

## **Postgraduate Institute of Archaeology – 2017**

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The audit of financial statements of the Postgraduate Institute of Archaeology affiliated to the University of Kelaniya for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 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 notes 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 Section 20 of the Postgraduate Institute of Archaeology Ordinance No. 02 of 1985 enacted in terms of Section 18 of the Universities Act, No. 16 of 1978 and Sub-section 108 (1) of the Universities Act. 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**

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The 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**

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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 judgements, 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 financial statements. Section III of the Universities Act, No. 16 of 1978 give discretionary powers to the Auditor General to determine the scope and the 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**

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### **2.1 Opinion**

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In my opinion, the financial statements give a true and fair view of the financial position of the Postgraduate Institute of Archaeology as at 31 December 2017 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**

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#### **2.2.1 Unreconciled Control Accounts**

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The following observations are made.

- (a) Even though the cost and the value of acquisitions of 04 assets items according to the Register of Fixed Assets were Rs. 50,137,844 and Rs. 1,245,002 respectively, a difference of Rs. 1,223,387 and Rs. 47,305 was observed thus those amounts shown in the financial statements were Rs. 51,361,231 and Rs. 1,292,307 respectively.
- (b) Even though the value of the publication stock was Rs. 1,350,697 as per the financial statements as at 31 December 2017, a difference of Rs. 419,325 was observed thus the value of them according to the books in the Institution was Rs. 931,372 .

### **2.3 Accounts Receivable and Payable**

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The following observations are made.

- (a) The total of 05 balances of advances provided for the projects shown under the current assets of the financial statements totalled to Rs. 1,876,489 had been brought forward from many years without settling.
- (b) A lecturer who served at the Institute had left the office on 19 October 2014 and actions had not been taken to recover the balance of distress loan receivable from him amounted to Rs. 208,636 even up to the 30 June 2018.
- (c) Actions had not been taken to settle or brought to the income the total of Rs. 215,517 related to two research projects which had elapsed 04 years after completion shown under the other liabilities of the financial statements.

## **2.4 Non- compliance with Laws, Rules, Regulations and Management Decisions**

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A Register of Fixed Assets with regard to the computer accessories and software had not been maintained in terms of the Treasury Circular No. IAI/ 2002/ 02 of 28 November 2002.

## **3. Financial Review**

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### **3.1 Financial Results**

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According to the financial statements presented, the financial results of the Institute for the 31 December 2017 was a deficit of Rs. 2,893,052 and the corresponding deficit for the preceding year was Rs. 3,761,480 , thus indicating deterioration by Rs. 868,428 in the year under review as compared with the preceding year. Increase of government recurrent grant by Rs. 4,879,000 and the decrease of expenditure of the year by Rs. 1,838,539 had specially attributed for the increase of financial results .

In the analysis of the financial results in the year under review and 4 preceding years, even though there was a deficit of Rs. 1,823,191 and Rs. 6,412,107 in the year 2013 and the year 2014 respectively a surplus of Rs. 4,059,619 had occurred in the year 2015 . Again a deficit of Rs. 3,761,480 and Rs. 2,893,052 had occurred in the year 2016 and in the year under review respectively. However, The contribution amounted to Rs. 26,278,680 in the year 2013 had increased up to Rs. 48,101,134 by the year 2017 after the adjustment of employee remuneration to the financial results.

## **4. Operating Review**

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### **4.1 Performance**

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#### **4.1.1 Planning**

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The following observations are made.

- (a) Even though the time frame had been prepared whereas the Action Plan prepared in terms of Public Finance Circular No. PFD/ RED/ 04/ 2014/ 01 of 17 February 2014 the expected outcome of those activities had not been mentioned.
- (b) The progress of the Action Plan had not been prepared quarterly in accordance with the Paragraph 4.2.6 of the Public Enterprises Circular No. PED/ 12 of 02 June 2003.

#### **4. 1.2 Activities and Review**

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Access to postgraduate education in archaeology and professional training were the main activities shown in the Ordinance of the Institute. Two Postgraduate Diploma Courses and 05 Master in Arts Courses had been conducted by the Institute and following matters were observed at the examination of the number of students registered and the success rate of students during 04 academic years.

- (a) The students registration in the years 2014, 2015, 2016, and 2017 were 100, 63, 82 and 101 respectively. Accordingly, even though the registration of students in the year 2015 had been less as compared with the year 2014 it had increased up to 101 again by the year 2017 .
- (b) The number of students who had completed the examinations were 38, 35, 49 and 72 respectively from the year 2014 to the year 2017 and the success rate of 38 per cent in the year 2014 had increased up to 71 per cent by the year 2017 .
- (c) The Convocations had not been held even up to the 30 May 2018 for 89 students who had completed the various postgraduate degrees of the Institute during the period from the year 2014 to the year 2017 .

#### **4. 2 Management Activities**

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The following observations are made.

- (a) Even though a large number of goods with an archeological value had donated to the Institute by an archeologist in the year 2011 and had been handed over to the former Director of the Institute to display to the parties interested in archeology, those goods had remained in his office room almost 06 years . The Director of the Institute had informed to the audit that the actions would be taken immediately to hand over these goods to the Department of National Museums.
- (b) As a result of printing books and publications for the sales purpose without identifying the requirement , 2,497 books valued at Rs. 1,350,697 had remained as at 31 December in the year under review. Only 50 books valued at Rs. 65,169 had been sold during the year.
- (c) Even though a standing order amounting Rs. 63,845 had been issued in the year 2006 to purchase books and periodicals from a foreign company which is a current supplier of the Institute , the books related to that had not received to the Institute even by the 30 June 2018 . This supplier had made the supplies without delays for all the other advances at present except this advance.

### **4.3 Under- utilization of Funds**

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Out of the capital grant received for rehabilitation of capital assets and teaching equipment , a balance of capital grant not spent amounted to Rs. 2,935,820 had remained at the beginning of the year under review and in spite of the sufficient cash was available at the beginning of the year , capital grant amounting Rs. 500,000 had been obtained in the year under review. Accordingly, as a result of the expenditure on capital grant in the year was Rs. 879,661 , the capital grant amounted to Rs. 2,556,159 was under-utilized at the end of the year.

### **4.4 Under- utilized Assets**

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A balance of Rs. 4,564,755 and Rs. 5,338,930 respectively remained as at 31 December 2017 in two current accounts of the Institute and it was observed that there were idle cash balances in the current accounts as an average balance amounting Rs. 6,065,743 and Rs. 6,292,205 respectively in these two accounts during the year .

## **5. Sustainable Development**

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Even though all the government institutions should be functioned as per the United Nations year 2030 “ Agenda” for Sustainable Development 2017 and the Circular No. NP/ SP/ SDG/ 17 of 14 August 2017 issued by the Secretary to the National Policy and Economic Affairs , the Postgraduate Institute of Archeology had not aware of the way of proceed with regard to the functions under the scope.

## **6. Accountability and Good Governance**

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### **6.1 Budgetary Control**

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As the variances were observed ranging from 40 per cent to 100 per cent between the actual values and the budgeted values in accordance with the budget estimate prepared in the year 2017 thus indicating that the budget had not been made use of as an effective instrument of management control.

## **7. Systems and Controls**

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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.

**Areas of Systems and  
Control**

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**Observation**

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| (a) Fixed Assets Control     | Delays in disposal of assets which could not be used and non- updating of Register of Fixed Assets |
| (b) Fund Utilization         | Actions not taken to reach to the expected objectives by utilization the funds optimally.          |
| (c) Registration of Students | Non- preparation of plans to increase the reducing registration of students from year to year.     |