

## **Postgraduate Institute of Archaeology - 2015**

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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 2015 comprising the statement of financial position as at 31 December 2015 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. Section III of the Universities Act, No. 16 of 1978 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 2015 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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In terms of the Sri Lanka public Sector Accounting Standard 07 items of property, plant and equipment experience significant changes in fair value, the annual revaluation is required. However, fair value of the land of 92 perchs in extent costing Rs.345,000,000 as at 31 December 2015 and the building which the Director's Office was situated had not been assessed and brought to account after the year 2009.

##### **2.2.2 Accounting Deficiencies**

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The following observations are made.

- (a) Even though the vehicle valued at Rs.13,000,000 received to the institute under Government grants had been accounted under the Government Grant Vehicles ,amortization of Rs.10,093,333 relating there to had been written off against the Capital spent Account .
- (b) Even though, a balance of Rs.41,505 had been shown as the Stock Adjustment Account under the current assets in the statement of financial position from the year 2007, action had not been taken to identify it and to adjust in the financial statements.

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

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Even though fixed assets of Rs.4,652,248 belonged to the "SAREC Project" which was implemented under the University had been shown in the statement of financial position, the aforesaid assets had not been physically verified and the accuracy thereof had not been ensured. However, the provision for depreciation of Rs.5,147,572 had been made relating to those assets from the year 1988 to the year 2009 according to the records of the University. Action had not been taken to rectify the deficiencies in Accounts Books in respect of this assets and although an Investigating Committee including 2 officers had been appointed by the 266<sup>th</sup> Management Board held 23 September 2015 ,the said activity had not been completed even by 15 June 2016.

## **2.3 Accounts Receivable and Payable**

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The following observations are made.

- (a) A balance of Rs.79,431 receivable from the SEEDA SAREC Project (Swedish Agency for Research Corporate with Developing Countries) had been brought forward in the financial statements since more than 10 years.
- (b) Retention money of Rs.381,183 the guarantee period of which was exceeded and the bid bonds of Rs.110,000 refundable had not been settled as at 30 June 2016 in respect of completed contracts.
- (c) Action had not been taken to settle the consultancy fees of Rs.215,341 which had exceeded 03 years and included in the creditors balance as at 31 December 2015.

## **3. Financial Review**

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### **3.1 Financial Results**

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According to the financial statements presented, the operations of the Institute for the year under review had resulted in a surplus of Rs.4,059,619 as against the deficit of Rs.6,412,197 for the preceding year, thus indicating an increase of Rs.10,471,816 in the financial result as compared with the preceding year. Increase of Government grants for recurrent expenditure by Rs.12,588,210 and the increase of grants for Research and Projects by Rs.5,272,598 had mainly attributed for this increase.

In the analysis of the financial results in the year under review and 4 preceding years, the deficit existed in the year 2011 amounting to Rs.4,045,876 had been a surplus of Rs.4,243,555 by the year 2012. However, it had been again become a deficit in the years 2013 and 2014. But, it had been increased to a surplus of Rs.4,059,619 again in the year under review. The contribution of Rs.28,012,804 existed in the year 2011 and it had been Rs. 45,284,138, Rs.37,451,531, Rs.39,708,335 and Rs.58,441,751 from the year 2012 to the year 2015 respectively in the consideration of employee remuneration and depreciation on non-current assets. Even though a decrease of the contribution had been shown in the year 2013, an increase had been shown in other years accordingly.

## **4. Operating Review**

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### **4.1 Performance**

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The major objectives of this Institute are expanding access to postgraduate education in archaeology, professional training and conducting researches, encourage the acquisition, improve and propagate of knowledge in archaeology, teaching and awarding of postgraduate certificate in diplomas and other scientific skills. The following matters were observed in the examination carried out in respect of achieving this objectives during the year under review.

- (a) It was observed that a decrease of 37 per cent in the number of students enrolled for the academic year 2014/2015 for 05 Postgraduate Courses and 02 Courses of

Postgraduate Diplomas conducted by the Institute as compared with the preceding year.

- (b) A provision of Rs.3,111,000 had been made for research allowances and out of that, a sum of Rs.2,701,000 had been paid as research allowances for 13 officers of the academic and non-academic staff. No any research symposium had been conducted during the year under review.
- (c) It had been 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 2015. The following 02 activities out of that could not be fulfilled during the year under review.
  - (i) Enrolling foreign students for academic programmes.
  - (ii) Conducting Research Projects with the participation of foreign experts and institutes.

#### **4.2 Management Activities**

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The following observations are made.

- (a) Books had not been received by 31 December 2015 relating to the advances amounting to Rs.68,171 given during the period from the year 2006 to the year 2009 for the purchase of books for the library and a methodology for the receiving of those books in due date had not been arranged .
- (b) Even though, a sum of Rs.1,000,000 had been granted in the year 2009 by a Lecturer for awarding of annual gold medals and money for the Archaeologists of the Institute , awarding of gold medals had not been done by utilizing this funds up to the end of the year under review.

#### **4.3 Under-utilization of Funds**

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The balances of research and advisory projects completed shown under other liabilities in the financial statements and the grants amounting to Rs.452,581 received from external parties had been under-utilized even as at 31 December in the year under review.

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

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#### **5.1 Budgetary Control**

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In comparing the budgeted expenditure with actual expenditure of the year under review material variances observed ranging from 27 per cent to 100 per cent thus indicating that the budget had not been made use of as an effective instrument of management 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 of the Institute from time to time. Special attention is needed in respect of the following areas of control.

**Areas of Systems and Control**  
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**Observations**  
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(a) Fixed Assets Control

Fair value had not been brought to account.

Fixed assets and current assets belonging to the SAREC Project completed in the year 1995 had not been identified.

(b) Library Control

Library books had not been surveyed.

(c) Control Over Motor Vehicles

Under-utilization of motor vehicles and fuel consumption had not been tested.