

1. Financial statements

1.1 Qualified Opinion

The audit of the financial statements of the Postgraduate Institute of English 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 read in conjunction with provisions of the Finance Act, No. 38 of 1971 and the National Audit Act, No. 19 of 2018. My comments and observations which I consider should 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 financial statements give a true and fair view of the financial position of the Postgraduate Institute of English as at 31 December 2020, and its financial performance and 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 based 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 determines 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 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 Responsibility 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 audit 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 scepticism 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 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 audit 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 audit 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 Audit Observation on Preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with Reference to the relevant Standard	Comments of the Management	Recommendation
(a) Although assets and liabilities should not be offset except as required or permitted under paragraph 48 of Sri Lanka Public Sector Accounting Standards 01, the bank overdraft of Rs.514,601 as at 31 December 2020 had been shown by offsetting against the cash and bank balances.	Although it was observed that there was an overdraft of Rs. 514,601 in the current account number 174100336838310 as at 31 December 2020 in the cash book, there was no actual bank overdraft as the funds from the savings account credits to the current account.	The overdraft as per the cash book should be disclosed in the Financial Position Statement and the Cash Flow Statement as per the standard.
(b) Although the amortization of non-cash items amounted to Rs.118,000 should be added under the operation activities in the cash flow statement in accordance with paragraph 30 (b) of Sri Lanka Public Sector Accounting Standards 02, that amount had been deducted.	The value indicated by the audit was corrected and the revised Cash Flow Statement for the year 2020 has been submitted. The difference pointed out for the year 2020 was zero.	The cash flow statement should be prepared in accordance with the standard.

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| (c) | Even though the value of cash and cash equivalents as at 31 December in the financial position statement should be equal to the value of cash and cash equivalents in the cash flow statement in accordance with the Sri Lanka Public Sector Accounting Standards 02, difference of Rs. 35,854 in cash and cash equivalents in the year under review was observed. | The revised cash flow statement for the year 2020 is attached in Annex 1 where the difference indicated for the year 2020 was zero. | The cash flow statement should be prepared in accordance with the standard. |
| (d) | Corrections of material prior period errors amounting to Rs. 1,723,702 had been adjusted to the accumulated profit instead of adjusting to retrospectively in accordance with the paragraph 47 of the Sri Lanka Public Sector Accounting Standards 03. | As per the comments of the audit, the value will be correctly adjusted to the prior year when preparing accounts for the next year. | The accounting standard of should be followed. |

1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation	
(a)	Even though the investment interest income received in cash for the year under review was only Rs. 3,712,799, investment interest income in the cash flow statement was shown as Rs. 3,535,351.	The revised cash flow statement for the year 2020 is attached in Annex 1 where the difference indicated for the year 2020 was zero.	The cash flow statement should be prepared correctly.
(b)	The investment interest income for the year under review amounted to Rs. 112,610 had been accounted as income for the previous year.	Even though the audit has pointed out as the maturity date of Treasury bills was in the year 2020, the interest was adjusted by Journal No. 96 for the year 2019. The interest for the relevant treasury bills in the year 2019 has been adjusted	Income related to the year should be correctly identified and accounted for.

to the accounts so the interest in the year 2020 has not been considered in the preparation of the accounts.

- (c) A difference of Rs. 410,940 was observed when comparing schedules with the ledger accounts related to the student income of 08 courses.
- The academic year for the courses and the accounting year of the institute are different and it is very difficult to pinpoint the course fees received in advance and the course fees due as the periods for leaving the selected subjects of the courses and adding new subjects do not expire in the current year. For this reason there are some discrepancies between the value in the financial statements and the value in the schedules. But measures have been taken to prevent such differences in the future.
- According to the information available in the Accounts Division and the Student Registration Division, a comparison of student income should be made and the correct student income should be identified.
- (d) According to the financial statements, the fixed asset cost was Rs.115,414,410 and according to the fixed asset register it was Rs.13,082,250 and a difference of Rs.102,332,160 was observed.
- This difference is due to the facts that buildings, machinery, library books which are not included in the fixed asset register and due to some assets identified in the board of survey report being removed and written off from the accounts but not removed from the fixed asset register.
- Fixed assets as per the financial statements should be reconciled with the fixed assets register.

1.6 Payable and Receivable Accounts

1.6.1 Accounts Receivables

Audit Observation	Comments of the Management	Recommendation
<p>Receivables from Students income as at 31 December of the year under review was Rs. 4,306,380 and the balance for more than 03 years was Rs. 2,003,100. A proper mechanism had not been followed to recover those money.</p>	<p>Arrangements have been made to send vouchers to recover due fees (from active students) from the students and action will be taken to recover those fees from those students. However, it is not possible to recover the money from students who have left the country and dropped out of the courses due to various reasons.</p>	<p>Action should be taken to establish a mechanism to recover the identified receivable balances due in each year in a timely manner.</p>

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

The following observations are made.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Public Finance Circular No. 01/2014 dated 17 February 2014	An action plan had not been prepared for the year under review as per the circular.	The facts regarding this observation are not clear and further study is required. However, the action plan of the institution has been prepared as per the relevant circular instructions relevant to the context of this institution.	The circular should be followed.
(b) Procurement Guide Lines 4.2.1 and 4.2.2 of Government Procurement Guide Lines	No major procurement plan and procurement time table had been prepared for minimum period of 03 years.	Action will be taken to prepare the procurement plan of the institution covering the next 03 years as well in the future.	Procurement guidelines should be followed.

- (c) University Grants Commission Circular No. 636 dated 14 July 1995
- Even though the results should be released within 03 months from the date of the examination, the institute had not complied accordingly with regard to 32 examinations held from 2018 to 2020.
- Working period was remained at minimum level due to the 2019 Easter attacks and employees' strikes. Further, the institute was closed during the period of prevention of the spread of Covid disease from 14 March to 31 December 2020 and it was a risky period for regional quarantine and individual quarantine as well as minimizing interpersonal relationships. However, there have been unavoidable delays in the activities such as distribution and retrieval of question papers during this period.
- Circular provisions should be followed.
- (d) Section 8.2.2 of the Public Enterprise Circular No. PED / 12 of 02 June 2003
- The institute had invested a sum of Rs. 81,331,800 in Treasury bills without obtaining the prior approval of the Minister in charge of Finance.
- The institution has invested in treasury bills only the surplus student income earned by the institution. The Board of Management has approved the investment of excess money.
- The circular should be followed.

2. Financial Review

2.1 Financial Results

The operating results for the year under review had been a surplus of Rs. 7,766,962 as compared with the corresponding surplus of Rs. 12,358,145 for the preceding year, thus observing a deterioration of Rs.4,591,183 in the financial result. The decrease in the course fee by Rs. 3,678,845 and increase in recurrent expenditure by Rs. 3,745,474 had mainly attributed to this deterioration.

3. Operating Review

3.1 Under -utilization of Funds

Audit Observation	Comments of the Management	Recommendation
The balance of PGIE Development Fund as at end of the year under review amounted to Rs. 3,967,500 had not been utilized for the intendent purposes for a period of 05 years.	This matter was also discussed at the 21st Audit Committee Meeting held on 20 August 2020 and as per the decision taken at the Board of Management on 16 October 2020, the funds of the Development Fund have been allocated for utilization of the Management Information System for the use of the institution.	Funds should be utilized for established purposes.