

**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 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 Section 18 of the English Language Postgraduate Institutions Regulations No. 04 of 2005 enacted under section 18 of the Universities Act No. 16 of 1978 and sub-section 107(5) of the Universities Act and the provisions of 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 2023, 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 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
According to paragraph 47 of Sri Lanka Public Sector Accounting Standard 3, through 09 journal entries related to the period 2018 to 2020, the general reserve has increased by Rs. 45,965, the accounts receivable balance has decreased by Rs. 91,075 and the balance of pre-payment accounts has decreased by Rs. 137,040. But the said adjustments had not been made in the financial statements as on 31 December of the year under review.	In summary, the effect of this will be Rs.45,965. As such, it is proposed to debit and credit the reserve account by this amount of Rs.45,965.	Sri Lanka Public Sector Accounting Standards should be complied.

### 1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) According to the financial statements of the year under review, the gratuity provision was Rs.7,967,631, but according to the schedule, the figure was Rs.6,039,181, accordingly, there was a difference of Rs.1,928,450.	The difference shown was due to the gratuity paid by the institute to a professor during the year.	The provisions should be deducted in paying the gratuity to the officers who have made provisions for gratuity.
(b) The deposit amount of Rs.95,694 paid to the Electricity Board in the previous year had been erroneously accounted under the building account and in the correction in the year under review, it had been debited to General Reserve account. As such, the balance of the deposit and the general reserve had been under accounted by that amount.	Action will be taken to reflect in a deposit account in the preparation of the accounts in next year.	Action should be taken to correct the relevant error.
(c) Although the investment interest income received in cash was Rs.17,493,359, it was shown as Rs.17,630,353 under investing activities in the cash flow statement.	Action will be taken to correct retrospectively in the preparation of future accounts.	In preparing the statement of cash flows, investment interest income received in cash

should be adjusted under investing activities.

- (d) Although the Adjustments of Interest income under Non Cash movements in the cash flow statement of the year under review was Rs.278,682, the related information was not submitted to the audit. That this value was a total of two amount of Treasury bill interest and fixed interest. The related evidence will be provided to the audit. Information relevant to the audit of financial statements should be submitted.

## 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) Sections 11 (a), 9 (2) (e) and 10 (5) (1) of the Finance Act No. 38 of 1971	The institution had invested a sum of Rs.102,501,956 in Treasury Bills from the income earned as on 31 December 2023 without obtaining the prior approval of the concerned minister and the minister in charge of finance.	That the income earned by the institution has been invested in the Treasury Bills and approval has been obtained in the 79th Board of Management meeting held on 17 July 2015 for that investment.	Investments should be made with formal approval as per the Finance Act.
(b) Treasury Circular No. 842 dated 19 December 1978	Books and periodicals costing for Rs. 2,522,528 are maintained in the library of the Open University, but the related authority was not submitted to the audit and the fixed asset register was not maintained in connection with the reference register. A board of survey on library books and periodicals was also not conducted since 2008.	According to a decision taken at the beginning of the institute, arrangements were made to maintain the library books and periodicals in the main library. That the matters pointed out in the audit observations and recommendations will be corrected in future.	The provision of the circulars should be followed.
(c) University Grants Commission Circular No.	An employee insurance scheme has been started in the year 2023 and an	On the approval of governing council of each university, Sri	The provision of the circulars should be

15/2018 dated 26 amount of Rs.234,981 was Lanka Insurance followed.  
 November 2018 credited to an internal fund Corporation has  
 of the institute. arranged to provide a  
 Out of that, an amount of staff insurance for the  
 Rs.91,377 was paid as university staff. But  
 specialist doctor since the above  
 appointments and medicine institution did not  
 bills for benefit agree to provide  
 applications during the year insurance for institutes  
 under review on the with very less staff, the  
 recommendations of an university had to get  
 internal committee and the this work done itself.  
 medical officer.

## 2. Financial Review

### 2.1 Financial Results

The operating results for the year under review had been a deficit of Rs.8,585,530 as compared with the corresponding surplus of Rs.17,312,750 for the preceding year, thus observing a deterioration of Rs. 25,898,280 in the financial result. The decrease in course fee income by Rs.3,618,680 and in government recurrent grant by Rs. 26,464,000 had mainly attributed to this deterioration.

## 3. Operating Review

### 3.1 Under -utilization of Funds

Audit Observation	Comments of the Management	Recommendation
The balance of Rs.3,967,500 in the Institute Development Fund (PGIE Development Fund) as at 31 December of the year under review had not been used for the related purposes for a period of 08 years.	This amount will be expected to be used for the management information system which will be created for the institute on the recommendations of the audit committee and the approval of the management board.	Action should be taken to utilize the funds effectively for the purposes of establishment of funds

### 3.2 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The student income receivable of the institution as at 31 December 2023 was Rs.1,327,867 and in that the student income receivable for more than 02 years was Rs.426,450.	Re-registration of students will be done in every year, and all arrears will be collected at their re-registration.	Actions should be taken to collect the due revenue.

- (b) A lecturer in excess of the number of approved cadre, and 14 officers were recruited on contract basis with the approval of the Management Board for three posts which were not included in the approved cadre and a total sum of Rs.4,673,238 was paid as allowances during the year under review.
- That these appointments were made on the temporary permission given by the University Grants Commission until the minimum number of staff vacancies required for essential office operations as well as coordination activities are filled.
- All recruitment should be done only on formal approval.