

Postgraduate Institute of Humanities and Social Sciences - 2023

1. Financial Statements**1.1 Qualified Opinion**

The audit of the financial statements of the Postgraduate Institute of Humanities and Social Sciences for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 Act 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, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Institute as at 31 December 2023, and of its financial performance and its 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 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 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 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 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, 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 Audit Observations on the Preparation of Financial Statements

1.5.1 Accounting Policies

Audit Observation	Comment of the Management	Recommendation
In relation to six postgraduate courses, the amount of Rs. 6,002,022, which had not been received within the maximum time limit provided for completing the courses, had been erroneously recorded as receivable course fees under current assets in the statement of financial position instead of being written off according to the institute's revenue policy. Consequently, the income from receivable course fees was overstated by that amount.	Action will be taken to write off it from books during the year 2024.	Action should be taken in accordance with accounting policies.

1.6 Non-compliance with laws, rules, regulations, and management decisions.

Reference to laws, rules, regulations etc,	Non-compliance	Comment of the Management	Recommendation
(a) Financial Regulations 570 and 571 of the Financial Regulations of the Democratic Socialist Republic of Sri Lank	The refundable library deposits of Rs. 2,605,260, collected from students who had exceeded the maximum time limit for completing their courses but had not completed them, had neither been refunded nor credited to government revenue.	Necessary steps will be taken to credit the relevant amount to government revenue in the year 2024.	Actions should be taken in accordance with the Financial Regulations.
(b) Circulars			
i "University Grants Commission Circular No.	Although the internal examinations at higher education institutions are required to release results within 03 months of conducting the exams, it	Due to the COVID-19 pandemic situation and the prevailing economic	Actions should be taken in accordance

15/2015 dated 17 November 2015.	had taken between 04 to 12 months to release the results of the exams conducted during the past 03 academic years of the institute.	crisis, the release of results was delayed as a result of conducting online examinations.	with the circular guidelines.
ii. University Grants Commission Letter No. UGC/L/2020 dated 18 May 2018.	Although it had been specified that the board of management of all postgraduate institutes should be limited to a maximum of 11 members, without taking actions accordingly, a board of management consisting of 35 members had been appointed. As a result, an additional cost of Rs. 1,986,000 was incurred for meetings of the board of management during the period from January 2019 to 31 December 2023.	Until the revision is made with the approval of the Board of Management, actions will be taken in accordance with the existing regulations.	Actions should be taken in accordance with the circular guidelines.

2. Financial Review

2.1 Financial Results

The operational result for the review year showed a surplus of Rs. 94,454,441, compared to the corresponding surplus of Rs. 59,017,772 in the preceding year. Accordingly, an improvement of Rs. 35,436,669 was observed in the financial result. This improvement was mainly due to an increase in self-financing activities income by Rs. 12,696,448 and other income by Rs. 32,282,760.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
(a) Since 2020, no students have been enrolled in any of the 07 postgraduate programmes offered by the institution.	These programmes could not be implemented due to the insufficient number of applications received.	A systematic plan should be established to enroll students to the maximum capacity.
(b) Thirty-six students had been allowed to sit for the final examination without recovering the outstanding course fees amounting of Rs. 854,574 and degree certificates had been awarded to 12 students without recovering the outstanding course fees of Rs. 255,500 from them.	The Board of Directors will be informed, and further actions will be taken accordingly.	The relevant course fees should be collected promptly.

3.2 Operating Inefficiencies

Audit Observation	Comment of the Management	Recommendation
In the investment in fixed deposits, due to not calling for quotations from financial institutions regarding interest rates and the absence of prudent management of fluctuations in market interest rates, coupled with automatic updates from the same bank itself, the institute missed out on interest income of approximately Rs. 7,226,709 from the year 2022 to 2023.	Investments have been made in fixed deposits on a monthly basis in accordance with the prescribed procurements, enabling the fulfillment of monthly cash requirements and as per monthly maturity of the fixed deposits.	Actions should be taken in a prudent manner to ensure that the maximum benefit is derived for the institute.

3.3 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comment of the Management	Recommendation
According to the report of the annual verification of stores, a total of 37 units of goods valued at Rs. 1,495,212 were non-functional, idle and remaining unusable as of 31 December of the year under review.	Arrangements will be made to dispose of the relevant goods during the year 2024.	The recommendations of the Stores Verification Board should be implemented.

3.4 Deficiencies in the Contract Administration

Audit Observation	Comment of the Management	Recommendation
During the construction of the electrical generator room in the institute, an estimate of Rs. 1,310,562 had been prepared in 2021 without following the Building Schedule Rates (BSR). Due to the delay in construction activities until 2023, the expenditure had increased three fold to Rs. 3,909,538 compared to the original estimate. Even though the electrical generator room was built within the university at a very low cost, a total of Rs. 2,598,976 was incurred in excess for uneconomic purposes due to not accurately identifying the need.	The construction of the electrical generator room actually began in March 2022, and during this period, there was a significant increase in building-related costs.	Funds should be utilized in a way that ensures optimal effectiveness.

3.5 Human Resource Management

Audit Observation	Comment of the Management	Recommendation
Without revising the cadre according to service needs, 26 employees had been recruited on a contract basis, and Rs. 6,791,161 in salaries and allowances had been paid during the year under review.	Arrangements will be made to obtain approval from the General Treasury for the positions of staff recruited on a contract basis.	The staff should be maintained within the approved limit.