

Post Graduate Institute of Humanities and Social Science – 2016

The audit of financial statements of the Post Graduate Institute of Humanities and Social Sciences affiliated to the University of Peradeniya, comprising the financial position as at 31 December 2016, statement of financial performance, statement of changes in equity and cash flow statements 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 and gazette extra ordinary No.1843/45 published on 03 January 2014 and section 21 of the Postgraduate Institute of Humanities and Social Sciences No.02 of 2013 and Sub-section 107(5) and Sections 108 and 111 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 misstatements 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 the financial statements.

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

1.4 Establishment of the Institute

This Institute had been established on 15 December 2015 in accordance with the Post Graduate Institute of Humanities and Social Sciences Ordinance No.02 of 2013, published in the extra ordinary gazette notification No. 1843/45 dated 03 January 2014, enacted by Parliament of the Democratic Socialist Republic of Sri Lanka.

2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Post Graduate Institute of Humanities and Social Sciences affiliated to the University of Peradeniya as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

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

The following non-compliance with laws, rules and regulations were observed.

Reference to Laws, Rules, Regulations	Non - Compliance
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(a) Management Services Circular No.02/2014 dated 11 February 2014.	Even though the officers qualified for obtaining research allowance should submit the progress report of the research proposal to the Research Management Committee, a research allowance of Rs.242,823 had been paid to an officer who had not so submitted the progress report.
(b) Part II of the Establishments Code for the University Grants Commission and for Higher Education Institutions	
Section (ii) and (iii) of 6.2 of Chapter viii	A part of 10 per cent from the fee earned from service rendered in addition to his normal duties should be paid to the Higher Education Institute belonged to him. Nevertheless, out of the visiting lecture fees of Rs.18,936,884 paid during the year under review by the Post Graduate Institute of Humanities and Social Sciences, 10 per cent charge of Rs.1,893,688 had not been deducted at the time of making payments and credited to the University Fund.

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| <p>(c) Public Enterprises Circular No. 95(02) dated 14 June 1994 and the Finance Ministry Circular No. PEI/174/1-2003 dated 09 January 2003.</p> | <p>A total sum of Rs.282,500, comprising the coordinating allowance of Rs.273,500 to 16 officers and an honorarium allowance of Rs.9,000 to one officer had been paid during the year under review, contrary to circular instructions.</p> |
| <p>(d) Section 8.2.2 of Public Enterprises Circular No. PED/12 of 02 June 2003.</p> | <p>Approval of the Minister of Finance had not been obtained for the investment of Rs.20,000,000 made in fixed deposits in terms of the circular.</p> |

3. Financial Review

3.1 Financial Results

According to the financial statements presented, for the first year of accounts after establishment of the Post Graduate Institute of Humanities and Social Sciences, the surplus of the Institute for the year ended 31 December 2016 amounted to Rs.11,646,388.

4. Operating Review

4.1 Performance

According to the Post Graduate Institute of Humanities and Social Sciences Ordinance No.02 of 2013, objectives of the Institute are as follows.

- (a) Provide Postgraduate instructions, training and research in the fields of Humanities and Social Sciences as may be approved by the Commission upon the recommendation of the Institute and the University.
- (b) Determine with the approval of the University and with the concurrence of the Commission the Postgraduate degrees, diplomas, certificates and other academic distinctions to be awarded in the several braches of Humanities and Social Science.
- (c) Co-operate by way of exchange of teachers, students and scholars or otherwise with Universities or Institutions in Sri Lanka or abroad having objects similar or substantially similar to those of the Institute.
- (d) Recognize examinations passed and the period of learning or study pursued by students seeking admission to or by students of the Institute at Universities and places of similar status as being equivalent to such examinations and periods of learning or study in the Institute or such part thereof, as may be prescribed by, By-Law and to withdraw such recognition at any time.

- (e) Establish and award fellowships, scholarships, exhibition, bursaries, stipends, medals and other prizes in consultation with the University.
- (f) Make arrangement for conducting research and courses or parts of such courses of study in places outside the Institute in accordance with any By-Law providing for the same.

Although, 810 students had been enrolled for the year under review (to academic year) by the Post Graduate Institute of Humanities and Social Sciences, examination of performance of the Institute had been problematic as the Corporate Plan, action plan and progress reports had not been prepared.

4.2 Management Activities

Even though this Institute legally established on 15 September 2015 had been utilized 46 items of assets belonging to the University of Peradeniya and operated in a building belonged to that University, action had not been taken to acquire the legal ownership of it and to bring into accounts.

4.3 Operating Activities

Post graduate courses had been conducted through a fund account belonged to the Faculty of Arts of the University of Peradeniya but action had not been taken to get the balance of Rs.13,231,258, existed in that fund transferred to the Institute, even after the establishment of a separate Institute.

4.4 Personal Administration

Although vacancies of a permanent technical officer and a stenographer in the staff of the Institute had existed, action had not been taken to fill those vacancies.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

In terms of Section 6.5.2 of the Public Enterprises Circular No.PED/12 of 02 June 2003, financial statements should be presented to the Auditor General within 60 days after the closure of the year of Accounts. However, the financial statements of the year 2016 had been presented to audit only on 06 June 2017.

5.2 Corporate Plan

A corporate plan had not been prepared in terms of Section 5.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003.

5.3 Action Plan

The annual action plan had not been prepared in terms of Paragraph 5 (2) of the Public Finance Circular No.01/2014 of 17 February 2014.

5.4 Internal Audit

In terms of Management audit Circular No.DMA/2009 (1) dated 09 June 2009 of the Secretary to the Ministry of Finance, an internal audit report prepared once a quarter had not been submitted to the audit and management committee for discussion on target dates.

5.5 Audit Committee

In terms of Paragraph 7.4.1 of the Public Finance Circular No.PED/12 of 02 June 2003, meetings of the audit and management committee should be held at least once in 3 months but the Institute had held only one meeting in the year under review.

5.6 Budgetary Control

As compared the budgeted income and expenditure with actuals, variation in 20 items ranging from 20 per cent to 595 per cent were observed thus it was observed that the budget had not been made use of as an effective instrument of management control.

6. Systems and Controls

Weaknesses in systems and controls observed in audit were brought to the attention of the Director of the Institute from time to time. Special attention is needed in respect of the following areas of systems and controls.

Area of System and Control -----	Observations -----
(a) Accounting	Action had not been taken to acquire assets properly and account them.
(b) Control of Advances	Advances paid in excess of the requirement.