

Institute of Human Resources Advancement Affiliated to the University of Colombo – 2012

1. **Financial Statements**

1:1 **Qualified Opinion**

In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the financial position of the Institute of Human Resources Advancement as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 **Comments on Financial Statements**

1.2.1 **Presentation of Financial Statements**

The Financial Statements of the Institute of Human Resources Affiliated to the University of Colombo for the year under review had been presented for audit on 01 March 2013. The Financial Statements were audited and the draft report was issued on 06 June 2013. Out of the accounting deficiencies amounting to Rs.184,324,373 pointed out in the draft report, deficiencies amounting to Rs. 36,990,462 had been rectified and the amended financial statements had been presented on 07 July 2013. The possibility of further such deficiencies outside the sample selected cannot be overruled in audit.

1.2.2 **Accounting Deficiencies**

The following accounting deficiencies were observed during the examination of the financial statements for the year under review.

- (a) The non-current assets valued at Rs.2,847,609 purchased during the year under review had been debited to the Stores Advance Account instead of being debited to the respective assets accounts.
- (b) Even though the net value of the two motor vehicles in use costing Rs.2,725,000 belonging to the Institute had become Zero, those assets had not been revalued.

1.2.3 **Accounts Payable**

According to the financial statements presented, action had not been taken to settle the refundable library deposits amounting to Rs. 159,300 relating to periods ranging from 03 to 05 years.

1.2.4 **Lack of Evidence for Audit**

The Register of Fixed Assets had not been prepared properly and as such adequate evidence for the audit of fixed assets valued at Rs.92,795,389 and depreciation amounting to Rs.8,056,038 in respect of the year under review and the depreciation provision of Rs.43,475,575 , had not been furnished.

1:2:5 **Non-compliance with Laws, Rules, Regulations and Management Decisions**

The following non-compliances were observed.

Reference to Laws, Rules, Regulations etc.	Non-compliance
(a) Financial Regulations of the Government of Sri Lanka	
Financial Regulation 371	Advances amounting to Rs.220,479 relating to the years 2006-2012 appearing in the financial statements for the year under review had not been settled even by 31 December 2012.
Financial Regulation 371(2)	Even though advances granted should be settled immediately after the completion of the purpose, advances valued at Rs.3,933,074 granted in 22 instances to 06 officers had been settled after delays ranging from 30 days to 280 days.

- Financial Regulations 1646
- Even though the particulars of travelling and the distances had been recorded in the Daily Running Charts, the balancing of fuel for the distance running and the purchase of fuel had not been controlled.
- (b) Public Administration Circular No.41/90 of 10 October 1990
- Even though the fuel consumption of motor vehicles should be tested at least once in 06 months such tests had not been done in respect of the two motor vehicles of the Institute.
- (c) Paragraph 3.1 of the Public Finance Circular NO.PF/423 of 22 December 2006 and Sub – Section 45 of paragraph 4 of the Universities Act, No. 16 of 1978
- Even though a sum of Rs.18,619,709 had been spent in the year under review from the Development Fund for various capital and recurrent expenditure action had not been taken to formulate the statutory framework for the established and operation of the Fund or to formulate bylaws under the Universities Act and obtain the approval of the Council.
- (d) Instructions Circular No.2004/ල.ස. /1 of the National Library and Documentation Services Board Sub-section 3.1 of Section 3.
- (i) Even though the library books should be surveyed annually, a survey of the library had not been conducted since the inception of the library up to the date of audit.

- (ii) Even though the Library Committee establishment by the Institute should identify the deficiencies in the library, examine the efficiency of the library activities, take action and make recommendation, it had not met during the current year.

