

Postgraduate Institute of Science - 2021

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Postgraduate Institute of Science 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, the 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 Opinion

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 unqualified 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 Accounts Receivables

Audit Observation	Management Comment	Recommendation
(a) The distress loan and computer loan amounting to Rs. 112,988 due from an officer had not been recovered for more than a period of 05 years.	Action will be taken to settle this amount in the future from the University Provident Fund which has not been released so far.	Action should be taken to recover the loan balances that remained unrecovered.
(b) Outstanding course fees of Rs. 30,140,292 due from 1,794 students relating to the period from 2017 to the preceding year had not been recovered.	Since academic activities could not be duly carried out due to the Covid-19 situation prevailed in the years 2020 and 2021 and as it was unable to carry out academic activities as planned due to the country being entirely shut down for several month, there had been a delay in the recovery of course fees.	Action should be taken to recover the outstanding course fees.

1.6 Non-compliance with Laws, Rules and Regulations

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Financial Regulation 880 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Security deposits had not been obtained from 04 officers who were required to give securities as per the provisions of the Government Officials	Security deposits are not obtained from the officers other than the cashier of the university system as specified in the Financial Regulation 880.	Action should be taken in accordance with the Financial Regulations

Security Ordinance.

- (b) Paragraph 6.5.3 of 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 expiry of the financial year, the annual report for the preceding year had not been tabled in Parliament even as at 31 December 2021. The Ministry of Higher Education had not fixed a date to table the annual report for the year 2020 in Parliament. Action should be taken in accordance with circular instructions.

2. Financial Review

2.1 Financial Result

The operating results of the year under review was a surplus of Rs. 48,875,456 as compared with the corresponding surplus of Rs. 4,615,105 for the preceding year. Accordingly, an improvement of Rs. 44,260,351 in the financial result was observed. This improvement was mainly due to increase in the course fees income by Rs. 54,815,342 and the foreign exchange profit by Rs. 7,624,333.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation

Although a period of a year has passed since the Committee on Public Enterprises had recommended that an investigation be conducted and reported as to how Rs. 6,386,200 was paid for the environmental impact assessment report during the construction of the Badulla - Kandy Expressway and whether it has been properly spent, no adequate progress of that task has been shown thus far.

Management Comment

Investigations of the Board of Inquiry appointed on 13 December 2021 have not been completed.

Recommendation

A formal investigation should be conducted within the prescribed time and reported to the Committee on Public Enterprises.

3.2 Operating Inefficiencies

Audit Observation

Management Comment

Recommendation

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| (a) | It had been expected to enroll 520 students for postgraduate and diploma courses during the year under review. Nevertheless, only 156 students had been enrolled and it was as low as 30 per cent of the expected amount. | There were observed a shortfall in the registration of students for some courses due to the Covid epidemic situation. | Attention should be focus to enroll the desired number of students to the courses in accordance with the annual plans. |
| (b) | Only 18 students had been registered from the year 2017 to the year under review for 10 doctorate degree courses conducted by the institute. The number of registered students had gradually decreased from the year 2017 to the year under review and only one student had been registered in the previous year, whereas not even a single student had been registered in the year under review. In addition, not a single student had been registered for some courses for the entire 05 years. | This situation has arisen due to the reduction of the allocations made for the years 2020 and 2021 by the National Science Foundation and National Research Centers, which provide funding for research degrees in Sri Lanka. | Attention should be focus to enroll the desired number of students to the courses in accordance with the annual plans. |

3.3 Underutilization of Funds

Audit Observation	Management Comment	Recommendation
(a) A sum of Rs. 2,083,789 existed as at 31 December 2021 in the Funds Account opened in the year 2018 to provide facilities for the students for their research activities had not been utilized.	The Research Fund, which was started in the year 2018, has awarded Rs.5,929,600 for 12 research projects thus far and applications have already been invited for providing research grants of nearly 5 million including the balance of Rs.2,083,789.	Funds should be efficiently used for the relevant purposes.
(b) Five research grants of Rs. 1,776,855 received in the previous year and the year under review had not been utilized even by 31 December 2021.	The shortage of chemicals and technical equipment in the country has also affected the inability to implement research projects as planned.	Funds should be efficiently used for the relevant purposes.