

Postgraduate Institute of Archaeology - 2018

1.1 Opinion

The audit of the financial statements of the Postgraduate Institute of Archaeology for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be tabled in Parliament appear in this report.

In my opinion, the financial statements of the Institute give a true and fair view of the financial position of the Institute as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAS). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute's financial reporting process.

As per Sub-section 16 (1) of the National Audit Act No. 19 of 2018, the Institute is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Institute.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Institute to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Institute, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Institute has complied with applicable written law, or other general or special directions issued by the governing body of the Institute;
- Whether the Institute has performed according to its powers, functions and duties; and
- Whether the resources of the Institute had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Internal Control over the preparation of financial statements.

The Institute is required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Issues with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under the following headings.

1.5.2 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with Reference to the Relevant Standard	Management Comment	Recommendation
Due to failure in reviewing the useful life of non-current assets annually in terms of Section 65 of the Sri Lanka Public Sector Accounting Standard 07, assets costing Rs. 32,927,417 had still been in use despite being fully depreciated. Action had not been taken to rectify the estimated error occurred in accordance therewith.	Action will be taken to adjust to the accounts in the year 2019.	The Sri Lanka Public Sector Accounting Standards should be adhered to.

1.6 Non-compliances with Laws, Rules, Regulations, and Management Decisions

The following observations are made.

Reference to Laws, Rules, & Regulations, etc.	Non-compliance	Management Comment	Recommendation
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a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.			
(i.) Financial Regulations 102, 103 & 104, and Circular, No. 2004/ප්‍රඥප්තිය/1 (Amended 2016) of the National Library and Documentation Services Board, dated 22 December 2016.	Action had not been taken in terms of Financial Regulations and Circulars on 216 books and 588 publications revealed to have been misplaced in the survey conducted in the year 2017 on library books.	An inquiry will be conducted in this connection thus taking action as per the decisions thereof and Financial Regulations.	Action should be taken on the misplacement in terms of Financial Regulations and the Circular.
(ii.) Financial Regulation 756.	A survey had not been conducted on the inventoried items of the institution as at 31 December 2018.	The report, once approved, will be furnished to the Audit.	Boards of Survey should be conducted annually, and the report should be furnished to the Auditor General on time.
b) Treasury Circular, No. IAI/2002/02, dated 28 November 2002.	A Register of Fixed Assets had not been maintained for computer accessories and software.	Corrective measures will be taken in the year 2019.	Circulars should be adhered to.
c) Management Services Circular, No.2014/2 , dated 11 February 2014,			
Section (iii)	As for the payment of research allowance to the academic and non-academic staffs, an interim research report should be furnished to the research management committee within 6 months	The deficiency in the non-submission of interim research report is accepted. A proper methodology relating to the	Circulars should be adhered to.

from the commencement of reporting process the research, and only if the of results of the progress thereof is researches will be satisfactory, payment of followed in the research allowance can be future. approved. Nevertheless, research allowances totalling Rs. 3,280,477 had been paid to 12 officers of the academic and non-academic staffs during the year 2018.

2. **Financial Review**

2.1 **Financial Results**

The operating result of the year under review had been a deficit of Rs. 3,567,328 as compared with the corresponding deficit of Rs. 2,893,052 in the preceding year, thus observing a deterioration of Rs. 674,276 in the financial result. The increase in personal emoluments and the operating expenditure had mainly attributed to the said deterioration.

