

## **1. Financial Statements**

### **1.1 Opinion**

The audit of the financial statements of the Postgraduate Institute of Science for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 National Audit No. 19 of 2018 and Finance Act No. 38 of 1971. My comments and observations which I consider should be report to parliament appear in this report.

In my opinion, the financial statements give a true and fair view of the financial position of the Institute as at 31 December 2022, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

### **1.2 Basis for Opinion**

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 unqualified 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 determine 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 Responsibilities 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 auditor's 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 judgement and maintain professional scepticism throughout the audit. I also,

- Identify and assess the risk 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, misrepresentations, 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 Institution'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 auditor's 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 auditor's 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 Non-compliance with Laws, Rules and Regulations

Reference to Laws, Rules, Regulations etc.	Non-compliance	Management comment	Recommendation
Circular No. 04/2016 of the University Grants Commission dated 01 March 2016			
i. Paragraph 2 and 4.5	Although being informed that the self-financing activities should be maintain under non-profit basis and cost-covering basis, budgeted income of Rs 29,245,000 related to 12 self-financing courses which had been implemented from 1 January 2018 to 31 July 2022, budget documents had been prepared despite the circular provisions.	When the preparation of the financial statements related to the activities where the budgeted income is more than the budgeted expenditure, these excesses will be included in the development Votes.	Action should be taken in accordance with circular instructions.
ii. Paragraph 4.5	Annual financial statements had not been prepared for 55 self- financing activities with a budgeted value of Rs. 209,370,600 which had been completed during the time period of 01 January 2018 to the end of year under review.	The financial statements for the completed activities are already being prepared and will be presented for the necessary approvals.	Action should be taken in accordance with circular instructions.
iii. Paragraph 5.2.1	Although 15 to 30 per cent of the total indirect costs should	As is no treasury provision had been	Action should be taken in accordance

be allocated for the development vote of the institute, Budgeted income of Rs. 58,840,600 in related to 21 self-financing activities implemented between 01 January 2018 to 31 July 2022, had not been allocated for the Institution's development vote as per circular instruction.

received for the recurrent expenses of the Institution, all the overhead expenses have to be covered by the budgeted self-financing activities.

with circular instructions.

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review was a surplus of Rs. 241,374,252 as compared with the corresponding surplus of Rs. 48,462,794 preceding year. Accordingly, an improvement of Rs.192,911,458 in the financial result was observed. This improvement was mainly due to increase in interest income by Rs.49,044,377, foreign exchange gains by Rs.163,531,566 and decrease in personal emoluments by Rs.8,022,635.

## 3. Operational Review

### 3.1 Management Inefficiencies

	<b>Audit Observation</b> -----	<b>Management Comment</b> -----	<b>Recommendation</b> -----
(a)	Institute had been failed to recover the due course fee of Rs. 30,259,400 from the 1891 students for the period from 2017 to 2021, at the end of the year under review.	Reminders have been sent to recover the course fees due from student and it will be recovered in future.	Action should be taken to recover the outstanding course fees.
(b)	06 research grant projects value of Rs.12,580,485 which research period has been expired, action have not been taken to complete or extend by the end of the year under review.	Due to various reasons 06 research grants have not been completed or extended.	Research projects should be completed within the prescribed period.
(c)	In relation to the 19 research grants amounting of Rs.75,457,930 implemented between the year 2013 and the year under review, the research papers had not been published until the end of the year under review.	The grant is already underway to submit relevant research papers.	The research project should be completed within the prescribed period.

- (d) Due to the non- implementation value of Rs. 1,430,243 received for 6 research grants and inability to reach the agreements with Institutions value of Rs.2,038,815 received for 04 research grants, remained underutilized during the year under review.
- In the future, it is expected to use effectively funds related to these 06 research grants and due to various reasons it has not been possible to enter into the agreements related to 04 research grants.
- Total funds received for research is should be used with maximum efficiency and action should be taken enter into agreement promptly.

### 3.2 Idle or underutilised Property, Plant and Equipment

Audit observation	Management comment	Recommendation
Action had not been taken to take over or hand over fixed assets value of Rs. 2,087,783 which had been purchased related to 06 completed research grant by the end of the year under review.	The research grantees have been already informed to take over the fixed assets purchased from these research grants to the post graduate institute of Science permanently.	Action should be taken to take over or hand over the fixed assets.