

National Centre for Advanced Studies in Humanities and Social Sciences - 2019

1.1 **Opinion**

The audit of the financial statements of the National Centre for Advanced Studies in Humanities and Social Sciences for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 according to the provisions in Article 154(6) appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Centre as at 31 December 2019, 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 Opinion**

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 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 Auditor's Responsibilities for the Audit of the Financial Statements

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 skepticism 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 Center'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 Centre'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 Centre 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

The Centre is 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.

1.6 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	A full time Director has not been appointed to the post of Director for 11 years from 2007 to 2018 and a sum of Rs. 3,074,812 was paid as salaries and allowances to the directors who had served on an acting basis during that period. It was observed in audit that the non-appointment of a full-time director to the post had adversely affected to achieve the organization's performance goals.	The Directors of the National Centre for Advanced Studies in Humanities and Social Sciences are appointed by the University Grants Commission as the appointing authority, on the recommendation of the Regent Council. Also, the allowances paid as salaries and allowances of the directors who have served on an acting basis have been paid in accordance with the circulars.	A full-time director should be appointed in accordance with the provisions of the regulations to achieve the performance goals of the center.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs. 19,803,096 and the corresponding deficit in the preceding year amounted to Rs. 111,357,311. Therefore, an improvement amounting to Rs. 91,554,215 of the financial result was observed. The reason for the improvement is decrease of expenses incurred for PhD and MPhil scholarships.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
The Board of Directors had decided to set up an institution called NCAS Campus with effect from 07 July 2015 as a Company Limited by Guarantee under the Companies Act No. 07 of 2007. Although nearly 04 years had elapsed since the year it was decided, its activities had not been implemented.	With the political change that took place in 2015, the work of the NCAS Campus could not continue. The then Management Committee also decided not to proceed with the work of the NCAS Campus and a request has been made to cancel the registration of NCAS Campus by handing over the legal documents to the office of the Company Registrar in January 2020.	When establishing institutions under the Center, the objectives and future activities of those institutions should be clearly identified and action should be taken to establish institutions.

3.2 Operational Inefficiencies

Audit Observation	Management Comment	Recommendation
(i) A sum of Rs. 600,000 was released to the Network Manager working in the institute in January 2015 to follow PhD and MPhil degree courses at an institute affiliated to the University of Colombo and although academic leave was approved from that month until the end of 2017, academic work had not been completed by the end of the year under review.	The Network Manager working in this institute has taken 2 1/2 days per week and in the year 2015 as academic leave but in 2016 and 2017 no such leave was taken. He has also submitted the progress reports of his academic activities to the Institute up to 10.07.2016.	In case of non-completion of the relevant course by the officer who has obtained the grant and study leave, the necessary further action should be taken by the Center.

- (ii) 90 recipients who had been awarded PhD and MPhil degree grants of Rs. 172,112,189 from 2005 to 2015 had not completed their studies by 31 December 2019.
- Out of the 18 graduates who did not complete their degree from 2005 to 2012, 11 have submitted their dissertations to universities and Universities have taken legal action against two beneficiaries. The Management Committee is yet to decide on the requests of the remaining beneficiaries and each university is taking the necessary action regarding the recipients who have not responded. The Board of Management in 2019 has not taken a decision on the relevant delays as it will take about 06 years to complete the degrees of the 72 recipients of grants from 2013 to 2015.
- The Center should ensure that the grant recipients follow up from time to time through the respective institutions of higher education regarding the continuation of the relevant academic activities and Degree completion information should be kept up to date.
- (iii) Although a Director and two students who worked at the Institute of Computer Education affiliated to the University of Colombo were given a grant of Rs.800,000 on 04 November 2014 to complete their PhD degrees, the academic work related to those awards had not been completed by the end of the year under review.
- The director of the institute had applied for a grant from the National Center for research conducted by UCSC Senior Lecturer and two students on “Automated Content Based Auto Monitoring for Radio Broadcasting for the Collection of Royalty Payments for the Artists”. The grant was approved by the Board of Management and one progress report has been submitted to the institute stating that academic activities are being carried out in relation to those grants. We have also sent reminders to UCSC inquiring about its future activities.
- The Center should follow a formal follow-up process with regard to obtaining PhD degrees grants and pursuing the relevant degree courses and completing those studies on time.
- (iv) According to the Action Plan for 2019, it is estimated that Rs. 45 million and Rs. 18.2 million will be given to 50 existing grant recipients and 40 new recipients to pursue PhD and MPhil degrees respectively. However, grants only Rs. 33 million was given to 27 postgraduates who had already received grants and only Rs. 14.3 million to 8 new recipients during the year under review.
- Although NCAS awarded the NCAS Scholarship and the Queensland University of Technology (QUT) - NCAS Scholarship twice a year, due to financial difficulties in 2019, the award had to be made only once. There, 11 recipients of grants were selected and out of those selected, grants were given to 08 who had met the minimum qualifications. Payment will be made after fulfilling the required minimum qualifications and submitting the
- When including estimates and targets in the action plan, the activities of the Center should be directed to include the targets that can be achieved by the Center and to achieve the estimates and targets so entered.

