

**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 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 material accounting policy information, 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 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 Qualified Opinion**

My opinion is qualified 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 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 Audit Observations on the Preparation of Financial Statements**

### **1.5.1 Accounting Deficiencies**

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) Due to the course fee income of Rs. 8,470,250, which was not received within the maximum period given to complete the courses in relation to 22 postgraduate courses had been shown as the course fees receivable of the Institute under current assets in the statement of financial position, the course fee income receivable had been overstated by that amount.	Action should be taken to remove from the books in the year 2025.	Action should be taken to accurately identify the receivable course fee income.
(b) Due to the fixed deposit interest income of Rs. 2,186,892 received during the year under review in relation to the previous year had been accounted for interest income of the year, the surplus of the year had been overstated by that amount in the financial statements.	A request has been made by letter dated 2024.03.21 to obtain the approval of the General Treasury to reinvest Rs. 251,160,403.32 in the year 2024, which was held as fixed deposits of the Institute as at 31.12.2023.	Action should be taken to accurately identify and account for the income of the year.
(c) According to the calculation made by the audit, although the employee gratuity allocation as at 31 December of the year under review was Rs.2,361,235 due to a provision of Rs. 5,117,670 had been made and the allocation of Rs. 120,246 had been made for 03 officers employed on contract basis, the surplus and provision for gratuity	Action will be taken to rectify this situation in the year 2025.	Provision for gratuity should be made accurately.

balance for the year were understated and overstated by Rs.2,876,681 respectively in the financial statements.

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

Reference to laws, rules, regulations etc,	Non-compliance	Comment of the Management	Recommendation
(a) Section 11 of the Finance Act, No. 38 of 1971.	Although all excess money of the Institute should be invested with the prior approval of the appropriate Minister and the Minister of Finance, action had not been taken so in the investment of excess money amounting to Rs. 278,123,781.	A Letter has been sent on 25.02.2025 to obtain the Treasury approval.	According to the Act, approval should be obtained to invest excess funds.
(b) Paragraph 3.2 of Public Enterprises Circular No. PED 01/2021 dated 16 November 2021.	Although the Annual Report for the previous year should be tabled in Parliament in tri languages within 150 days of the end of the financial year, the Institute had not taken actions to table the Annual Report related to the year 2023 in Parliament even by the date of audit of 24 March 2025.	The Annual Report has been prepared in tri languages and will be submitted for Cabinet approval.	The Annual Report should be tabled in Parliament on the due date as per the circular instructions.
(c) University Grants Commission Circular No. 15/2018 dated 26 November 2018	The Institute had paid an amount of Rs. 343,800 to the National Insurance Trust Fund as Employee Agradhara Insurance Contribution between the period from the year 2020 to 2024 without obtaining the approval of the Department of Public Enterprises and the Treasury.	The University had registered for the Agradhara Insurance Scheme of the National Insurance Trust Fund, in accordance with the provisions of the University Grant Commission Circular No. 15/2018, subject to the approval of the University Governing Council.	Actions should be taken in accordance with the circular.
(d) University Grants Commission Letter No. UGC/L/2020	Although it had been stated that the complete membership of the Board of Management of all postgraduate	Actions will be taken in accordance with the existing	Actions should be taken in

dated 18 May 2018. institutes should be limited to a maximum of 11 members, an additional expenditure of Rs. 2,508,000 had been spent due to the participation of 9 to 16 members exceeding the maximum number of members in 33 meetings held during the period from the year 2020 to 31 December 2024

regulations until the revision will be made with the approval of the Board of Management.

accordance with the circulars.

## **2. Financial Review**

### **2.1 Financial Results**

The operating result of the year under review amounted to a surplus of Rs. 22,357,299 and the corresponding surplus in the preceding year amounted to Rs. 94,442,496. Therefore, a deterioration amounting to Rs. 72,085,197 of the financial result was observed. The decrease in self-financing activities income and decrease in capital and recurrent grants had mainly caused to this deterioration.

## **3. Operating Review**

### **3.1 Management Inefficiencies**

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) Twenty three employees had been recruited on contract basis exceeding the approved cadre without revising the number of employees according to the service requirement and salaries and allowances of Rs. 7,682,128 had been paid during the year under review.	A committee was appointed to study the staff requirement of the Institute at the Board of Management meeting and submit recommendations and action will be taken to approve positions for permanent staff based on the recommendations of that committee in the future.	Cadre should be maintained within the approved limits.
(b) Although estimate of Rs.1,310,562 had been prepared in December 2021 for the construct the power generator room of the Institute, without taking action on that estimate, and agreements were signed in February 2023 and the contract had been awarded for an amount Rs.3,909,538 in three times the estimate on two occasions. Accordingly, an additional cost of Rs. 2,598,976 had to be incurred for the relevant construction work	The construction of the power generator room actually began in March 2022, and during this period there was a significant increase in building-related expenses, and the estimate has been re-evaluated and that report had been submitted to the audit.	Funds should be utilized effectively.

due to the delay in awarding the contract.

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| (c) | Arrangements had been made to sit for the final examination and award their degree certificates respectively without recovering the outstanding course fees of Rs.242,074 from 12 students and the outstanding course fees of Rs. 240,250 from 15 students.   | A sum of Rs. 93,000 had been collected from the 15 students. Out of receivable of Rs. 294,574 an amount of Rs. 52,500 had been collected from the 12 students who had completed the courses, but not received certificates, Action will be taken to collect the remaining amount from the officers responsible for the collection, with the approval of the Board of Management. | The relevant course fees should be collected promptly.                             |
| (d) | The University Grants Commission approval had not been obtained even by 31 December 2024 for 54 courses in postgraduate courses, postgraduate diplomas, Master of Philosophy degree programs and Doctor of Philosophy degree programs which had been commenced between the year 1959 and year 2006. | The courses had been referred to the Quality Assurance Council of the University Grants Commission for review and the recommendations are expected to be received soon.  | Action should be taken to obtain the approval of the University Grants Commission. |
| (e) | An amount of Rs. 1,191,410 received in September 2023 in relation to the National Languages Equality Advancement Project remained underutilized nearly 2 years had passed as at 31 December of the year under review.   | A book printed in three languages should be published regarding the final report of the NLEAP project, and copies have been received in English, while the Sinhala and Tamil translations are in the final stages and as soon as they are completed, actions will be taken to utilize this money.  | Funds should be utilized effectively.  |