

## **Postgraduate Institute of English - 2014**

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The audit of financial statements of the Postgraduate Institute of English 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 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**

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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 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 English 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 07**

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Action had not been taken for the revaluation of assets to show a fair value, though the assets costing Rs. 2,049,239 fully depreciated and being used at present.

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

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

#### **Reference to Laws, Rules, Regulations, etc.**

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#### **Non-compliance**

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(a) Chapter IV of the University Grants Commission Circular No.959 dated 12 July 2011.

Three years leave abroad had been granted for a Senior Lecturer during his probation period.

(b) Circular No.PED 56 dated 27 January 2011 of the Department of Public Enterprises

A sum of Rs.11,890,966 had been invested without the approval of the Treasury as at 31 December in the year under review.

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

A sum of Rs.6,162,479 had been paid as salaries and allowances in the year under review without establishing the arrival and departure of the academic staff of the Institute.

**3. Financial Review**  
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**3.1 Financial Results**  
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According to the financial statements presented, the financial results for the year under review amounted to a surplus of Rs.2,400,723 as compared with the corresponding surplus of Rs.3,413,496 for the preceding year, thus indicating an deterioration of Rs.1,012,773 in the financial results. Increase of personnel emoluments by Rs.2,131,924 as compared with the preceding year had been the main reason for this increase.

**4. Operating Review**  
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**4.1 Performance**  
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The number of students who had obtained the Postgraduate qualification had been decreased from 05 to 04 as compared with the preceding year . As the overall income had increased by 10.58 per cent ,the overall expenditure had increased by 22.97 per cent.

**4.2 Underutilization of Funds**  
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Capital grants of Rs.3,225,092 and Rs.8,216,882 in the year 2013 and at the end of the year under review respectively had remained unutilized as the money had obtained for capital expenditure by requesting again and again without considering the savings money of grants received from the Treasury for the Capital Expenditure of the Institute.

**4.3 Identified Losses**  
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Even though in terms of the Financial Regulations 676(2) , advertisements should be published in all three languages and one advertisement should be published in one language. Nevertheless, a sum of Rs.194,656 had been incurred for the publishing of one advertisement in a same language in two newspapers . Similarly, advertisements had been published in private companies despite there was a Newspaper Company belonging to the Government .

**4.4 Deficiencies in Contract Administration**  
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The contract for the construction of the new building had been estimated at Rs.76 million and an agreement entered into with a private Company. However, the important conditions in respect of the contract such as contract value , time period of the completion, release of delay charges and retention had not been included.

**5. Accountability and Good Governance**  
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**5.1 Budgetary Control**  
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In comprising the budgeted income and expenditure with actual income and expenditure, significant variances were observed. As such, the budget had not been made use of as an effective instrument of financial control.

**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 from time to time. Special attention is needed in respect of the following areas of control.

- (a) Personnel Management
- (b) Budgetary Control
- (c) Foreign Scholarships
- (d) Cash and Banks