

Postgraduate Institute of Humanities and Social Sciences - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Postgraduate Institute of Humanities and Social Sciences for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 and Finance Act No.38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effect 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 Institute as at 31 December 2021, and of 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 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 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 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 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 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 the Relevant Standard	Management Comment	Recommendation
Since the useful life of non-current assets had not been annually reviewed in accordance with the Paragraph 65 of Sri Lanka Public Sector Accounting Standard 7, 14 units of office equipment costing Rs.10,019,769 and the multimedia projector costing Rs.2,093,728 were further in used despite fully depreciation as at 31 December 2021. No action had been taken to revise the resultant error in the estimation in terms of Sri Lanka Public Sector Accounting Standard 3.	Action will be taken to annually review and revalue useful life of the non-current assets in accordance with Sri Lanka Public Sector Accounting Standard 3 from the year 2022.	Action should be taken in accordance with Sri Lanka Public Sector Accounting Standards.

1.5.2 Accounting Policies

Audit Observation

Management Comment

Recommendation

Although the policy of the institute was to identify the course fees received within the maximum period given for the completion of postgraduate courses alone as the income, course fees of Rs.16,800,252 relevant to 09 courses that had not been received within the maximum period had been identified as the income.

Action has been taken to obtain Treasury approval to write off from the financial statement the course fees of Rs.16,800,252 that has not been still received and expired the maximum period given.

Action should be taken in accordance with the accounting policies.

1.6 Accounts Receivables

Audit Observation

Management Comment

Recommendation

The outstanding course fees due from the registered students as at 31 December of the year under review was Rs.73,548,307 of which Rs.23,087,364 remained unrecovered for more than a period of 05 years.

There is a delay in the recovery of dues from the students due to prevailing Covid epidemic situation.

The receivable course fees should be recovered within the prescribed period.

1.7 Non-compliance with Laws, Rules and Regulations

Reference to Laws, Rules , Regulations etc.	Non-compliance	Management Comment	Recommendation
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(a) Financial Regulation 880 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	No security deposits had been obtained from 04 officers who are required to give securities in accordance with the Security Ordinance.	This matter has been referred to the University Grants Commission to determine the amount to be deposited as the security.	Action should be taken in accordance with the Financial Regulations.
(b) Paragraph 6.5.3 of the Public Enterprises Circular No.PED/12 dated 02 June 2003.	Even though the annual report containing the performance of the preceding year should be tabled in Parliament along with the Audit Report within 150 days from the	That the 2020 annual report is ready to be presented to Parliament on a date that will be notified by the Ministry of Education.	Action should be taken in accordance with the circular instructions.

expiry of the financial year, the annual report for the preceding year had not been tabled in Parliament even as at 31 March 2022.

2. Financial Review

2.1 Financial Result

The operating result for the year under review was a surplus of Rs. 70,034,596 as compared with the corresponding surplus of Rs. 43,163,553 for the preceding year. Accordingly, an improvement of Rs. 26,871,043 in the financial result was observed. This improvement was mainly due to increase in the internal income earnings by Rs. 32,314,388.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
(a) Approval of the University Grants Commission had not been obtained for 58 degree courses conducted by the Institute even by the end of the year under review.	The details relating to obtaining approval from the University Grants Commission for these courses has been sent to the University Grants Commission on 04 December 2019 and at present, they had been referred to the Quality Assurance Council of the University Grants Commission to review the relevant courses.	Action should be taken to get approval from the University Grants Commission.
(b) Even though the students without a basic degree should pass a qualifying examination in the selection for the course of postgraduate degree in tourism, 07 undergraduate had been admitted to the course without conducting such examination	There have been several shortcomings in the first time selection process of the students for the Post Graduate Program in Sustainable Tourism.	Students for the postgraduate degree courses should be enrolled in accordance with the recruitment procedures.

3.2 Operational Inefficiencies

Audit Observation	Management Comment	Recommendation
<p>The number of students enrolled for the courses of Psychology, Philosophy and Education had decreased by 64 per cent and 69 per cent in the preceding year and the year under review respectively compared to the year 2019. Similarly, enrollment of foreign students had also decreased by 55 per cent and 58 per cent in the preceding year and the year under review respectively as compared with the year 2019.</p>	<p>Due to extending the course period of the relevant students due to the prevailed Covid 19 situation, it was not possible to enroll students for the relevant course in the year 2021 and the registration of foreign students for the postgraduate courses of the institution was at a very low level.</p>	<p>Realistic annual action plans should be prepared and action should be taken according to those plans.</p>

3.3 Underutilization of Funds

Audit Observation	Management Comment	Recommendation
<p>(a) Although Rs.9,444,126 had been received in the preceding year and the year under review for the SEDRIC project implemented under the France assistance, a sum of Rs.8,986,126 of that amount remained underutilized even as at 31 December 2021.</p>	<p>As it was not possible to carry out field programmes due to the disastrous situation prevailed in the country in the years 2020 and 2021, that amount remained underutilized.</p>	<p>Funds should be optimally and efficiently used for the relevant activities in order to achieve the institutional objectives.</p>
<p>(b) A sum of Rs.6,699,195 received as the grants from the China Minan Buddhist College in the years 2017, 2018 and 2019 to build a building complex to provide hostel facilities to the foreign students had been invested in fixed deposits without being used for the relevant purpose.</p>	<p>The institute had decided to utilize these funds to initiate activities for the construction of a student hostel building and those funds were invested in the fixed deposits until the preparation of initial activities of the construction.</p>	<p>Funds should be optimally and efficiently used for the relevant activities in order to achieve the institutional objectives.</p>

3.4 Defects in Contract Administration

Audit Observation	Management Comment	Recommendation
<p>According to the agreement for the contract of widening the access road of the institute and construction of a</p>	<p>Due to the reasons such as approval of payments for additional works, delay in</p>	<p>Necessary measures should be taken to complete contract</p>

garage to park vehicles and a side wall, the contract valued at Rs.4,666,843 should have been completed by 27 May 2019, but the work had not been completed even by 31 December 2021. payment of money and activities within the unfavourable situation that contracted period. prevailed in the country during the year 2020, these works could not be completed on the scheduled date.

3.5 Human Resource Management

Audit Observation

Without revising the approved cadre, 16 employees had been recruited on contract basis for posts not included in the approved cadre on exigencies of service and paid Rs.7,263,351 as salaries and allowances during the year under review.

Management Comment

In accordance with the University Grants Commission Circular No. 2016/04 and with the approval of the Board of Management of the institution, the above employees have been employed on contract basis until the permanent staff are recruited for those positions after the approval of the posts.

Recommendation

Further action should be taken by revising approved cadre in keeping with the requirement.