

Postgraduate Institute of English -2013

The audit of financial statements of the Postgraduate Institute of English 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 equity 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 Sub-section 107(5) of the Universities Act, No. 16 of 1978. 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 judgments, 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 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 English 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 Comments on Financial Statements

2:2:1 Sri Lanka Public Sector Accounting Standards

According to Sri Lanka Public Sector Accounting Standard No. 07 in depreciating the property, plant and equipment should be depreciated from the date they are made fit for use. Nevertheless, the Institution had adopted the policy of not depreciating in the year of purchase and depreciating for the full year in the year of disposal. In view of this reason, the provision for depreciation for the year under review had been understated by a sum of Rs.45,919 in respect of the assets purchased in the year.

2:3 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with Laws, Rules, Regulations and management decisions are given below.

Reference to Laws, Rules, Regulations,
etc.

Non-compliance

(a) Section 40(5) of the Universities
Act, No.16 of 1978

Whenever a number of the Board of Management absents himself continuously for 03 meetings, another member should be appointed. Nevertheless the appointment of another officer in place of an officer who had absented himself continuously for 08 meetings in the year under review had been delayed.

(b) Establishments Code for
Universities and Institutes of
Higher Education.
Chapter XX Section 3.1

Every employee, employed in the University Service should mark the times of arrival and departure in the Registers of Attendance. Even though the Postgraduate Institute of English had paid sum of Rs.4,735,312 as salaries and allowances of the academic staff in the year 2013, the Registers of Attendance in Support of that payment 2013 had not been furnished to audit.

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| (c) Section 4(c) and (e) of the Postgraduate Institute of English Ordinance No.4 of 2005 | The approval of the University Grants Commission had not been obtained for the short term courses conducted in the year under review |
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3. Financial Review

3:1 Financial Results

According to the financial statements presented, the financial results for the year under review amounted to a surplus of Rs.3,413,496 as compared with the corresponding surplus of Rs.2,081,211 for the preceding year, thus indicating an improvement of Rs.1,332,285 in the financial results.

4. Operating Review

4.1 Performance

The following observations are made.

- (a) The income from applications of the Postgraduate Institute of English for the year under review as compared with the year 2012 had decreased by a sum of Rs.26,000. In addition, the number of students who had obtained the Postgraduate qualification from the year 2010 up to the year under review had been 18.
- (b) Even though the approval of the University Grants Commission for the Postgraduate Course on Teaching English Literature in the Second Language Context had been received in August of the year under review, the preparation of the Courses, preparation of learning aid and the formulation of laws, rules and regulations had not been completed up to the date of audit (03 April 2014).

4.2 Management inefficiencies

A Finance Committee had not been established for the discussion of financial affairs and obtaining approval. It was observed that the financial problems had been discussed at the management meetings which had only one officer who is proficient in the financial field.

4.3 Underutilization of Funds

Provision amounting to Rs.4,401,000 had been received in the year 2013 for the purchase of machinery, furniture and Office equipment, books and. Periodicals out of that only a sum of Rs.1,253,413 had been spent in the year under review. In view of obtaining approval for provision without identifying the requirements, a sum of Rs.3,225,092 out of the provision allocated for the year 2013 had not been spent.

05. Accountability and Good Governance

5.1 Internal Audit

Even though the Internal Audit Programme for the year under review indicated that 60 per cent of the activities of the Institute will be examined, only 02 audit queries had been issued for the year under review.

5.2 Budgetary Control

The actual income had exceeded the budgeted income by 244 per cent while the actual recurrent expenditure had decreased by 98 per cent of the budgeted recurrent expenditure. As such the budget had not been more use of as an effective instrument of financial and management control.

5:3 Tabling of Annual Reports

The Annual Report of the Institute for the year 2012 had not been tabled in audit even by 30 April 2014.

6. Systems and Controls

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

- (a) Budgetary Control
- (b) Personnel Management
- (c) Management of Academic Activities