

**1.1 Qualified Opinion**

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The audit of the financial statements of the Postgraduate Institute of English for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 provisions of the Postgraduate Institute of English Ordinance No. 4 of 2005 enacted under Section 18 and subsection 107 (5) of the Universities Act No. 16 of 1978 and the National Audit Act, No. 19 of 2018. My comments and observations which I consider should be reported to Parliament, appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 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 2019, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

**1.2 Basis for Qualified Opinion**

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My opinion is qualified based on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

**1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

In preparing the financial statements, management is responsible for assessing the Institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute's financial reporting process.

As per Sub-Section 16(1) of the National Audit Act, No. 19 of 2018, the Institute is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Institute.

#### **1.4 Auditor's Responsibility for the Audit of the Financial Statements**

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My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Institute to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Institute, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Institute has complied with applicable written law, or other general or special directions issued by the governing body of the Institute ;
- Whether the Institute has performed according to its powers, functions and duties; and
- Whether the resources of the Institute had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## **1.5 Financial Statements**

### **1.5.1 Internal Control over the Preparation of Financial Statements**

The Institute is required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

### **1.5.2 Non-compliance with Sri Lanka Public Sector Accounting Standards**

<b>Non-compliance with Reference to the relevant Standard</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
In terms of the paragraph 52 of the Sri Lanka Public Sector Accounting Standard 7, if the carrying amount of a class of assets is increased as a result of a revaluation, the increase shall be credited directly to revaluation surplus. Contrary to that, revaluation surplus in 2018 and 2019 amounted to	No comments were made.	Should be Must complied with Sri Lanka Public Sector Accounting Standards.

Rs. 459,294 and Rs. 2,068,222 respectively had been identified as income for the relevant year. As a result, the surplus for 2018 and 2019 had been over stated in that amount in the financial statements.

### 1.5.3 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
Due to provision for audit fees had not been made based on the reliable and realistic information for the year under review, compared to previous years the audit fee had been over allocated by Rs. 1,450,000. As such, the surplus for the year under review was under stated by that amount.	The Invoice for the audit fees from 2014 to 2018 was received by the Postgraduate English Language Institute in the month of September 2019 only. The value of that invoice was much higher than the value accrued so far. Accordingly, the difference between this allocated amount and the actual amount was written off against this year profit.	The actual information pertaining to the previous years should be taken into consideration while making the provisions.

### 1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
Section 4.2.1 of Procurement Guide Lines	Even though a Master Procurement Plan should be prepared for a period of at least 03 years, including the expected procurement activities, the procurement plan had been prepared only for the year under review.	No comments were made.	Procurement guidelines should be followed.

**2. Financial Review**

**2.1 Financial Results**

As per the financial statements submitted, the financial results for the year ended 31 December 2019 had been a surplus of Rs.12,358,145 as compared with the corresponding surplus of Rs.8,835,983 for the preceding year, thus observing an improvement of Rs.3,522,162 in the financial result. The increase in fees income had mainly attributed to this improvement.

**3. Operating Review**

**3.1 Under -utilization of Funds**

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
The balance of PGIE Development Fund as at end of the year under review amounted to Rs. 3,967,500 had not been utilized for the intended purposes for a period of 04 years.	The balance currently available in the Development Fund has been invested in Treasury bills and it will be utilized to procure necessary items to the institution in future years.	Funds should be utilized for established purposes.

**4. Accountability and Good Governance**

**4.1 Budgetary Control**

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Savings of provisions ranging from 23 per cent to 97 per cent were observed in the comparison of budgeted expenditure with actual expenditure, due to over estimation of provision in 04 recurrent expenditure subjects and 02 capital expenditure subjects, in the year under review.	In the preparation of estimates of expenditure, unexpected expenses have to be incurred in certain situations and even though estimates have been prepared, there are situations in which certain estimated expenses are not incurred. However, in the preparation of estimates, maximum attempt is made to prepare estimates in approximation to the actual expenditure.	The budget should be made use of as an effective instrument of management control.