

**1. Financial Statement**

**1.1 Qualified Opinion**

The audit of the financial statements of the Post Graduate Institute of Management affiliated to the University of Sri Jayawardanapura for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023, statement of financial performance for the year then ended, statement of changes in net assets 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 section 19 of the Postgraduate Institute of Management Regulation No. 03 of 1985 enacted under section 18 of the Universities Act No. 16 of 1978 and subsection 107(5) of the Universities Act No. 16 of 1978. My comments and observations which I consider to 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 accompanying financial statements give a true and fair view of the financial position of the Post Graduate Institute of Management as at 31 December 2023, 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 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 University 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 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 institution.

#### **1.4 Responsibility of the Auditor on the audit of 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 skepticism 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 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 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 institution;
- Whether the Institute has performed according to its powers, functions and duties; and
- Whether the resources 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 Accounting Deficiencies**

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) A sum of Rs.6,446,666 course fees received in the year under review in relation to the previous year had been credited to the income of the year without adjustment to the income receivable account. As such, the surplus of the year and the balance of the income receivable account as on 31 December of the year under review were overstated by that value.	Action will be taken to correct.	Income for the year should be accurately identified and accounted for.
(b) A receivable course fee amounting to Rs.830,000 related to the year under review and the previous year	The balance mentioned in the list of inactive students for the year 2020 confirmed and	Income of the year should be accurately accounted for.

had not been accounted. As such, the balance of receivable income at the end of the year under review by that amount, the surplus of the year by Rs.320,000 and the general reserve by Rs.510,000 understated.

given by the course coordinator was written off during the year 2022. Further, as per the inactive list of confirmed inactive students given in the year 2023, the student is still inactive. Accordingly, his or her receivable income was not calculated and the amount of Rs.300,000/= received in the year 2023 had been credited to the relevant course income in the year 2023.

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| (c) An amount of Rs.409,220 paid for Zoom software for the next year was accounted as expenses of the year and the surplus and deferred assets of the year under review were understated by that amount. | Action will be taken to correct.   | The expenses related to the year should be correctly identified in the preparation of financial statements. |
| (d) Income receivables amounting to Rs.360,000 in respect of two short term courses were not accounted for.  | Revenue recognition for short term courses has already been done on cash basis and accordingly, action will be taken to recognize in the financial statements as an accounting policy. | The income related to the year should be correctly identified in the preparation of financial statements    |
| (e) Annual renewal fees of Rs.297,093 paid for online journals were capitalized under library books without being accounted as recurrent expenditure.  | Action will be taken to correct.   | The expenses should be correctly categorized in the preparation of financial statements.                    |

## **2. Financial Review**

### **2.1. Financial Results**

The operational result of the year under review had been a surplus of Rs.90,908,176 and as compared with the corresponding surplus of Rs.146,215,430 for the preceding year, thus indicating a deterioration of Rs.55,307,254 in the financial result. Increase in the expenses of the institute by Rs.87,718,593 had been the main reason for the said deterioration.