

Postgraduate Institute of English Language - 2021

1. Financial statements

1.1 Qualified Opinion

The audit of the financial statements of the Postgraduate Institute of English Language for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 and the provisions of the section 12 of the National Audit Act, No. 19 of 2018 read in conjunction with provisions of the section 107(5) of the Universities Act No. 16 of 1978 and section 18 of the Postgraduate Institute of English Language Regulations No. 04 of 2005 enacted under section 18. 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 2021, 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

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

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

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 Audit Observation on Preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with Reference to the relevant Standard	Comments of the Management	Recommendation
Non-compliance with the provisions of paragraph 7 of Sri Lanka Public Sector Accounting Standard 3, a sum of Rs. 524,850 accounted as accrued expenses in the year 2019 for the work expected to be carried out in the future was remained accrued as on 31 December 2021.	This amount was accrued for the expected expenses of the British Council project.	Sri Lanka Public Sector Accounting Standards should be complied.

1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Due to calculation errors, interest income on treasury bills for the year	It is about an accounting of the sum of the interest income of two treasury bills	Interest income on treasury bills should be properly calculated

- under review was overstated by Rs.284,016 in the financial statements. and by correcting the error this error will be automatically corrected. and accounted for.
- (b) Due to errors in accounting of investment interest income relevant to the year under review, the investment account by Rs.243,768, investment interest income account by Rs.385,776 and receivable investment interest account by Rs.142,008 were overstated in the financial statements. The interest income incorrectly accounted for in this Treasury bill will be corrected during the preparation of the next year accounts. Interest income on treasury bills should be properly calculated and accounted for.
- (c) The income receivable amounting to Rs.168,000 in relation to the year 2019 had been written off in the year under review without formal approval. Write off from the accounts will be done with proper approval in the future. The amount of receivables proposed to be written off should be written off from the accounts only after obtaining the prior approval of the concerned parties.
- (d) Although payments for procurement of property, plant and equipment in the year under review was Rs.586,500, that amount was stated as Rs.2,839,446 in the cash flow statement. A corrected of cash flow statement will be submitted with the next year financial statements. Action should be taken to prepare the cash flow statement correctly.
- (e) Although the amount paid for the purchase of treasury bills in the year under review was Rs.55,157,902, the amount stated in the cash flow statement was Rs.56,431,800. Action will be taken to correct the error in the cash flow statement. Action should be taken to prepare the cash flow statement correctly.
- (f) Although the interest income received in cash on treasury bills in the year under review was Rs. It was revealed in the re-calculation that the investment income out flow calculation made by the Action should be taken to prepare the cash flow statement correctly.

2,901,200, that amount audit was incorrect.
 was stated as Rs.
 4,566,984 in the cash flow
 statement.

1.5.1 Payable and Receivable Accounts

1.5.2 Accounts Receivables

Audit Observation	Comments of the Management	Recommendation
Receivables Students income as at 31 December 2021 was Rs. 1,412,250 and out of that more than 03 years old balance was Rs. 577,750.	Arrangements had been made to send several reminders to students who were making delays of course fees. Noted to discuss the matter with the management board to take further possible action in this regard..	Action should be taken to establish a mechanism to recover the identified receivable balances due in each year in a timely manner.

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

The following observations are made.

	Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a)	Section 8.2.2 of the Public Enterprise Circular No. PED / 12 of 02 June 2003	The institute had invested a sum of Rs. 94,431,800 in Treasury bills as on 31 December 2021 without obtaining the prior approval of the Minister in charge of Finance.	No reply was made.	The circular provisions should be complied.
(b)	Treasury Circular No. 842 dated 19 December 1978	The fixed assets register was not prepared and maintained so as to ascertain the fixed assets shown in the financial statements.	There were discrepancies between fixed assets identification names given in the fixed assets register and the identification names given in the board of	The circular provisions should be complied.

survey of the fixed assets owned by the institute. Action will be taken to rectify those errors.

2. Financial Review

2.1 Financial Results

The operating results for the year under review had been a surplus of Rs. 21,528,776 as compared with the corresponding surplus of Rs. 7,766,962 for the preceding year, thus observing an improvement of Rs.13,761,814 in the financial result. The increase in course fee by Rs. 11,659,337 and increase in government recurrent grant by Rs. 3,550,000 had mainly attributed to this improvement.

3. Operating Review

3.1 Under -utilization of Funds

Audit Observation	Comments of the Management	Recommendation
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The balance of Rs.3,967,500 in the Development Fund (PGIE Development Fund) as on 31 December 2021 had not been used for the related purposes for a period of 06 years.	On the recommendations of the audit committee and the approval of the management board, this amount is expected to be used for the management information system created for the organization.	Funds should be utilized for the established purposes.

3.2 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
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(a) The procurement guidelines had been followed by the Open University in the procurement of library books required for the institute and books and periodicals costing to Rs.2,522,578 are maintained in the Open University library. Also, the information about	As per the directives of Post Graduate Institute of English Language, it was affiliated to the Open University of Sri Lanka and the Open University should provide facilities for its maintenance. Accordingly, the Library Committee of	A formal system should be established to properly confirm the ownership and existence of the assets owned by the institutions.

those books had not been recorded in a institution's reference register.

the Open University has decided to provide the necessary facilities to maintain the library books owned by the Postgraduate English Language Institute in the Open University Library in the years 2007/2008. The institution maintains a separate register for library books and arrangements are made to include the library books in a separate fixed assets register.

- (b) The institution had recruited two academic officers and two project officers on contract basis without the Treasury approval for posts not in the approved cadre and a sum of Rs.1,495,000 had been paid as allowances during the year under review. Also, a sum of Rs.1,452,005 had been paid for two lecturers recruited on contract basis.

Two Academic Coordinator posts have been appointed with the approval of the Board of Management. As per the circular instructions issued by the University Grants Commission regarding the creation of new cadre posts to universities and higher education institutions, although requests are submitted for forwarding to Management Services Department along with justifications for existing new recruitments, the approval had been given by the University Grants Commission for two instructor posts and two management assistant posts on the condition of payment of salaries from the institution's funds. Simultaneously, two Project Assistant posts have been recruited on contract basis.

Necessary recruitment should be done after getting Treasury approval.

4. Accountability and Good Governance

4.1 Sustainable Development Goals

Audit Observation

Although the goals to be achieved by the organization in order to achieve the sustainable development goals and the existing gaps to achieve those goals as well as appropriate indicators to measure the progress should be identified, the institute had not identified such indicators and the extent to which the objectives were achieved and the deviations as well as the areas to be focused on.

Comments of the Recommendation Management

Actions will be taken on this matter after studying the ways relevant to this institution.

Action should be taken to prepare Performance Indicators (KPI) to measure and review progress.