2. **Financial Review**

2.1 **Financial Results**

According to the financial statements presented, the operations of the Institute during the year under review had resulted in a deficit of Rs.6,198,529 before taking into account the Government grants for recurrent expenditure as compared with the corresponding deficit of Rs.24,747,283 for the preceding year. After taking into account the Government grant of Rs.25,260,000 for recurrent expenditure and the maintenance expenditure, the financial result for the year under review had been converted to a surplus of Rs.19,061,471. Due to the Government grant of Rs.22,215,947 received for the recurrent expenditure of the preceding year, the deficit of that year had been reduced to Rs.2,531,335. The improvement of the financial result for the year under review as compared with the preceding year by a sum of Rs.21,592,807 had been mainly due to the increase of the Government capital grant and the earned income by Rs.3,044,053 and Rs.62,784,345 respectively and the increase of courses expenditure by a sum of Rs.41,915,602.

2.2 **Maintenance of Accounts**

The Institute had not maintained separate accounts for 15 Special Funds, a Rewards Fund and a Donations Fund to enable identification and those transaction had been done through the Income Collection Account.

3. **Operating Review**

3.1 **Performance**

There were 14,556 students enrolled for the 39 courses conducted by the Institute during the year under review and that included 04 new courses commenced in the year under review and the number of students registered for those courses had been 736.

Even though periods ranging from 03 months to 22 months had elapsed after the conduct of the examinations of the following courses, examination results had not been released. It was observed that it could adversely affect the expectations of the students.

Course		Date of Examination	Date of Completion of Examination	Date of Release of Results (As at 13 June 2013)	Delay (Months)

Diploma Courses					
Labour Education	Semester 1	23.07.2012	09.08.2012	22.04.2013	08
Diploma Courses in International Trade					
	Semester 2	03.07.2011	24.07.2011	Results not released	22
Diploma in Drug Abuse Management Studies	Semester 1	14.07.2012	21.07.2012	Results not released	11
Digital Video and Media Technology	Semester 2	22.09.2012	06.10.2012	Results not released	08

First Degrees

Labour Education Bachelors Degrees Courses

Semester 1(First Year)	24.07.2012	10.08.2012	Results not released	10
(Second Year)	25.07.2012	15.08.2012	Results not released	10
Semester 2 (First Year)	21.02.2013	12.03.2012	Results not released	03
(Second Year)	28.02.2013	13.03.2013	Results not released	03

Projects Course on Geo Information Technology

Semester 3	04.08.2012	04.08.2012	Results not released	09
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3.2 Idle and Underutilized Assets

A motor cycle valued at Rs.72,338 purchased in the year 2000 had been idling since the year 2009.

4. Accountability and Good Governance

4.1 Tabling of Annual Reports

The Annual Reports of the Institute for the years 2009,2010 and 2011 had not been tabled in Parliament even by 22 May 2013. Even though a copy of the draft Annual Report should be furnished to the Auditor General with the annual financial statements in term of the Public Enterprises Circular No. PED/12 of 02 June 2003, it had not been so done.

4.2 Budgetary Controls

When comparison of the budget prepared by the Institute with the actual expenditure revealed variances of 53 per cent in the maintenance expenditure, 44 per cent in the contractual services and 10 per cent in other recurrent expenditure, thus indicating that the budget had not been made use of as an effective instrument of financial management control of the Institute.

4.3 **Procurement Plan**

The following observations are made.

- (a) A Master Procurement Plan embodying the procurement activities envisaged at least for a period of three years had not been prepared in terms of Section 4.2.1 (a) of the Procurement Guidelines.
- (b) The Plan prepared for the year under review had not been prepared in agreement with the Action Plan and the approved budget of the Institute and in accordance with the Procurement Time Schedules, describing in chronological order, all steps of each procurement and financing in terms of Section 4.2.2.
- (c) Irrespective of the source funding for the Procurement Plan prepared by the Institute for the year under review, the Guidelines should be applied for all procurements in terms of Section 1.3.2. Nevertheless, the purchases and capital expenditure amounting to Rs.28,943,987 had not been included in that Plan.

5. **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.

- (a) Settlement of Advances
- (b) Accounting
- (c) Fixed Assets Controls
- (d) Library Administration
- (e) Motor Vehicles Controls