

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 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 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 effects 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 2022, 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 judgement 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
Donations received amounting of Rs.1,309,280 during the year under review had not been accounted in accordance with Sri Lanka Public Sector Accounting Standard 11.	Will be corrected in the preparation of the financial statements of the year 2023.	Actions should be taken in accordance with Sri Lanka Public Sector Accounting Standards.

1.5.2 Accounting Deficiencies

Audit Observation	Management Comment	Recommendation
(a) Although policy of the institute was to identify the course fees received within the minimum period given for the completion of postgraduate courses and to write off the unrecovered income within the maximum period, The course fee income of Rs.11,119,837, which was not received during the same period in relation to	The active students who have exceeded the maximum period given to complete the degree course will be reviewed in the year 2023 and the course fees due from them will be recovered or write off.	Action should be taken in accordance with the accounting policies.

09 courses, was shown under current assets in the financial statements without write off.

- (b) Correction of the mistake of over-recording the preceding year depreciation allocations, the accumulated fund and the accumulated depreciation account were understated and overstated respectively by Rs.514,315 due to erroneous debits and credits to the accumulated fund and accumulated depreciation account respectively during the year under review.
- Action will be taken to correct the final accounts of the year 2023.
- Financial statements should be prepared accurately.

1.6 Non-compliance with rules, regulations and management decisions

Reference to Laws, Rules, Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Section 25 of the universities Act No 16 of 1978	Approval of the University Grant Commission had not been obtained for 54 postgraduate courses conducted by the Institute by the end of the year under review.	Although it was referred to the University Grant Commission for approval on 4 December 2019, no approval has been received so far.	Action should be taken to obtain the approval from the University Grant Commission.
(b) Section 25 of the code of Guidelines on Ethics and Academic Accountability of the Academic staff in Sri Lankan University system 2015.	An adequate internal control system had not been maintained to disclose the dual relationship with students and teaching staff to prevent adverse effect on quality control.	Conditions have been included in the appointment letters of teachers to avoid from dual relationship with students.	Guidelines should be followed.

(c) Circular No. 04/2016 of the University Grants Commission dated 01 March 2016.

i Paragraph 4.5 Annual financial statements had not been prepared for 20 self-financing activities with a budget value of Rs.308,973,800 implemented between the year 2018 to 2020, at the end of those courses. The financial statements related to each courses of self-financing activities will be prepare when those courses are completed. Circular instructions should be followed.

ii. Paragraph 2 and 4.5 Despite being informed that self-financing activities should be maintain under Zero Base, the received income amount of Rs. 185,673,375 of the self-financing activities implemented during the period from 1 January 2018 to 31 October 2022 had been invested in 03 fixed deposits of commercial banks without being using for relevant purpose. There is a temporary surplus of money due to the course fees received at the time of registration of students has been invested in short-term fixed deposits subject to the approval of the Board of Management. Circular instructions should be followed.

(d) Paragraph 6.6 of Public Enterprises Circular No.PE/01/2021 dated 16 November 2021. Although the annual report containing the performance of the year should be tabled in the parliament in three languages within 05 months at the end of the financial year, the annual reports for the years 2020 and 2021 had not been tabled in parliament so far. The 2020 annual report was tabled in Parliament on 29 March 2023 and the 2021 annual report is to be presented to Parliament on a date to be notified by the Ministry. Circular instructions should be followed.

2. Financial Review

2.1 Financial Result

The operating result for the year under review was a surplus of Rs.57,708,492, as compared with the corresponding surplus of Rs.69,316,679 for the preceding year. Accordingly, a decrease of Rs.11,608,187 was observed in the financial result. This decrease was mainly due to the increase in personal emoluments by Rs.11,730,630.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
The number of students enrolled for the postgraduate courses decreased by 75 percent, 95 percent of the master of philosophy courses and 83 percent in Doctor of MPhil philosophy doctorate courses and 33 percent enrolment of the foreign students.	Due to the covid epidemic situation, the admission of students for the year 2022 had to be postponed until January 2023.	Action should be taken to enroll the students in accordance with the action plan.

3.2 Idle or Underutilized property, Plant and equipment

Audit Observation	Management Comment	Recommendation
Due to non-implementation of the project named University Network for Disaster Risk Reduction and Management in Indian Ocean as planned, the equipment purchased from received donation Rs. 6,271,631 in the year 2021 remained idle for more than a year.	Received equipment value of Rs. 6,271,361 in the year 2021 for this project, will be used from the year 2023.	Equipment should be utilized efficiency for the relevant purposes of the project.

3.3 Defects in Contract Administration

Audit Observation	Management Comment	Recommendation
Contract value of Rs.9,700,000 of the National Languages Equality Advancement project has to be completed within the period from 01 January 2022 to 31 December 2022	The project was delayed due to unstable conditions and the fuel crisis, in the country. It will be completed by June 30,	Actions should be taken to complete the construction within the contractual period.

and Rs.5,446,039 had been spent by the end 2023. of the year under review. None of the expected objectives of the project had been achieved although the contractual period exceeded.

3.4 Human Resource Management

Audit Observation	Management Comment	Recommendation
Exceeding the approved cadre limit 20 employees were recruited on contract basis and had paid Rs. 9,087,356 as salaries and allowances.	Although requests have been made to the University Grant Commission and the Department of Management Services for receiving approval of the permanent staff of post in several occasions, approval had not been received so far.	The staff should be maintained within the approved cadre limits.