

1. Financial statements

1.1 Qualified Opinion

The audit of the financial statements of the Postgraduate Institute of English Language for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 section 107(5) of the Universities Act No. 16 of 1978 and section 18 of the Postgraduate Institute of English Language Regulations No. 04 of 2005 enacted under section 18 and the provisions of the section 12 of 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 2022, 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)	According to paragraph 48 of Sri Lanka Public Sector Accounting Standard 1, although assets and liabilities shall not be offset unless required or permitted, the bank overdraft amounting to Rs.1,478,285 as on 31 December 2022 had been offset from the cash balance. As such, the cash and bank balance of current assets and current liabilities were understated by that amount in the financial statements.	The value shown by the audit was not a bank overdraft. Due to the two accounts are swift facility, this negative value was transferred from the other account.	Sri Lanka Public Sector Accounting Standards should be complied.
(b)	In accordance with Sri Lanka Public Sector Accounting Standard 2, the sources of cash inflows and items of cash expenditure during the reporting period were not accurately shown to represent the cash balance as at the reporting date. Accordingly, a calculation error of Rs.10,233 in operating activities, understatement of working capital variance by Rs.142,007, advance of Rs.476,900 shown in both operating and investment activities and overstatement of investment interest income by Rs.54,752 were revealed in the audit in the cash flow statement submitted as on 31 December of the year under review.	That corrections will be done in the preparation of future accounts on retrospective basis.	Sri Lanka Public Sector Accounting Standards should be complied.
(c)	In accordance with the paragraph 47 of the Sri Lanka Public Sector Accounting Standard 03, although corrections of material prior period	Material errors were retrospectively adjusted and	Sri Lanka Public Sector Accounting Standards should

errors should be adjusted retrospectively by restating the comparative figures presented for the period in which the error occurred, the prior year adjustments for a total amount of Rs.635,768 were not retroactively adjusted. presented in 2021. be complied.

- (d) According to paragraph 14 of Sri Lanka Public Sector Accounting Standard 7, the fingerprint machine worth Rs.117,040 had been written off as a recurrent expenditure instead of identifying under property, plant and equipment. As such property, plant and equipment was understated and the deficit for the year was overstated by that amount in the financial statements. Due to the failure of Sri Lanka Public Sector Accounting Standards should be complied. efforts of actions to correct the operation of the fingerprint machine, only the relevant machine was replaced. As it was a part of the fingerprint machine maintenance operation, that cost was shown in the accounts under maintenance cost.
- (e) In accordance with paragraph 39 of Sri Lanka Public Sector Accounting Standard 10, without disclosing the accounting policy for the identification of revenue, out of the income of Rs.4,956,800 received for 03 courses in the year 2022, a sum of Rs.2,319,450 was accounted as income for the year under review and a sum of Rs.2,637,350 was accounted as pre-received income. The accounting Sri Lanka Public Sector Accounting Standards should be complied. policy used in future accounting activities will be disclosed.

1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Due to evidence was not submitted, the accuracy of 04 journal vouchers with a total value of Rs.732,793 could not be verified.	No reply was made.	This kind of situation was observed in the previous year as well and that the evidence for journal vouchers should be submitted as scheduled.
(b) According to the financial statements of the institution, the balance receivable from the Open University of Sri Lanka was Rs.396,019, but according to the financial statements of the Open University, the balance due	The document sent by the Open University is submitted herewith.	The balances resulting from the transactions between the institutions should be compared and the accounts should be kept.

to the institution was Rs.33,002. Accordingly, a discrepancy of Rs.363,017 was observed.

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| (c) | According to the ledger accounts, although the income of the 03 courses related to the year under review was Rs.15,442,305, according to the relevant schedules, the income was Rs.14,676,745, as such, a discrepancy of Rs.765,560 was observed. | The ledger balance in the TESL course fee was correct and the value before adjusting the journal was shown in the schedules, that PPE course fees and examination fees will be adjusted retroactively in the future, and in the adjustment of NEW MA TESL course fee, due to the large number of students and more complex calculations, only cash income and accrual values had been adjusted. | Income should be accurately accounted. |
| (d) | Although an amount of Rs.8,561,799 was paid for the purchase of treasury bills, the face value of Rs.9,000,000 was shown as investment. As such, the treasury bills investment account and treasury bills interest income account were overstated by Rs.438,201 in the year under review. | The balance of the Treasury Bill Investment Account and the balance of the Balance Confirmation Letter was adjusted by a journal entry. | Treasury bills investments and interest income should be accurately accounted for. |
| (e) | In the correction of over accounted of treasury bill interest income of Rs.142,008 in the year 2021, it was deducted from the income of the year under review instead of being adjusted to the income of the previous year. As such, the income of the year under review was understated by that amount in the financial statements. | The relevant adjustment was retroactively adjusted in the financial statements. | Treasury bills investments and interest income should be accurately accounted for. |

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Section 11(a) of the Finance Act No. 38 of 1971 and University Grants Commission Internal Audit Circular Letter No. 04/2019 dated 29 July 2019	A sum of Rs.108,831,800 had been invested by the institute as on 31 December 2022 without obtaining the prior approval of the Minister of Finance.	The income earned by the institution has been invested in the treasury bills and the approval has been obtained in the 79th Management Board held on 17 July 2015.	The Finance Act and circulars should be followed.
(b) National Budget Circular No. 03/2022 dated 26 April 2022 and Secretary to the Treasury letter No. BD/HRD/126/214/19/2023 dated 18 January 2023	Contrary to the circular, a sum of Rs. 901,234 had been spent for the purchase of air tickets for a lecturer and her spouse on 17 November 2022, 103 days before the respective foreign travel, who are proceeding to take sabbatical leave from 01 March 2023.	As requested by her, the air tickets were issued after obtaining the approval of the Ministry of Higher Education in November 2022 and the said restriction was not made during the relevant period.	The provision of the circulars and the letter should be followed.
(c) University Grants Commission Circular No. 636 dated 14 July 1995	Out of 45 examinations conducted under 04 courses in the year under review, the release of the results of 12 examinations was delayed from 15 days to 95 days and the results of 04 examinations had not been released even by 23 March 2023.	Most of the evaluation activities related to the courses are done by the guest lecturers and due to those lecturers were very busy, there has been some delay in the evaluation activities.	The provision of the circulars should be followed.
(d) Section 2.3 of Public Enterprises Circular No. 01/2021 (Operational Manual) dated 16 November 2021	The action plan and its progress were not submitted for audit.	Approval of these reports could not be obtained due to the delay in holding the next meeting as the term of office of the Management Board of the Institute expired in January 2023.	The provision of the circulars should be followed.

2. Financial Review

2.1 Financial Results

The operating results for the year under review had been a surplus of Rs. 17,750,951 as compared with the corresponding surplus of Rs. 21,386,768 for the preceding year, thus observing a deterioration of Rs.3,635,817 in the financial result. The decrease in course fee income by Rs. 4,816,382 and in government recurrent grant by Rs. 2,436,000 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 Rs.3,967,500 in the Institute Development Fund (PGIE Development Fund) had not been used for the related purposes for a period of 07 years.	This amount is expected to be used for the management information system of the organization and the initial works of it had already been commenced.	Funds should be utilized for the established purposes.

3.2 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
07 officers were recruited on contract basis only on the approval of the Management Board for the posts not included in the approved cadre and a total sum of Rs.5,449,707 had been paid as salary during the year under review.	These appointments have been made in accordance with a temporary recruitment procedure approved by the Governing Council of the Open University. The University Grants Commission had given a temporary approval under self-financing for this in 2020.	Recruitment should be done on proper approval.