

1.1 Qualified Opinion

The audit of the financial statements of the Post Graduate Institute of Management affiliated to the University of Sri Jayawardanapura for the year ended 31 December 2019 comprising the statement of financial position , statement of financial performance for the year then ended, statement of changes in 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 and Finance Act No. 38 of 1971. My comments and observations which I consider to be reported to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Post Graduate Institute of Management affiliated to the University of Sri Jayawardanapura as at 31 December 2019, 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 Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). 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 intend to liquidate the University 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 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 institution.

1.4 Responsibility of the Auditor on the audit of 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 Company'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 Company'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 Company 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 Post Graduate Institute of Management, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Post Graduate Institute of Management has complied with applicable written law, or other general or special directions issued by the governing body of the institution;
- Whether the Post Graduate Institute of Management has performed according to its powers, functions and duties; and
- Whether the resources of the Post Graduate Institute of Management 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

Entities are 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 this heading.

1.5.2. Accounting Deficiencies

Audit Observation	Management's Comment	Recommendation
(a) Even though a Rs. 24,775,292 has been written off from the income as the value, which could not be recovered from the course fee receivable balance at the end of the year , the particulars pertaining to the calculation of such values have not been revealed in the	The amounts to be recovered from the students , who have left the courses, have been written from the income of the year under review subject to the approval of the Governing Council. Action would be taken to report in this regard	The amount should be written off after obtaining approval for the purpose.

financial statements and further to the next meeting of the the approval of the Governing Council has also not been obtained for writing off these amounts.

- (b) The income and the current assets of the year have been shown in financial statements in such amounts as a result of showing Rs. 878,125 in accounts as the course fee to be received as at 31 December 2019 even where the course fee has been recovered for a course conducted for Executive Officers of a private company in the year under review.
- It is agreed with the observation of the audit. Action would be taken to rectify the deficiency in the next financial year .
- Income should be accounted identifying them accurately.
- (c) The amount of Rs. 786,888 spent during the year under review for the purchase of cloaks and office equipment has been written off from the profit in the performance report as recurrent expenditure instead of capitalizing.
- The purchase of cloaks has not been capitalized as a defect in categorizing. The amount of Rs. 198,150 spent for computer appliances has been accounted as accrued expenses considering the life time of them.
- Capital and recurrent expenditures should be accurately categorized.
- (d) The amount of Rs. 1,653,857, which was due to be recovered for the coming year in respect of a course conducted from 26 November 2019 to 30 June 2020 for executive officers of a private company has been accounted as an income received in advance deducting it inaccurately from the income from courses. As a result of this measure, the income of the year has been understated in financial statements by that amount.
- It is agreed with the observation of the audit. Action would be taken to rectify the deficiency in the next financial year .
- Income should be accounted identifying them accurately.

1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc

Following observations are made in this regard.

Reference to Laws, Rules Regulations etc.	Non-compliance	Management's Comment	Recommendation
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka-			
(i) Financial Regulation No 371 (2) (b) and Financial Circular No 03/2015 dated 14 July 2015.	At two occasions two officers have been given advances exceeding the maximum limit of Rs. 100,000 and the total of such amount was Rs. 295,000	Advances in cash is given only at the essential situations. Therefore the giving advances in excess to the limit mentioned in financial regulations occurs depending on the purpose of the advance.	This should be in accordance with the financial regulations and provisions of relevant circulars.
(ii) Financial Regulation No 371 (5) and Public Finance Regulation No 3/2015 dated 14 July 2015.	Even though the advances given should be settle either on completion of the relevant task or within 10 days the total of advances to the values of Rs. 740,016, which have been issued at 10 occasions, has delayed by a period from 15 days up to 224 days.	The balances of the advances obtained have been settled without any delay. However there are delays often in making journal entries relevant to the settlement of advances and action would be taken in future to minimize these delays.	This should be in accordance with the financial regulations and provisions of relevant circulars.
(b) Section 11 of the regulations of the Post Graduate Institute of Management No 3 of 1985 and section 26, chapter 3 of the Establishments Code of Higher Education	Even though the Director should take action to recruit external lecturers enabling to get the maximum performance with minimum cost, the Director has	The payments have been made based on the rates approved for external lecturers to the Director for giving lectures in accordance with the decision taken in 1987 by the Governing Councils. However this payment has been suspended until	Action should be taken in consistent to the relevant regulations.

made a self a recommendation is appointment as a received from the lecturer and taken University Grants Rs. 1,058,750 as Commission. fee for lectures during the year under review on the hourly rates in addition to his salary and allowances.

