

**1. Financial statements**

**1.1 Opinion**

The audit of the financial statements of the Postgraduate Institute of Archaeology affiliated to the University of Kelaniya for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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 Section 20 of the Postgraduate Institute of Archaeology Ordinance No. 02 of 1985 enacted under Section 18 of the Universities Act No. 16 of 1978 and Sub-section 107 (5) of the Universities Act. My comments and observations which I consider should be tabled in Parliament appear in this report.

In my opinion, the financial statements of the Institute give a true and fair view of the financial position of the Institute as at 31 December 2024, 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 Opinion**

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAS). 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 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 intends 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 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 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 Non-compliance to Laws, Rules, Regulations and Management Decisions

	Reference to laws, rules, regulations	Non compliance	Comments of the Management	Recommendation
(a)	Financial Regulation 105 (2) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Action had not been taken in accordance with the provisions of the Financial Regulations regarding the 308 misplaced books and 535 magazines.	Action will be taken to implement the recommendations of the Library Books Board of Survey Report in the future.	The provisions of the Financial Regulations should be complied with.
(b)	University Grants Commission Circular No. 15/2015 dated 17 November 2015	Although the examination results should be released within 03 months from the date of conducting the examinations, the release of examination results of 7 degree courses conducted in the year 2024 had been spent for period of 04 to 12 months.	It is expected to release the examination results within a period of 03 months in the future.	The provisions of the circulars should be complied with.
(c)	University Grants Commission Circular No. 04/2016 dated 01	Although the surplus generated from self-financing courses	Three courses had been completed in October 2024, and though the final	Necessary action should be taken to settle without delay.

March 2016	should be distributed, action had not been taken to distribute the surplus of Rs. 2,533,708 earned from 07 self-financing courses during the current year.	accounts for those courses were ready to be submitted to the Finance and Management Board for approval, the Finance and Management Board was dissolved, payments are scheduled to be made after receiving the approval of that committee.
------------	--	---

## **2. Financial Review**

### **2.1 Financial Results**

The operating result of the year under review amounted a deficit of Rs. 23,777,609 and the corresponding deficit in the preceding year amounted of Rs. 21,929,331. Therefore a deterioration amounting to Rs. 1,848,278 of the financial result was observed. The reason for the deterioration is increase in personal emoluments had mainly attributed to this.

## **3. Operational Review**

### **3.1 Management Inefficiencies**

	<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a)	The building facilities in the Postgraduate Institute of Archaeology had been provided for 2 Non-Government Organizations from 07 May 2019 without formal approval and without charging rent or fees. Although the Valuation Department had given a rental assessment of Rs. 17,000 on 17 November 2024 for the 120 square feet building facilities provided to one of these institutions, action had not been taken to recover the relevant rental money.	<p>National Trust – Sri Lanka</p> <p>The necessary actions are being taken to reassess the rent to be recovered from the institute .</p> <p>ICOMOS – Sri Lanka</p> <p>The Government Valuation Department has been informed to provide a valuation report for the office room provided to this organization.</p>	Rentals should be made with formal approval and agreement and action should be taken to recover rental fees.
(b)	Despite the Postgraduate Institute of Archaeology operates with the vision of becoming the Center of Excellent in Asia for conducting research and providing higher	Requests had not been received for courses to follow or research from any foreign students after the year 2020. The shortage of laboratory facilities at the institute as well as the	The necessary facilities should be fulfilled and action should be taken to increase student

education in archaeology and related subjects, any foreign student had not registered for educational or research activities in the year 2024. Also, the institute had not taken actions to identify and implement a suitable promotional program to increase the attraction of local and foreign students.

shortage of physical and human resources had also been reasons for it. It is expected to identify other institutions with research laboratory facilities and library facilities in the future and improve the above facilities with the cooperation of those institutions, and thereby recruit foreign students.

attraction through promotional programs.

- (c) As the finger print machine worth of Rs. 55,000 had misplaced in the year 2019, the software which had been procured for Rs. 570,000 to install it had been lying idle for 5 years.

Since this software is not currently in use, it has been submitted to the Ministry of Education to get approval for write off.

The officers responsible for this should be identified and action should be taken to recover the relevant loss from them.

### 3.2 Operational Inefficiencies

	<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a)	A program to attract students to enroll students in a manner that utilizes the entire student capacity of the institution is not being successfully implemented within the institution and student registration in 11 courses in the 2020/2021, 2021/2022, 2022/2023 and 2023/2024 academic years remained below 50 percent.	Course introduction advertisements, awareness programs, and syllabus updates are being carried out to increase student registration for courses.	Necessary publicity should be carried out to attract students through the most appropriate promotional programs.
(b)	The graduation ceremonies of 3 degree programs held in the 2020/2021 and 2021/2022 academic years had been held after a delay of between 20 and 24 months after the release of the final results.	The graduation ceremony will be held after the reexamination of results, the after approval of the Academic Board, the approval of the Governing Council and the approval of the Senate.	Action should be taken to hold the graduation ceremony without delay.
(c)	A number of 316 students had registered for 07 degree courses in the year 2023 and it had decreased to 06 courses and student registration had decreased to 252 in the year under review. No students had registered for the PG Diploma in Heritage and PG Diploma in Museology courses in the year 2024.	Courses which do not have the minimum number of students registered to conduct lectures in the course will not be held in the relevant year.	A program to attract students should be prepared and implemented successfully.

(d)	Students enrolled for Diploma in Archaeology and Cultural Tourism course which was a one year non - degree course in the year 2023 had completed the course in the year 2024 due to administrative reasons. Accordingly due to that reason, new students had not been enrolled for that course in year 2024.	The Director of the Institute had awarded the academic staff and academic assistants to start self-financing courses for the year 2024 and based on the feedback received and the approval of the Academic Board, 4 courses were conducted. The Diploma in Archaeology and Cultural Tourism course was completed in the year 2024, due to that time spent to complete the mandatory field trips and field assignments.	A program to attract students should be prepared and implemented successfully
-----	--	--	---

#### 4. Accountability and Good Governance

##### 4.1 Annual Action Plan

	Audit Observation	Comments of the Management	Recommendation
(a)	Although it is planned to implement 8 activities under the objective of Develop Competencies of Human resources and office automation Procedures among the main objectives of the 2024 action plan of the institution, 2 of these activities could not be initiated during the year due to lack of financial provisions. Although the activity of providing opportunities for international research for postgraduate students in archaeology was planned to be implemented throughout the year, performance of it remained at a level of less than 15 percent.	Achievements of the performance indicator targets were remained at low level due to receive of financial allocations was remained at less in the year. Action will be taken to achieve these targets once sufficient financial allocations are received in the future. Furthermore, it is planned to identify opportunities for postgraduate students in archaeology to conduct international research and take necessary actions to refer them.	Correct targets should be identified actions should be taken to achieve them.
(a)	Although the Postgraduate Institute of Archaeology had planned to achieve 22 performance targets under 03 main objectives, only 5 performance indicator targets had been achieved in the year 2024. In comparison with the previous year, the achievement of the targets of 13 performance indicators remained at minimum value.	The financial allocations (government/earned) received by the institution for the year were very low.	Achievable goals should be forecasted.

## 4.2 Audit Committees

Audit Observation	Comments of the Management	Recommendation
Although Audit and Management Committee meetings should be held at least once in 3 months in a year as per the Section 4.2(g) of Public Enterprise Circular No. 01/2021 dated 16th November 2021, the institution held only 02 committee meetings for the year 2024.	Audit and management meetings could not be held due to non-academic strikes and the dissolution of the management board.	Action should be taken to follow the provisions of the circulars.