

Postgraduate Institute of Sciences - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Post Graduate Institute of Science for the year ended 31st December 2020 comprising the statement of financial position as at 31st December 2020 and the statement of financial performance and 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 and the Finance Act No.38 of 1971. 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 the Paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the institute as at 31st 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 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 the 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 Institution'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 institution or to cease operations, or has no realistic alternative but to do so.

Those in charge with governance are responsible for overseeing the institution's financial reporting process.

As per the 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 the audit in accordance with the 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, 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 institution'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 Institution'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 Institution 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 whenever 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 Institution, 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 institution has performed according to its powers, functions and duties; and
- Whether the resources of the institution had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with reference to particular Standard	Management Comment	Recommendation
(a) As per the paragraph 76(d) of Sri Lanka Public Sector Accounting Standard 01; The Fixed Deposits with the total of Rs.429,868,066 which expected to be realized within two months after the reporting date should be presented under current assets in the Statement of Financial position, but was presented under non-current assets.	Since we invest money in fixed deposits with the intention of obtaining long-term investment returns on an annual Auto Renewal basis, we have adopted an accounting policy of presenting fixed deposit investments in financial statements under non-current assets over a long period of time.	It should comply with accounting standards.
(b) As per the paragraph 47 of Sri Lanka Public sector Accounting standard 07, The Assets revalued in 2010 and 2011 valued at Rs.15,116,057 were completely depreciated However, no action was taken to revalue those assets again during the year under review.	Due to the prevailing epidemic situation in the year 2020, An asset revaluation was not done and action will be taken for that in the future.	It should comply with accounting standards

1.5.2 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
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Due to an amount of Rs.11,223,850 which was recognized as income due for the academic year 2016/2017 and 2017/2018 being accounted as income for the year, instead of adjusting them retrospectively, the income for the year was overstated by that amount

The accounting policy for accounting of Course fee receivables had been followed by us since the year ending 31st December 2019. All course fees due on 31st December 2020 which could not be identified on that day are included in the course fees receivables as on 31st December 2020.

When identifying income, it should be taken into account in relation to the period in which the revenue was generated.

1.6 Accounts Receivable and Payable

1.6.1 Payables

Audit Issue	Management Comment	Recommendation
(a) 15 balances amounting to Rs. 2,117,843 which were presented as expenses payables from 31 st December 2017 to 31 st December 2019 for Short Course, Workshop & Other had not been settled also during the year under review.	Those balances that fail to be settled and set off immediately will be transferred to the Work Shop & Event Fund subject to proper approvals.	Action should be taken to pay and settle All payables immediately.

1.7 Non-compliance with Laws, Rules and Regulations

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
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 Act

Section 08 (i) of
 the Finance Act
 No. 38 of 1971

Although a budget had
 to be prepared and
 approved by the Board
 of Management three
 months prior to the
 commencement of each
 financial year, it had not
 been acted upon.

We submit the Budget Estimates
 for the coming year to the
 University Grants Commission,
 04 months prior to the
 preparation of the State Budget.
 Recurring Grants and Capital
 Grants Allocated to Us by the
 University Grants Commission is
 announced in December.
 Accordingly, as the audit has
 shown, it is not possible to
 prepare the budget three months
 in advance.

Provisions
 of the
 Finance Act
 should be
 complied
 with.

2. Financial Review

Financial Result

The operating result of the year under review amounted to a surplus of Rs.15,838,955 and the corresponding surplus in the preceding year amounted to Rs.40,804,151. Therefore a deterioration amounting to Rs.24,965,196 of the financial result was observed. This deterioration was mainly due to the reduction of course fees by Rs.39,861,425.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue

The funds of the institution were invested in 24 fixed deposits from time to time from the year 2002 to 2020 and it was observed that the bank interest income is earned by retaining the funds as fixed deposits for a very long period of time. The funds could have been used in a systematic and effective manner to achieve student education and welfare, which would have provided opportunities for more students to pursue postgraduate studies

Management Comment

All capital expenditures are borne for facilitating student academic activities. Accordingly, the bank interest and other income earned by us have been utilized in a very effective manner for the postgraduate activities of the students.

