

Postgraduate Institute of Archaeology Affiliated to the University of Kelaniya - 2013

The audit of financial statements of the Postgraduate Institute of Archaeology Affiliated to the University of Kelaniya for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory 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 Section 13 (1) of the Finance Act, No.38 of 1971 and Section 20 of the Postgraduate Institute of Archaeology Ordinance No.02 of 1985 enacted in terms of Section 18 of the Universities Act, No.16 of 1978, Sub-section 107(5) of the Universities Act. My comments and observations which I consider should be published with the Annual Report of the Institute in terms of Sub-section 108(1) of the Universities Act appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000 -1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2:2 of this report, the financial statements give a true and fair view of the financial position of the Postgraduate Institute of Archaeology Affiliated to the University of Kelaniya as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Accounts Receivable and Payable

The following observations are made.

- (a) A balance of Rs.79,431 receivable from SAREC Project (Swedish Agency for Research Corporate with Developing Countries) had not been recovered for a period of over 03 years.
- (b) No action had been taken up to September 2014 to settle a sum of Rs.62,307 retained relating to the year 2010 in respect of completed contracts, bid deposits of Rs.23,000 payable from 2010 to 2012 and payable expenses of Rs.368,625 existing from the year 2010.
- (c) A balance of Rs.644,907 out of the grants received from other external parties for projects completed in the year 2012 and included in the financial statement had been shown as liabilities in the accounts without taking any action whatsoever.

2.3 Lack of Evidence for Audit

Fixed Assets valued at Rs.5,463,897 belonging to the SAREC Project completed several years ago, had been shown in the financial statements as at 31 December 2013 and those assets were not physically observed.

2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

Non-compliances with the following laws, rules, regulations and management decisions were observed.

<u>Reference to Laws, Rules and Regulations</u>	<u>Non-compliance</u>
(a) Postgraduate Institute of Archaeology Ordinance No.02 of 1985 enacted in terms of Section 18 of the Universities Act, No.16 of 1978.	Even though, different courses could be conducted in a postgraduate programme in terms of the Ordinance, contrary to that, 02 certificate courses had been conducted in the year under review to earn income.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
(i) Financial Regulation 757(2)	Even though a shortage of 161 units of fixed assets existed according to Verification of Fixed Assets, no action had been taken to identify the responsible parties and proceed further.
(ii) Financial Regulation 1647	Daily Running Charts of the vehicles had not been presented to the Auditor General.
(c) Public Enterprises Circular No.95 of 14 June 1994	A sum of Rs.110,775 or 30 per cent out of the surplus of the Foundation Course on Archaeology completed in the year under review and an allowance of Rs.120,000 for being engaged in the activities of the ABIA Project (Annual Bibliography of Indian Archaeology) had been paid to two persons in the year under review without the approval of the Treasury.
(d) Treasury Circular No.842 of 19 December 1978	The Register of Fixed Assets had not been maintained.
(e) Public Administration Circular No.41/90 of 10 October 1990	Even though the consumption of fuel of vehicles should be tested once in 06 months, it had not been so done.

3. Financial Review

3.1.1 Financial Results

According to the financial statements presented, the deficit for the year under review amounted to Rs.1,823,191 as against the surplus of Rs.4,243,555 for the preceding year. The decrease in Government grants by Rs.4,157,703 and the increase in personal emoluments, travelling expenses and other operating expenses by Rs.2,237,590 had mainly affected the deterioration of Rs.6,066,746 in the financial result as compared with the preceding year.

4. Operating Review

4.1 Academic Performance

Information on the registration of students, sitting for the final examination and number of students passed in several academic years of the Postgraduate Institute of Archaeology is given below.

(a) Conduct of Courses at Postgraduate Level

Academic Year	Number of Students Registered	Number of Students Vacated	Number of Students sat the Final Examination	Number of Students Passed	Number of Students Passed as a percentage
2010/2011	114	12	54	51	94
2011/2012	174	02	48	44	92
2012/2013	95	-	36	29	81

- (i) Three courses of Postgraduate Diploma, 2 courses of Master of Arts and 01 course each of Master of Science, Master of Philosophy and Doctor of Philosophy had been conducted for the academic year 2012/2013. The total number of students registered had been 95. A decrease of 45 per cent in the registration of students over the preceding year was observed.
- (ii) The number of students who sat the final examination of the courses in Postgraduate Diploma in Archaeology and Postgraduate Diploma in Museology had been 36 in the academic year 2012/2013 and as compared with the previous academic year, a decrease of 25 per cent was observed.
- (iii) Out of the number of students who sat the final examination of the academic year 2012/2013, the number of students passed had been 29 and represented 81 per cent.

- (b) The number of students who sat the final examination of the non-postgraduate course conducted by the Postgraduate Institute of Archaeology, had been 98 and the number of students passed had been 70. As such the percentage of passed students had been 71.43.
- (c) It was observed that periods of 03 ½ to 7 ½ months and 07 to 09 months had been taken to release the results of the postgraduate courses and the non-postgraduate courses respectively for the academic year 2012/2013.

4.2 Management Inefficiencies

The following observations are made.

- (a) The authority for certification in respect of the financial control of the Institute had been delegated to the Assistant Bursar for amounts up to Rs.2,000,000 and transactions exceeding Rs.2,000,000 had been delegated to the Deputy Bursar with effect from 01 November 2012 at the meeting No.239 of the Board of Management held at the Institute on 14 February 2013. However, the functions of the Deputy Bursar had been limited in the year under review as the Assistant Bursar had been required to certify exceeding Rs.2,000,000 expenditure such as salaries and wages, telephone, electricity and water bills and Employees' Provident Fund.
- (b) A former Commissioner of Archeology had donated a sum of Rs.1,000,000 in the year 2009 to the Postgraduate Institute of Archaeology for awarding the annual gold medals and cash prizes to the students of the Institute. Interest income of Rs.612,142 had been received for the said amount up to 31 December 2013 and no activities whatsoever had been carried out relating to the objective even in the year under review.
- (c) An unsettled balance of Rs.41,505 brought forward from the year 2007 had been shown as the Stocks Adjustment Account under Current Assets in the Statement of Financial Position as at 31 December 2013.
- (d) A sum of Rs.229,402 received in the year 2008 for breach of agreements and bonds had been transferred to a Fund Account without the approval of the Treasury and it had been deposited in the Bank Current Account without being invested up to 31 December 2013.

4.3 Staff Administration

The approved cadre of the Institute and the actual cadre as at 31 December 2013 had been 39 and 33 respectively. As such there were 06 vacancies.

5. Accountability and Good Governance

5.1 Action Plan

According to the Action Plan prepared for the year 2013, there were 16 main activities to be fulfilled during the year. Out of them 04 main activities had not been fulfilled during the year.

5.2 Budgetary control

Reconciliation of the budgeted expenditure with actual expenditure during the year under review revealed significant variances ranging from 10 per cent to 100 per cent and the savings from the capital provision made for acquisition of fixed assets amounted to 84 per cent. As such it was observed that the budget had not been made use of as an effective instrument of management control.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Director of the Institute from time to time. Special attention is needed in respect of the following areas of control.

- (a) Fixed Assets
- (b) Libraries
- (c) Motor Vehicles
- (d) Delegation of Financial Authority
- (e) Arrival, Departure and Leave of the Academic Staff