

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Institute of Human Resource Advancement affiliated to the University of Colombo for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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 material accounting policy 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 provisions of the Section 23 of the Human Resource Advancement Institutions Ordinance No. 11 of 1979 enacted under Section 18 of the University Act No. 16 of 1978 and the Section 107(5) and section 108(1) of the Universities Act and the National Audit Act, No. 19 of 2018. My comments and observations which I consider should be submitted 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 Institute as at 31 December 2024, 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 determines 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 Institute'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 intends to liquidate the Institute or to cease operations, or has no realistic alternative but to do so.

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

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the Institute 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.

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 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 Institute'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 Institute 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 Institute and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Institute has complied with applicable written law, or other general or special directions issued by the governing body of the Institute;
- Whether the Institute has performed according to its powers, functions and duties; and

- Whether the resources of the Institute had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

	Non - Compliance with the Reference to the Particular Standard	Comment of the Management	Recommendation
(a)	According to paragraph 49 of Sri Lanka Public Sector Accounting Standard 7, although the entire class of assets should be revalued during the revaluation of assets, computers and Accessories valued at Rs.2,147,520 had not been revalued.	The useful life was erroneously included as 20 and new values and useful life time were correctly assessed in the revaluation as at 31 December 2024.	Action should be taken according to standards.
(b)	Due to the failure to review the useful life time of non-current assets annually in accordance with Paragraph 65 of Sri Lanka Public Sector Accounting Standards No. 07, buildings costing Rs.7,127,963 had been fully depreciated but continued to be in use. However, action had not been taken to restate the error that had occurred in the preparation of these estimates in accordance with Sri Lanka Public Sector Accounting Standards 03.	According to the fixed assets register, although a group of items in the Computers and Accessories class with a cost of Rs.1,139,170 as at 31 December 2023 had been identified as required to repair, the work had not been completed by the date of revaluation, and the effectiveness of those items could not be assessed until they were restored, the relevant committee did not revalue those items. Also, as the group of items with a cost of Rs.1,008,350 proposed to be disposed at the fixed assets verification as at 31 December 2023 were to be removed from Register of Fixed Assets just after the auction, that value has not been revalued.	- do -

1.5.2 Accounting Deficiencies

Audit Observation	Comment of the Management	Recommendation
The balance of Rs.4,861,015 held in a current account was shown under receivables instead of showing under cash and cash equivalents in the statement of financial position.	The balance of Rs.4,861,015, which was an unidentified deposit as at 31 December 2024, had been properly transferred to the income accounts of the Institute, but the bank had transferred that value to the incorrect bank account.	Action should be taken to account properly.

1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

	Reference to Laws, Rules, Regulations etc	Non-compliance	Comments of the Management	Recommendation
(a)	Section 03(viii) of National Budget Circular No. 03/2022 dated 26 April 2022	Despite the fact that it had been stated that any welfare programs, development assistance or subsidies that had not been approved by the Cabinet should be stopped, Rs.1,100,000 was transferred to the welfare account of the Institute for welfare programs during the year under review.	The Welfare and Social Responsibility Fund of the Institute is maintained in accordance with Section 8 (2) (d) of the Universities Act and the expenses incurred thereby had been made in accordance with the provisions approved by the Board of Management.	Action should be taken as per the circular.
(b)	Paragraph 05 of the Treasure Circular No. BD/HRD/126/214/19/2023 dated 18 January 2023	Although the money recovered from breach of bonds should be remitted to the Treasury to be credited to state revenue, without using other purposes, a sum of Rs.11,346,159 recovered from breach of bonds had not been remitted to the Treasury.	According to Financial Circular No. 05/2025 issued by the University Grants Commission, the funds collected had been retained to pay the air travel fare allowances of academic staff in sabbatical leave under the expenditure head of breach of bond .	- do -

2 Financial Review

2.1 Financial Results

The operating result of the year under review was a surplus of Rs.39,869,198 and the corresponding surplus in the preceding year was Rs.115,721,201. Therefore, a deterioration to Rs.75,852,003 of the financial result was observed. The decrease in course income by Rs.18,670,222 and decrease other income by Rs.38,737,920 had mainly caused to this deterioration.