- (c) Circular of the Finance Ministry No F.M. 01/2015/01 dated 15 May 2015.
- In terms of the section 3 (b) of the circular, an officer going abroad for a duty relevant to the scope of the institution, which cannot be performed within the Island, can be paid casual allowance and such officer can be paid combined allowance for the purpose as per section 4 and reimbursable expenses under section 6. However 05 lecturers of the academic staff of Institution, who have gone abroad to deliver lectures in the M.A. Degree programmes in 05 countries, have been paid a total of Rs. 6,695,750 in the rate of Rs. 11,000 per hour, during the year under review in addition to their salary and allowances of the substantive post.
- Having taken in to consideration the time and huge effort to be made in delivering lectures in foreign M.A. Degree programmes , these payments have been made in consistent with a decision taken in year 2016 by the Governing Council to the effect that the rates paid to external lecturers should be extended also to the permanent internal academic staff. However action has been taken to suspend this payment paying attention to the audit observation.
- Action should be taken as per provisions of the Circulars.

2. Financial Review

2.1. Financial Results

The operational results of the year under review has shown an excess of Rs. 78,350,275 and the excess of the previous years was Rs. 136,085,005 concurrently to the year under review. Accordingly a decline by Rs. 57,734,730 is observed in the financial results. The decrease in the fee for international training courses and increase in the academic allowances have caused for the decline.

3. Operational Review

3.1 Operational Inefficiencies

Audit Observation	Management's Comment	Recommendation
During the year under review consumer items to the value of Rs. 14,113,056 have been purchased and stores management systems have been applied only for 60/- of the above i.e. value of Rs. 8,457,474. Further no action has been taken to appoint a store keeper permanently. By the end of the year items to the value of Rs. 4,619,560 remained unutilized and it was observed that items to the value of Rs. 1,989, 715 i.e. 43/- from the balance of stock were remaining as underutilized items for more than 06 months. Purchased consumer items to the value of Rs. 5,635,581 i.e 40/- out of the above have been sent directly to the relevant divisions without following store management systems and maintaining only the computer entries. Further no administrations system has been applied for confirmation of the facts such as ordering relevant items, purchasing, issuing and the balance of the stock.	No comment has been made.	Proper control system should be introduced and implemented.

3.2. Human Resources Management

Following observations are made in this regard.

Audit Observation	Management 's Comment	Recommendation
The approved academic staff and non academic staff of the institution were 18 and 26 respectively. 03 and 09 posts out of the above have fallen vacant.	Recruitments have been made in order to fill two vacancies in grade II of Senior Lecturer following prescribed scheme of recruitment by way of calling applications in year 2020. Action will be taken in future to make recruitments to the posts of lecturer , which have fallen vacant.	Action should be taken to fill the vacancies.

4. Accountability and Good Governance

4.1 Sustainable Development Goals

Audit Observation	Management's Comment	Recommendation
Every Government Institution should take action in terms of the agenda for 2030 of United Nations on Sustainable Development. However Post Graduate Institute of Management has not been with a sound understanding in their works as to how the institute should implement the tasks which are fallen under the scope of the institute. Therefore the institute has not taken action to identify the sustainable development objectives, goals , and the turning points for achieving them and the indicators to measure the achievements.	Action will be taken in future to prepare sustainable development goals, objectives and relevant indicators and also to take action accordingly.	Sustainable Development Goals should be identified and implemented as per the Circular.