

Postgraduate Institute of Archaeology - 2010

1. Financial Statements

1.1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Postgraduate Institute of Archaeology had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the Financial Statements of the matters referred to in paragraph 1.2 of this report, the Financial Statements have been prepared in accordance with Generally Accepted Accounting Principles, and give a true and fair view of the state of affairs of the Postgraduate Institute of Archaeology as at 31 December 2010 and the financial results of its operation and cash flows for the year then ended.

1.2 Comments on Financial Statements

1.2.1 Accounting Deficiencies

Although the amount unspent out of the sum of Rs. 207,241 paid as capital advances should be brought to account as unspent capital expenditure, the total amount of advance had been accounted for as capital expenditure spent.

1.2.2 Account Receivable and Payable

The following observations are made.

- (a). A balance of Rs. 123,088 in the “Other Receivable Account” had remained unsettled for over a period of 06 years.

- (b). Action had not been taken to settle the cancelled cheques, even though cheques value of Rs. 16,815 for over 5 years, included in the balance of the cancelled cheques shown as other liabilities.
- (c). Capital advances amounting to Rs. 214,022 had remained unsettled as at end of the year under review and these advances include an advance of Rs. 6,713 which was older than 03 years.

1.2.3 Lack of Evidence for Audit

Information on 09 projects which were being implemented during the year under review were not made available for audit.

1.2.4 Non – compliance with Laws, Rules, Regulations and Management Decisions

The following non – compliances with laws, rules, regulations were observed.

Reference to Laws, Rules, Regulations etc.

Non-compliance

- (a) Financial Regulations code of the Democratic Socialist Republic of Sri Lanka

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Action had not been taken as required in respect of 17 cheques valued at Rs. 13,088 issued, but not presented for payment for over 06 months.

(b) Chapter 04 of the Procurement Guidelines No. 09 dated 01 March 2006

Although sums of Rs. 737,869, Rs. 639,078 , Rs. 279,666 and Rs. 33,398 respectively had been spent for transport , security, cleaning and other contracted services during the year under review, these services had not been included in the procurement plan.

1.2.5 Transactions Not Supported by Adequate Authority

Language proficiency allowances amounting to Rs. 56,440 had been paid to the staff of the Institute during the year under review contrary to the provisions in the circular No. 95 dated 14 June 1994 of the Public Enterprises Department.

2. Financial and Operating Review

2.1 Financial Review

2.1.1 Financial Results

According to the Financial Statements presented, the financial result of the operations of the Institute for the year ended 31 December 2010 was a deficit of Rs. 30,801,301 before taking into account the government grant for recurrent expenditure as compared with the corresponding deficit of Rs. 29,360,818 for the preceding year. Due to the government grant of Rs. 33,639,960 received for recurrent expenditure, there was a surplus of Rs. 2,838,659 for the year under review and due to the government grant of Rs. 28,636,000 received for the recurrent expenditure of the preceding year , the deficit for that year had decreased to Rs. 724,818.

2.2 Operating Review

2.2.1 Academic Performance

The following observations are made.

- (a) It had been planned to conduct 03 Postgraduate Diploma courses, 02 Master of Arts Degree courses, Master in Science, Master in Philosophy and Ph.D courses, one each during the year under review. Accordingly, 56 students for 03 Postgraduate Diploma courses, 47 students for the Master in Science course and 03 and 06 students respectively for the 02 courses of Master in Philosophy and Ph.D had been registered.
- (b) Students had not been registered during the year under review for the Master in Archaeology and Master in Heritage Studies courses which had been conduct during the preceding year.
- (c) The results of the Master of Science, Master of Arts, Postgraduate Diploma in Museum Science and Postgraduate Diploma in Heritage Studies held in year 2010 had not yet been released.

2.2.2 Staff

Duties should be assigned to all the officers and employees of the staff. Nevertheless, duties had not been assigned to 08 out of the total staff of 32 employees.

2.2.3 Private Security Service

The following observations are made.

- (a) An employee over 60 years had been employed, despite that employees over 60 years should not be employed in security in terms of the service agreement.
- (b) Three security personnel had been employed for all the 03 dayshifts 08 hour without taking into consideration the location of Institute premises, extent of the land and the necessity, the night shifts had not been supervised by a officer of the Institute.

2.2.4 Stock Control

The following observations are made.

- (a) A shortage of 164 library books and 139 magazines had been observed according to the annual stock verification.
- (b) The balance of Rs. 41,505 in the stock adjustment account had not been cleared eventhough a period over 03 year had lapsed.
- (c) Publications stock included a non-moving stock valued at Rs. 250,508 which had lapsed over 10 years after printing.

2.2.5 Contract Administration

The Cabinet on 03 August 2005 had approved the engineering estimate of Rs. 36 million prepared for the construction of library and lecture hall building and the contract had been awarded on 19 January 2007 for a bid of Rs. 33,804,507 without VAT. According to the contract agreement the work scheduled to be completed on 27 November 2007. Nevertheless, the period of completion had been extended 04 times within the period of 18 months and as such the cost had been increased by Rs. 4,743,414 than the estimate due to the change of time and price variances.

Originally it had been planned to construct this building on a bare land and subsequently, it had been constructed surrounded by trees. It was observed that the building had been cracked due to roots and branches of these trees. Further, the contractor had not rectified the defects in construction of this building and a sum of Rs. 82,141 had been deducted for those defects whilst the defects had not been rectified up to now.

2.2.6 Underutilization of Funds

The following observations are made

- (a) The minimum balances of the 02 bank current accounts maintained for the capital and recurrent activities as at end of the month of the year under review were Rs. 2,808,106 and Rs. 4,019,133 respectively and the average of the balances in those accounts during the year under review amounted to Rs. 5,376,703 and Rs. 5,946,359 respectively. Therefore, funds had been retained in current accounts without being utilized and as a result the Institute had been deprived of the benefits that could have been gained by investing such money.

- (b) An amount of Rs. 153,508 had been retained in 03 bank current account for over 05 years.

- (c) A provision of Rs. 400,000 had been obtained during the year while there was an unspent balance of Rs. 3,191,598 in the capital account as at beginning of the year under review. However, the amount spent was Rs. 890,592 leaving a balance of Rs. 2,701,006 equivalent to 75% of the above provision as at end of the year under review.

2.2.7 Budgetary Control

Significant variances were observed between the budgeted and actual income and expenditure of the year under review, thus this indicating the budget had not been made use of as an effective tool of management control.

3. Systems and Controls

The 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) Library Administration
- (b) Projects
- (c) Personnel
- (d) Stores Control