

## **Postgraduate Institute of Archaeology affiliated to the University of Kelaniya - 2014**

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The audit of financial statements of the Postgraduate Institute of Archaeology affiliated to the University of Kelaniya for the year ended 31 December 2014 comprising the Statement of financial position as at 31 December 2014 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 notes 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 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 and 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**

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The 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**

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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 Auditing 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 judgements, 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 the 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**

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

## **2. Financial Statements**

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### **2.1 Qualified Opinion**

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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 2014 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**

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#### **2.2.1 Sri Lanka Public Sector Accounting Standards**

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All amortizations had been written off to the Account of Capital Grants instead of writing off the amortization for the assets of Rs.257,380 received under the donations and aids against the Fund of donations and aids and the amortization related to the revalued assets of Rs.13,479,529 against the revaluation reserve in terms of the Sri Lanka Public Sector Accounting Standards No.07. Similarly, the amortization of the assets revalued had been adjusted to the statement of financial performance, instead of making adjustments to the equity.

#### **2.2.2 Accounting Deficiencies**

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Income of Rs.703,356 and the assessment taxes of Rs.292,530 related to the preceding years had been brought to the account for the year under review without making adjustments retrospectively.

#### **2.2.3 Lack of Evidence for Audit**

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Even though assets of Rs.5,561,848 belonged to the SAREC (Swedish Agency for Research Corporate with Developing Countries) Project which was terminated number of years ago had been shown in the statement of financial position, presence of these assets had not been disclosed at any survey of assets. As the aforesaid assets included in the accounts had not been physically verified, the accuracy thereof could not be ascertained in audit.

### **2.3 Accounts Receivable and Payable**

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The following observations are made.

- (a) A balance of Rs.79,431 in the balance of Rs.1,163,324 shown in the account of receivables in the Financial Statement as at 31 December 2014 had been remained for years as receivable from the SAREC Project (Swedish Agency for Research Corporate with Developing Countries).
- (b) A balance of Rs.41,505 as the Stock Adjustment Account under current assets in the Statement of Financial Position as at 31 December 2014 had been brought forward since the year 2007 without settling.

- (c) Assets and liabilities of the SAREC Project which had ended in the year 1995 had been transferred and action had not been taken even up to 31 December 2014 to identify and adjust the current assets of Rs.5,164,816 shown in the financial statements of the Institute.
- (d) Action had not been taken to identify and settle the consultancy fees of Rs.215,341 which had exceeded three years and remained within the balance of Rs.1,997,856 shown under the creditors as at 31 December 2014.
- (e) Action had not been taken to settle for years the grants amounting to Rs.693,966 received from external parties and balances of projects completed by 30 June 2015, the date of audit in the balance of Rs.1,890,508 shown under other liabilities in the financial statements.

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

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A sum of Rs.19,792,575 had been paid as salaries and allowances without ascertaining the attendance and leave of the academic staff for the year under review in terms of Section 3(1) of Chapter XX and Section 1.6.1 of Chapter X of the Establishments Code of the University Grants Commission and Higher Educational Institutes.

### **3 Financial Review**

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#### **3.1 Financial Results**

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According to the financial statements presented, the deficit of the year under review, amounted to Rs.6,412,197 as compared with the corresponding deficit of Rs.1,823,191 for the preceding year. Accordingly, the deterioration of the financial result in the year under review amounted to Rs. 4,589,006 as compared with the preceding year. Increase of personal emoluments by Rs.6,587,971 had specially affected to this deterioration.

### **4. Operating Review**

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#### **4.1 Management Inefficiencies**

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The following observations are made.

- (a) A sum of Rs. 229,402 recovered for breaching of bonds had remained in a Bank Current Account for a long time without making a best investment from the year 2008 up to the end of the year under review and thereby weaknesses in the financial management was disclosed.
- (b) A vehicle had been rented in the name of the Director without inviting quotations for an official purpose of travelling to the University of Jaffna and a sum of Rs.47,800 had been paid for 1195 kilometers at the rate of Rs.40 per kilometer. Even though the Institute had made payments on the basis of reimbursement of this expenditure through the University of Jaffna, it was observed that this expenditure had not been reimbursed until 08 July 2015, the date of audit.

## **4.2 Cadre Position**

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The following observations are made.

- (a) Even though 04 vacancies were existed in the cadre of the Institute at the end of the year under review, action had not been taken to fill these vacancies.
- (b) Two Research Associates and 03 Temporary Research Teaching Assistants had been recruited only on the approval of the Board of Management on assignment basis in the year 2014 despite the approved cadre for the researches of the Postgraduate Institute of Archaeology and salaries and allowances of a sum of Rs.1,650,000 had been paid even when salaries had not been provided for them.

## **4.3 Deficiencies in the Contract Administration**

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Even though the construction of museum building for the contract value of Rs.4,464,841 had to be commenced on 20 December 2011 and to be completed on 20 March 2012, it had been completed on 01 February 2013. Action had not been taken until 30 June 2015, the date of audit to settle the final bill by rectifying the lapses disclosed and making deductions of the delay charges and others.

## **5. Accountability and Good Governance**

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### **5.1 Action Plan**

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The following observations are made.

- (a) Even though it had mentioned that 16 major activities had to be carried out during the year as per the Action Plan of the institute prepared for the year 2014, the activities such as publishing high quality research papers in local and international magazines, enrolling foreign students for academic programmes had not been made.
- (b) Action had not been taken to prepare progress reports by evaluating the performance quarterly, half-yearly and annually related to the annual Action Plan.

### **5.2 Budgetary Control**

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The following observations are made.

- (a) In comparing the budgeted expenditure with actual expenditure of the year under review significant variances observed ranging from 33 per cent to 100 per cent thus indicating that the budget had not been made use of as an effective instrument of management control.
- (b) A sum of Rs.1,700,000 had been allocated without specifically pointing out the expenditure of ABIA Project under the other objects of expenditure, through the budget approved in the year under review for the future activities of the Project of Annual Bibliography of Indian Archaeology (ABIA) which had been completed

number of years ago. It was observed that there were 147 annotations which had been included the information of Archaeological researches found out through internet under this Project in the year under review. The total expenditure of Rs.658,926 had been incurred for the purpose.

6. **Systems and Controls**

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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) Control of Fixed Assets
- (b) Library Control
- (c) Contract Administration