

**1. Financial statements**

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**1.1 Opinion**

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The audit of the financial statements of the Postgraduate Institute of Archaeology for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 and the National Audit Act No. 19 of 2018 read in conjunction with provisions of the Section 20 of the Postgraduate Institute of Archaeology Ordinance No. 02 of 1985 enacted under Section 18 of the Universities Act No. 16 of 1978 and Sub-section 107 (5) of the Universities Act. 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 2020, 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**

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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**

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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**

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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.

## **2. Financial Review**

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### **2.1 Financial Results**

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The operating result of the year under review had been a deficit of Rs. 6,373,891 as compared with the corresponding deficit of Rs. 792,586 in the preceding year, thus observing a deterioration of Rs. 5,581,305 in the financial result. The increase in operating expenditure than the increase in operating income had mainly attributed to the said deterioration.

### **2.2 Trend Analysis of Major Income and Expenditure Items**

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- (a) The total income for the year ended 31 December 2020 was Rs. 105,750,362 as compared with the corresponding income of Rs. 95,019,398 in the preceding year, thus observing an improvement of Rs. 10,730,964 or 11.30 percent in the income as compared with the preceding year. The government recurrent grant of Rs. 89,251,000 had mainly attributed to the said improvement.
- (b) The total expenditure of the year under review was Rs. 112,124,253 and total expenditure in the year 2019 was Rs. 95,811,983, thus observing an increase in the expenditure by Rs. 16,312,270 or 17.03 percent in year under review compared to the year 2019. The increase in personal emoluments of the year under review by RS. 21,211,607 in the total expenditure compared to the year 2019 had mainly attributed to the increase in the total expenditure.

### **2.3 Ration Analysis**

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#### **(a) Return on Investment**

The rate of return on investment in 2019 was (0.14) and in the year under review it was (1.19).

It is an increase in the deterioration with compared to the year 2019.

#### **(b) Current Ratio**

The current assets for current liability ratio should be maintained at minimum of 2: 1 but the current assets for current liability ratio in 2020 was 2.47: 1, and this ratio in 2019 was 3.14: 1.

### 3. Operating Review

#### 3.1 Management Inefficiencies

The following observations are made.

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) According to the Library Books verification conducted in 2019, 308 books and 535 publications were misplaced.	Misplacements had been submitted to the Board of Management meeting.	Action should be taken against the relevant responsible parties or to get back the lost books and publications.
(b) According to the report prepared for the development of the library, due to the current WINISIS management system used by the library has caused many problems and limited facilities and therefore, the need for a new library management system has been identified but the required action had not been taken until the date of the report.	It was stated that the procure of a library software system was delayed due to lack of provisions and it had been submitted to the Board of Management to take a decision regarding the proposed software system to be implemented.	The software system should be taken without delay.

#### 3.2 Operational Inefficiencies

The following observations are made.

<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a) The number of courses planned to be implemented in 2020 was 07 and it had been reduced to 05 courses in the year 2021.	Due to the less job opportunities and the lack of interest of the students in these courses, the enrollment of students has decreased which has led to the drop out of these two courses.	Management should focus on increasing student's attraction for the course.

- (b) It was observed that in the test check conducted on the process up to the release of the results from evaluation of the tutorials related to the courses conducted in 18 instances in the year 2019, 61 days to 111 days were taken for handing over the dissertations submitted to the institute by the undergraduates to the first and second examiners and in 13 instances period ranged from 104 days to 296 days were taken to examine the tutorials.
- It was observed that in 10 instances, issuance of results was delay due to 194 days to 273 days was taken to conduct oral examinations after the checking of the dissertation and to obtain the approval of the Senate for the results.
- It was informed that, the relevant delay has occurred as it takes some time to the students to re-correct the dissertations after the oral test as per the instructions given to them and submit it with the recommendation of the dissertation instructor. Also, the final results of the oral examination should first be submitted to the Education board for approval and then to the Board of Management and to the Senate for confirmation.
- The delay is due to the fact that it takes at least 02 months to obtain the recommendation and approval of the Board of Education and 02 months for the recommendation and approval of the Board of Management and at least 02 months to submit it to the Senate. Therefore, inform you that action will be taken to minimize these delays in the future.
- Necessary action should be taken to release the results without delay.