required documents by the remaining beneficiaries. Therefore, the action plan has been amended and approved by the Management Committee.

- (v) For postgraduate courses, under agreements with other institutions, according to the Memorandum of Understanding signed between the Ministry of Higher Education and the Queensland University of Technology Brisbane - Australia for a period of 05 years from 2013, Grants were to be awarded to 36 postgraduates for a period of 6 years, with 6 postgraduates per year. However, due to the fact that only 22 beneficiaries received grants from 2014 to 2019, the opportunity to award grants to 14 expected beneficiaries was lost. Although there was a need to enter into MoUs with external institutions for the purpose of awarding postgraduate degrees, an agreement had been entered into with only one institution from 2013 to the year under review.
- Out of the 28 selected recipients during the period of 05 years from 2014 to 2018, grants were given to 26 recipients who had fulfilled the recommended qualifications. Applicants may not be able to receive grants in certain years due to compulsory IELTS passes and other reasons. Due to financial difficulties in 2019, the QUT grant was not awarded and it was included in the revised Action Plan and approved by the Management Committee.
- The Center should take steps to further increase the chances of entering into MoUs with external institutions with a view to providing postgraduate grants and to award grants in accordance with such agreements.

3.3 Underutilization of funds

----- Audit Observation -----	----- Management Comment -----	----- Recommendation -----
During the year under review, Rs. 1,250,000 provided for asset upgrades and rehabilitation and Rs. 300,000 provided for research books (NCAS Publications) included researches of the National Center had not been utilized for the relevant purposes.	Relevant rehabilitation activities will be carried out in the year 2020. Although action has been taken to call for the required applications for the payment of Rs. 300,000 given for publications, no application has been received and Therefore, action has been taken to postpone the last date for calling applications from time to time.	Efforts should be made to make maximum use of the funds provided for each of the purposes of the Center.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Management Comment	Recommendation
<p>(i) Although it is planned to conduct 13 workshops for 280 academic and non-academic staff as per the action plan prepared for the center for the year 2019 with the objective of increasing the number of PhD graduates in the state university system, only 07 workshops were conducted. Also, the number of officers who had participated for those were only 88 and out of these, only 52 officers participated through the state university system.</p>	<p>According to the action plan prepared for the year 2019, 08 workshops were planned to be conducted for the academic staff. However, in the year 2019, 09 workshops have been completed as follows.</p> <ul style="list-style-type: none">• Research Methodology- 02• AMOS- 02• SMART PLC- 02• SPSS -03	<p>The activities of the Center should be directed towards achieving the objectives included in the Action Plan.</p>
<p>(ii) Although, according to the action plan it is planned to train 100 officers through 4 training programs under capacity building of the administrative and non-academic staff of the university system, as none of these training programs were conducted during the year under review, the objectives of those training programs had not been achieved..</p>	<p>The Management Committee decided to conduct the courses by inviting applications and selecting resource persons. But, even though applications were called that way, those courses could not be held because they could not select suitable resource persons. Therefore, the action plan has been amended and approved by the Management Committee.</p>	<p>The activities of the Center should be directed towards achieving the objectives included in the Action Plan.</p>