3. **Operating Review**

3.1 **Management Inefficiencies**

Audit Observation

Management Comment

Recommendation

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| a) An office belonging to a private company named "National Trust" is maintained at the premises of the Institute whilst the ICOMASS, a private institution, uses the address of the Institute as their office address with the auditorium of the Institute being used to hold meetings of the ICOMASS. However, approval of the Board of Management or any memorandum of understating relating to the use of buildings and assets of the Institute, had not been made available to the Audit. | Action will be taken to entered into agreements by obtaining approval of the Board of Management | It is necessary to interact with private institutions on formal approval. |
| b) The library books costing Rs. 21,922,822 had been allowed to be used by the academics studying at the Institute without letting them borrow the books. | A security procedure will be prepared thus allowing the library to be made use of in the future. | Measures should be taken ensuring optimum utilization of the library. |

3.2 Operating Inefficiencies

Audit Observation	Management Comment	Recommendation
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<p>a) It was observed that less than 100 academics had enrolled for 07 post-graduate courses conducted annually by the Institute. Only a number of less than 50 per cent of them had always completed the courses.</p> <p>b) As for the 05 preceding years, 26 and 35 students had enrolled for the courses of Master of Philosophy and Doctor of Philosophy respectively, but none of them had completed the post-graduate degree. Furthermore, only one of the 33 enrollees of the Master of Arts (Research) course had completed the course during the 05 preceding years. Of the 76 students enrolled for the Master of Arts and Master of Science courses of one year duration, only 02 of them had completed the courses. Moreover, out of the 242 enrollees of 02 post-graduate diploma courses with one year duration, only 142 equivalent to 58 per cent , had completed the courses. As such, the percentage of students completing the post-graduate courses remained low.</p>	<p>An attractive methodology will be introduced to retain the students.</p>	<p>The academics should be encouraged to enroll and complete the courses.</p>
<p>c) Delays were observed in issuing the results of the examinations of the courses conducted by the Institute. A period of 09 months had been taken to issue the results of courses - Master of Arts and Master of Science with a course duration of one year.</p>	<p>This was caused by the internal issues of the Institute. A methodology will be introduced in the future to promptly issue the results.</p>	<p>Measures should be taken to issue the results within a minimum period.</p>

- d) Seven research assistants serving under the Lecturers of the Institute had contributed to the researches by the end of the year 2018 in a manner external to the approved cadre upon decisions of the Board of Management. Five of them had been employed continuously since the year 2011. Hence, the academics following the courses of the Institute had been deprived of the opportunity to take part in the researches as research assistants under experienced lecturers of the Institute.
- It is expected to act in accordance with recommendations of the Board of Management.
- Appointment of research assistants should be formalized.

3.3 Human Resource Management

Audit Observation -----	Management Comment -----	Recommendation -----
The post of Senior Assistant Librarian of the Institute had remained vacant over a period of one year since 22 December 2017. However, that vacancy had not been filled even up to 30 April 2018.	Action is being taken for the recruitment.	Vacancies should be filled promptly.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation -----	Management Comment -----	Recommendation -----
The Action Plan for the year 2018 had been prepared comprising 22 activities in view of achieving 06 objectives. However, the progress of 14 activities therefrom had remained 40 per cent or lower.	Action will be taken to achieve the expected progress under the new Director of the Institute.	The Action Plan should be adhered to thus taking action to achieve the expected progress.

4.2 Budgetary Control

Audit Observation	Management Comment	Recommendation
<p>It was observed in the comparison of budgeted income & expenditure with the actuals that variances ranging from 50 per cent to 100 per cent existed in 02 items of income and 23 items of expenditure. As such, the budget had not been made use of as an effective instrument of control.</p>	<p>The budgeted plans could not be achieved due to issues in the management.</p>	<p>Action should be taken to make use of the budget as an effective instrument of management control.</p>

4.3 Sustainable Development Goals

Audit Observation	Management Comment	Recommendation
<p>Every public institution should act in compliance with the Circular, No. NP/SP/SDG/17 issued by the Secretary to the Ministry of National Policies and Economic Affairs, dated 14 August 2017, and “2030 Agenda” on sustainable development adopted by the United Nations. As such, the Institute had identified the targets relating to the tasks under their purview, but those goals and targets had not been included in the Action Plan of the year under review.</p>	<p>Action will be taken to include them in the Action Plan in the future.</p>	<p>The Circular should be adhered to.</p>