Recommendation

Funds should be utilized to reduce Course fees so as to enable more students to pursue postgraduate studies and to enhance student education and welfare.

3.2 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
<p>(a) According to Criterion 07 of the Handbook on Review of Undergraduate Courses in Universities and Higher Education Institutions of Sri Lanka issued in the month of December 2015 by the University Grants Commission, The approval of the Board of management and the University Grants Commission should be obtained by formulating a specific methodology and standards to be followed in planning of Examination conducted by the institute, preparation of question papers, improvement of them, scrutiny, grading and reviewing but only the approval of the Board of Management was obtained.</p>	<p>We follow the procedures introduced with the approval of the Board of management of the University of Peradeniya for the re-scrutiny of the answer scripts. As stated in paragraph 11(2)i of the Postgraduate Institute of Science Regulations No.01 of 1991, the approval of the University Grants Commission is not required for the implementation of these methodologies and the approval of the University Governing Council is enough.</p>	<p>It should comply with the relevant guidelines.</p>
<p>(b) Out of 1052 students enrolled in the Postgraduate Institute during the period 2016-2018, The number of students who did not complete the course within the maximum time limit allowed to complete the course was 756 or 72 percent.</p>	<p>In the 2016/2017, 2017/2018, 2018/2019 academic years, students were unable to complete their courses on time due to unavoidable reasons. The prevailing security situation in the country and the prevailing Covid virus situation have greatly affected the research activities of these students and the research and laboratory experimentations for research have been halted in many cases.</p>	<p>It should make the Students' awareness on completing the course on time.</p>

3.3 Under -utilization of Funds

Audit Issue	Management Comment	Recommendation
<p>(a) From the fund established in</p>	<p>Based on the balance of</p>	<p>Funds should be</p>

2018 in order to provide research and scholarship facilities in the Postgraduate Institute of Science, no expense has been incurred for scholarships or research activities so far and by the end of the year under review there was a balance of Rs.7,771,002.

Rs.7,771,002 pointed out by the Audit, 12 research projects at a cost of Rs.500,000 each have been awarded with the approval of the Board of Management but the time taken to analyze the research proposal applications has exceeded the proposed time. Also, some research applications are being re-analyzed for correction and award based on the advice of analysts.

utilized efficiently for the purposes for which they are received.

- (b) 08 research funds amounting to Rs.2,353,608 provided for research activities were underutilized during the year 2020.

The balance of 03 research funds has been settled. 02 research funds completed and there are balances of 03 research funds requested by the relevant lecturers to transfer the remaining balance to the Post Graduate Research and Special Fund and there has been some reduction in payments related to certain research projects, due to the disruption of research activities in the face of Covid epidemic in the year 2020.

Funds should be utilized efficiently for the purposes for which they are received.

3.4 Human Resources Management

Audit Issue

Compared to the approved staff and the actual staff in 2019, there were 11 vacancies in 09 posts and a surplus of 05 in 02 posts. No action had been taken to fill the existing vacancies immediately and to obtain approval for surplus posts as required.

Management Comment

According to the approved staff list of the institute for the year 2017, 03 out of the 07 vacancies for academic posts have been filled up and actions are being taken to fill the vacancies for temporary research assistants. Recruitment for other vacancies will be made on the recommendation of the Board of Management in complies

Recommendation

Action should be taken to recruit for vacant posts and to get approval for surplus posts immediately.

with the requirements and amount of cost in the institution.

4. Accountability and Good Governance

Budgetary Control

Audit Issue

The budget was not used as an effective controlling instrument, as It was observed the variations ranged from 17 percent to 27 percent in 05 revenue subjects and from 21 percent to 86 percent in 05 expenditure subjects, When comparing the real income/ expenditure with the budgeted revenue/ expenditure of the year under review

Management Comment

The Postgraduate Institute of Science has taken steps to use the budget as an effective controlling instrument while maintaining a relatively low level of variability even in the face of the Covid epidemic in the country.

Recommendation

A realistic budget should be prepared and adapted