

Postgraduate Institute of Management affiliated to the University of Sri Jayawardenapura 2013

The audit of financial statement of the Postgraduate Institute of Management affiliated to the University of Sri Jayawardenapura for the year ended 31 December 2013 comprising the financial position as at 31 December 2013 and the statement of financial performance, statement of changes in equity and cash flows for the year then ended and a summary of significant accountings policies and other explanatory 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 sub Section 107(5) and Section 108 of the Universities Act, No.16 of 1978. My comments and observations which I consider should be published with the Annual Report of the Institute in terms of Section 108(1) of the Universities Act, appear in this report

1.2 Management responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor's Responsibility

My Responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessment the auditor considers internal control relevant to the Institute's preparation and fair presentation of financial statements 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 Institute's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements Sub-sections (3) and (4) of the section 13 of the finance Act No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the Audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matter in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Postgraduate Institute of Management as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on financial statements

2.2.1 Sri Lanka Public Sector Accounting Standards

According to the Sri Lanka Public Sector Accounting Standard No.07, assets should be stated at fair value. Nevertheless fully depreciated non-current assets valued at a cost of Rs.65,873,657 and being used at present had not been revalued and accounted.

2.2.2 Accounting Deficiencies

The Following observations are made

- (a) Even though a photocopy machine of the institute had been exchanged at Rs. 20,000 to the purchase of a photocopy machine for Rs.133,280 only the net difference had been brought to account.
- (b) Instead of taking action to eliminate from accounts 39 items of fixed assets sold to the employees, the sum of Rs.113,050 received in this connection had been brought to account as income.

2.2.3 Balances not reconciled for a Long period

Action had been taken to settle receivable and payable balances amounting to Rs 2,911,912 and Rs.11,603,217 respectively from the International Branch remained unsettled for a long period due to non- availability of relevant schedules to confirm them.

2.3 Non- compliance with Laws, Rules, Regulations and Management Decisions

The following non- compliances with Laws, Rules, Regulations and Management Decisions were observed.

Reference to Laws, Rules, Regulation etc.	Non-compliance
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulations 751 and 756	An inventory register had not been maintained and the Board of survey had not been conducted.
(b) Section 9.7 of the Public Enterprises Circular No.PED/12 of 02 June 2013	Contrary the salaries and allowances entitiled to the university System, 8 instructors had been recruited on contract basis and salaries, allowances and salary increments had been paid them without the approval of the Secretary to the Treasury
(c) Treasury circular No.842 of 19 December 1978	A Register of Fixed Assets had not been maintained.

2.4 Transactions not supported by adequate authority

Eight courses had been conducted during the year 2013 and out of the net Surplus of Rs.9,031,575 generated thereon, a sum of Rs.7,036,900 had been distributed among the staff without a proper approval .

3. Financial Review

3.1 Financial Results

According to the financial statement presented, the operation of the centre for the year under review had resulted in a surplus of Rs.40,784,288 as compared with the surplus of Rs.41,736,535 in the preceding year. Accordingly the deterioration of the financial results during the year under review amounted to Rs. 952,247.

3.2 Legal Cases Initiated against or by the Institute.

A Legal case had been filed by the Institute against the ex- director to recover the loss of Rs.50 million due to financial discrepancy made by him. Further the former Bursar had filed a case against the Institute to claim a compensation of Rs.30 million. However in not disclosed In the financial statements.

4. Operating Review

4.1 Performance

Students registered in the Postgraduate Institute of Management during the year under review amounted 281. Degrees had been conferred by 419 students relating to 5 postgraduate courses by the Institute during the year 2013.

4.2 Management Inefficiencies

The following observations are made.

- (a) Even though a sum of Rs.536,004 had been spent during the year under review for a of newspaper advertisement for the sale of “ professional Manager “ and “Sri Lanka Journal of Management “ magazines, any magazine whatsoever had not been purchased by external parties.
- (b) A donation of Rs.350,000 had been made by the Institute to the Faculty of Management Studies and Commerce of the university of Sri Jayawardenepura and to Association of the Postgraduate Institute of Management, without Treasury approval .
- (c) A sum of Rs.2,600,000 had been transferred from the Fund of the Institute during the year under review in favor of the Management Welfare Society and a sum of Rs.1,964,925 had been paid out of that as food allowance to the staff.
- (d) A payment of Rs.250,000 had been made to a private company in the year 2012 for the development of a software system for assets management but the System had not been installed even up to the end of the year under review.

4.3 Identified Losses

A shortage of 547 Books valued at Rs.368,679 was observed as at 31 December of the year under review at a physical verification carried out in audit in respect of stock of publications.

5. Systems and Controls

Deficiencies in systems and control observed during the course of audit were brought to the notice of the Director of the Postgraduate Institute of Management from time to time. Special attention is needed in respect of the following areas of control

- (a) Fixed Asset Administration
- (b) Stock Control
- (c) Personnel Management