

Postgraduate Institute of English - 2015

The audit of financial statements of the Postgraduate Institute of English for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting 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) 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 Sub-section 108(1) of the Universities Act appear in this report.

1.2 Management's 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 Auditing 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute's preparation and fair presentation of the 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 financial statements. Section 111 of the Universities Act, No. 16 of 1978 gives 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.

2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Postgraduate Institute of English as at 31 December 2015 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

The following observations are made.

(a) Sri Lanka Public Sector Accounting Standard 03

Even though assets costing Rs. 2,723,538 had been fully depreciated due to failure in reviewing the useful life annually for non-current assets, they were still in use. As such, action had not been taken to revise the estimated error.

(b) Sri Lanka Public Sector Accounting Standard 07

Where an asset is acquired through a non-exchange transaction, its cost should be measured at its fair value as at the date of acquisition and disclosed in the financial statements. Nevertheless, the land with an extent of 4.8 perches transferred by the Open University of Sri Lanka had not been valued and shown in the financial statements.

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

Instances of non-compliance with Laws, Rules, Regulations and Management Decisions are given below.

Reference to Laws, Rules, Regulations etc	Non-compliance
<hr/>	<hr/>
(a) Circular No.959 of the University Grants Commission dated 12 July 2011	A Senior Lecturer had been granted leave abroad with pay during his probation period and paid a sum of Rs.1,749,923 as salaries and allowances.
(b) Establishment Circular No. 04/2013 issued by the University Grants Commission	Even though the reports on Annual Boards of Survey should be presented to the Auditor General on or before 17 March of the ensuing year, action had not been taken accordingly.

- | | | |
|-----|---|---|
| (c) | Section 3.1 of Chapter XX of the Establishments Code for Universities and Institutions of Higher Education. | A sum of Rs.7,868,876 had been paid as salaries and allowances in the year under review without establishing the arrival of the academic staff of the Postgraduate Institute. |
| (d) | Public Enterprises Circular No. PED 56 dated 27 January 2011 | If there are any surplus funds in a certain Government institution, except the working capital requirement for the 06 ensuing months, the balance should be returned to the Treasury. Contrary to it, a sum of Rs. 61,494,422 had been invested in the year under review without an approval of the Treasury. |

3 Financial Review

3.1 Financial Result

According to the financial statements presented, the financial result of the Institute for the year under review amounted to a surplus of Rs.5.656,049 as compared with the corresponding surplus of Rs.2,400,723 for the preceding year, thus indicating an improvement of Rs.3,255,326 in the financial result in the year under review as compared with the preceding year . Increase of Government grants by Rs.3,500,000 as compared with the preceding year had been the main reason for the above improvement.

A continuous surplus existed in the financial result from the year 2011 up to the year under review in analyzing the financial results of the year under review and the 4 preceding years. Taking into consideration the employees' remuneration, tax paid to the Government and depreciation for non- current assets, the contributions of the Institute which was Rs. 4,915,394 in the year 2011 had continuously improved and it amounted to Rs. 20,665,112 in the year under review.

4. Operating Review

4.1 Management Activities

Even though the approval had been granted by the Board of Management to revalue the fixed assets and show them in the financial statements and to eliminate unusable assets from the Register of Fixed Assets, it was observed that those activities had not been commenced even up to 31 December 2015.

4.2 Underutilization of Funds

The following observations are made.

- (a) Funds amounting to Rs.6,623,925 had been granted by the Project for Enhancement of Relevance and Quality of University Education (IRQUE) in the year 2009 for carrying out evaluations and establishment of proficiency in English Language in 12 national universities and 02 private institutions. Out of that, a sum of Rs. 3,898,298 saved after incurring expenses had been credited to the Development Fund only on the approval of the Management.
- (b) Capital grants of Rs. 8,216,882 and Rs. 44,676,212 in the year 2014 and at the end of the year under review respectively had remained unutilized as the money had been obtained for capital expenditure by requesting again and again without completely utilizing the grants received from the Treasury for the Capital Expenditure of the Institute.

4.3 Procurement and Contract Procedure

A contract for a value of Rs. 80,454,356 (excluding tax) had been awarded for the construction of a 4 storied building for the Postgraduate Institute of English. In addition to the mobilization advance amounting to Rs. 16,090,871 granted on 01 September 2014 for this purpose, payments totalling Rs. 16,650,000 had been paid in two instances based on a bill submitted by the contractor without a certificate of the Supervising Engineer of the Project.

4.4 Construction of Buildings on a Land not properly vested

Even though action had been taken to construct a 04 storied building valued at Rs. 90,500,000 on a land not legally transferred by the Open University of Sri Lanka to the Postgraduate Institute of English by a Title Deed, action had not been taken to vest the ownership of the land in the Institute even up to 31 December 2015.

5. Accountability and Good Governance

5.1 Corporate Plan

According to Section 5.1.2 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the principal features of physical and human resources, organization chart, feasibility studies and details on management of operations for 03 preceding years which should be included in the preparation of the Corporate Plan, had not been stated.

5.2 Action Plan

The Action Plan had not been prepared so as to cover all purposes expected to be fulfilled in the years 2014 and 2015 by the Strategic Plan.

5.3 Internal Audit

The Internal Audit had not been planned for minimizing deficiencies such as failure in taking action in terms of Financial Regulations and Circular instructions regularly abided by the Institute.

5.4 Budgetary Control

Material variances between the budgeted and the actual income and expenditure were observed thus indicating that the budget had not been made use of as an effective instrument of financial control.

6. 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.

Area of Systems and Controls -----	Observations -----
(a) Personnel Administration	A proper arrangement had not been made for confirming the arrival and departure of the academic staff.
(b) Contract Administration	Advances had been paid for the contract of construction of office buildings without proper supervision.
(c) Financial Control	Capital grants had not been properly utilized.
(d) Internal Audit	The management had not taken action to utilize the internal audit in strengthening the internal control of the Institute.