

Postgraduate Institute of Science - 2023.
-----**1. Financial Statements****1.1 Opinion**

The audit of the financial statements of the Postgraduate Institute of Science 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 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 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 Non-compliance with laws, rules, and regulations

Reference to laws, rules, regulations etc.	Non-compliance	Comment of the Management	Recommendation
(a) The University Grants Commission Circular No. 15/2018 dated 26 November 2018	Without the approval of the Public Enterprises Department and the General Treasury, a total of Rs. 441,600 had been paid to the National Insurance Trust Fund as a contribution towards the Employee Agrahara Insurance Scheme from August 2020 to 31 December 2023.	Arrangements have been made to include this amount in the budget for the relevant years under staff welfare.	Actions should be taken in accordance with the circular instructions.
(b) 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 20 members had been appointed. As a result, an additional cost of Rs. 1,109,920 was incurred for 29 meetings held during the period from January 2019 to 31 December 2023.	The reduction of the management board composition will be considered in the future.	Actions should be taken in accordance with the circular instructions.

2. Financial Review

2.1 Financial Results

The operational result for the year under review showed a deficit of Rs. 15,467,962, as against the surplus of the preceding year amounting to Rs. 238,811,062. Accordingly, a deterioration of Rs. 254,279,024 was observed in the financial results. This deterioration was mainly due to a foreign exchange loss of Rs. 41,494,616, a reduction in internal operational income by Rs. 24,486,980, and the non-receipt of government grants.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
(a) A total of Rs. 28,752,500 in course fees due from 1,790 students from 2017 to 2022 had not been recovered even by the end of the year under review.	Reminder letters have been sent to all students, and measures will be taken to recover these funds in the future.	Actions should be taken to recover the course fees.
(b) Although investments should be reinvested under the highest interest rate by calling for quotations upon maturity, the institute had decided to terminate transactions with the peoples' bank offering the highest interest rate, due to a lack of such prudence. As a result, a total of Rs. 6,285,474 in interest income had been lost from 17 fixed deposits for the period from January 2022 to June 2023.	Six fixed deposit accounts maintained at the Peoples' Bank have been reinvested with the same bank, based on the belief that they are required to produce as evidence in the financial fraud case of the institute and steps have been taken to make relevant investments with the highest interest rates in other state banks by calling for quotations from them.	Prudent actions should be taken to maximize benefits from investments.
(c) Although the target number of registered students was 300 in 2021 and 200 in the year under review, only 97 and 129 students were registered, respectively. Additionally, out of a total of 1,588 students registered from 2019 to 2023, 394 students had left the courses by the end of 2023, which was approximately 25% of the registered student population. The management had not paid attention to investigating the reasons for the decrease in course	The lack of large-scale applications usually for three specific courses and the failure to complete the courses by the scheduled dates due to unforeseen disruptions in the country were identified as reasons for the above issue.	Efforts should be made to increase student registration.

registrations and the withdrawal of students from courses.

3.2 Operating Inefficiencies

Audit Observation	Comment of the Management	Recommendation
<p>An agreement had been entered into with a private institution on 12 June 2022 for an amount of Rs. 4,440,457 to design, develop, install, and maintain a Management Information System (MIS) for the institute. Although more than nine months have passed beyond the agreed timeline, the work on the Management Information System had not been completed even by the date of the report.</p>	<p>Extensions for the deadline are being sought, and the system requirements specifications for all modules have now been completed.</p>	<p>The contract work should be completed within the agreed timeframe.</p>