,000 refunded during the year had been credited to the Income Statement as Treasury Provisions received for the year.	Will be correct in the final accounts of the year 2019.	Revenue or Grants for the relevant year should be adjusted as the revenue of the relevant year.

- (b) Although Accounting Notes 2.11 reveal that grants received for PhD and M.Phil courses were treated as revenue, M.Phil grants of Rs. 5,722,143 in respect of previous years for the above courses were shown as unspent capital grants in the final accounts of the year under review.
- It is planned to grant these unspent grants as the grants of the year 2019.
- Financial statements should be prepared according to the notes to the accounts.
- (c) Investment interest receivable amounting to Rs.373,476 relating to the previous years had been accounted as revenue for the year under review
- Due to omission of calculating interest receivable for the year 2017, interest income of Rs.373,476 had been considered as the income of the year 2018.
- When calculating the deficit/ surplus for the year it should be identified the income and expenditure only relating to the year.

1.5.3 Non-Compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations	Non-Compliance	Management Comment	Recommendation
In terms of Section 16(1) of Humanities and Social Sciences Set of Rules 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 15 March 2019	The director had been appointed as the full time Director of the institute for the period of 3 years from 01 May 2019.	Action should be taken to appoint a fulltime Director, due to the Rules the Director of the Centre should be a full time officer.

1.6 Receivable and Payable Accounts

1.6.1 Receivable Accounts

Audit Observation	Management Comment	Recommendation
During the period from the year 2005 to the year 2013, 18 teachers who had obtained financial grants of Rs.13,521,456 and as a result of that they were unable to complete the academic activities it was cancelled.	Due to non -completion of the course by the Lecturers who received grants, action will be taken to disclose the value of the cancelled grants	When awarding grants to the Lecturers, it is required to include a condition that the

Sufficient steps had not been taken to when preparing financial relevant courses collect the cancelled grants from the statements for the year 2019. should be completed grantees and no disclosure relating to that within the stipulated were made in the accounts. time period and feedback for that should be done.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs. 111,357,311 and the corresponding surplus in the preceding year amounted to Rs. 1,237,688. Therefore a deterioration amounting to Rs. 112,594,999 of the financial result was observed. The reason for the deterioration is increase of expenses incurred for MA and MPhil scholarships.

2.2 Trend Analysis of major Income and Expenditure items

It was observed a decrease of Rs. 16,346,493 or 21 per cent in the recurrent grant and grants for M.Phil. and Master degrees which is the main income source of the year under review received from the General Treasury amounting to Rs. 60,631,000 when compared with the preceding year amounting to Rs. 76,977,493. It was observed an increase of Rs.94,775,598 or 132 per cent increase in expenses of personal emoluments and awarding M.Phil. and Master degrees for the year under review amounting to Rs. 166,371,204 when compared with the preceding year operating expenses amounting to Rs. 71,595,606.

2.3 Ratio Analysis

The current ratio of the Centre was 0.22: 1 in the year under review, compared to the previous year it was 1.44:1.

3. Operational Review

3.1 Operational Inefficiencies

Audit Observation	Management Comment	Recommendation
The main objective of the establishment and maintenance of this centre is to provide financial grants for fulfil the M.Phil. and Master degrees of the Humanities and Social Sciences teachers. However a sum of Rs. 733,506,686 had been received as financial grants for 493 M.Phil and Master graduates from the year 2005 to the year 2018, out of that	Even though pre conditions to be completed relating to beneficiaries were not in the pre stage, due to a considerable amount of conditions were presented at present and failure to fulfil those there was a decrease in awarding grants.	Action should be taken to improve the number of beneficiaries by reviewing the identified causes for such decline. Further, In the event of granting of this grants, required the condition that the relevant courses should be completed within the stipulated time period.

the academic activities of 42 recipients were inactive and it was observed the number of grants has declined from 90 per cent as 60 per cent to 6 per cent in the year 2018 compared to the year 2005

3.2 Underutilization of Funds

Audit Observation	Management Comment	Recommendation
Out of Rs. 8.4 million shown as unspent capital grants in the financial statements of the year under review a sum of Rs. 7.8 million in respect of three items have not been utilized for the intended purpose for more than one year as capital inflows.	I intend to use these funds in the year 2019 on related objectives.	The treasury funds provided for each purpose should be utilized for purpose in the same year.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Management Comment	Recommendation
(a) According to the Memorandum of Understanding signed by the Ministry of higher education with the Queensland University of Technology Brisbane - Australia it is to award grants to 30 Graduates for next 5 years from the year 2013 with the objective of release money for 06 persons to follow post graduates each year. However, as per the performance data it was observed that the number of grants awarded from the year 2014 to the year 2017 was only 17. Accordingly, it was observed that it was not achieve the performance goal due to unable to make opportunities to grant grants to 13 beneficiaries.	Even though it is enough an average of 6.5 of IELTS to enter to a university in Australia, to award grants from NCAS it is necessary to be that value as 7.0. Further, due to failure to fulfil other prerequisites to award NCAS grants, there was a decline in awarding grants.	The basic and other prerequisites for admission to the new Postgraduate Courses should be reassessed, with considering the requirements of other institutions for admission to Postgraduate Programs.

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| <p>(b) Under the promoting of de-reflectively thinking for the promotion of research culture, it was planned to organize lectures that were important for research of University academic staff. Accordingly, it was expected the participation of 25 participants for two invited lectures during the year under review, it was observed that there was only one invited lecture had been conducted and the number of participants were less as 10.</p> | <p>Avoiding this situation action is being taken to conduct invited lectures with a new method in the year 2019.</p> | <p>Action should be taken to achieve the objectives of the action plan to the maximum</p> |
| <p>(c) Out of 05 courses planned to Improve the performance of the administrative and non-academic staff within the university system, only 03 courses had been conducted. Further it was planned to be participated 50 participants for these courses, but only 11 participants were actually attended.</p> | <p>It was planned to conduct 02 EVIEWS courses in the year 2018 and out of that 01 had to be conducted on 14 and 15 of December 2018. According to the request of the participants those courses were conducted on 23 and 24 of January 2019.</p> | <p>When preparing plans it should be act strategically to identify goals could be achieved and to achieve those goals.</p> |