

1. Financial Statement

1.1 Opinion

The audit of the financial statements of the Post Graduate Institute of Management affiliated to the University of Sri Jayewardenepura for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, 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 material accounting policy information, 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 Section 19 of the Postgraduate Institute of Management Regulation No. 03 of 1985 enacted under Section 18 of the Universities Act No. 16 of 1978 and subsection 107(5) of the Universities Act No. 16 of 1978. My comments and observations which I consider to be reported to Parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Post Graduate Institute of Management as at 31 December 2024, 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 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 Scope of the Audit

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 skepticism 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 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 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 institution;
- 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 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a)	Section 19.1.5 of Chapter III of the Establishment Code for University Grants Commissions and Higher Education Institutions	Although salaries should not be paid until the medical reports receiving of an officer making appointments to new positions, salaries and allowances had been paid from the date of recruitment to 07 officers who had failed to provide medical reports for a period of between 2 to 3 years.	Action have been taken to rectify the deficiencies.	Action should be taken in accordance with the provisions of the Circular.
(b)	Paragraph 8.1 of National Budget Circular No. 01/2024 dated 10 January 2024	Although instructions had been given to re-review welfare and subsidy programs and ensure that the benefits of those programs were actually received by the targeted beneficiaries, a total sum of Rs.3,232,907 had been spent on welfare expenses on 03 occasions during the year under review, based on an authorization granted by the Department of Public Enterprises in the year 2015.	The Postgraduate Institute had paid this payment with the permission of the Department of Public Enterprises (PED) letter PE/EDU/PIM/GEN/2014 dated 20 August 2015 and this Institute has been operating as a self-financing institution since the year 1999.	-do-.

2. Financial Review

2.1. Financial Results

The operating result of the year under review amounted to surplus of Rs.53,434,526 and the corresponding surplus in the preceding year amounted to Rs.89,643,027. Therefore, a deterioration amounting to Rs.36,208,501 of the financial result was observed. The increase in the expenses of the Institute by Rs.63,287,524 had been the mainly caused for this deterioration.

2.2 Trend Analysis of Major Income and Expenditure Items

The total income of the Institute had increase by Rs.27,079,022 equivalent to 5.44 percent over the previous year, and the total expenditure had increased by Rs.63,287,524 equivalent to 15.53 percent.

2.3 Ratio Analysis

The surplus for the year under review was Rs.53,434,526 and thus the total income was Rs.524,228,522 , the profitability ratio was 10.19 percent, and the same ratio in the previous year was 18.03 percent. Accordingly, the profitability ratio was in an unfavourable position compared to the previous year. Current assets were Rs.358,300,183 and current liabilities were Rs.201,031,313, therefore, current ratio was 1.78:1, compared to 2.68:1 in the previous year.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	A fraud of Rs.58.2 million committed by the Director of the Dubai branch of the Postgraduate Institute of Management and a complaint had been made with the Criminal Investigation Department in the year 2011. Although the relevant investigation activities had been later referred to the Attorney General, action had not been taken to follow up on the relevant legal matters and take the necessary action.	The Criminal Investigation Department had been repeatedly reminded in this regard and forwarded the investigation extracts to the Attorney General, but any instructions had not been received yet in this regard, and that institution had been informed regarding the difficulties in providing some of the information requested by the Criminal Investigation Department by us due to the confusing situation in the reports of the Dubai branch.	The investigation activities should be completed promptly and necessary action should be taken.
(b)	Although an asset balance of Rs.2,999,373 and a liability balance of Rs.11,603,217 relating to the Dubai branch of the Institute had been included in the financial statements for about 15 years, actions had not been taken to identify and settle those asset and liability balances even by the end of the year under review.	Such balances will be disclosed in the financial statements until the investigation activities and relevant legal proceedings are completed, and that settlement or recovery actions will be taken after the legal proceedings are completed.	Action should be taken to settle the balances, after completing the investigation activities promptly.

3.2 Under Utilization of Funds

Audit Observation	Comments of the Management	Recommendation
Although the balance of Rs.473,608 held in 03 donation funds had been invested in fixed deposits, action had not been taken to utilize for the relevant purpose for more than 05 years.	Those funds had included in all fixed deposits of the Institute.	Action should be taken to utilize donation funds for the relevant objectives.

3.3 Human Resources Management

Audit Observation	Comments of the Management	Recommendation
A sum of Rs.23,149,000 had been paid as salaries and allowances for 5 officers who had been recruited on a temporary basis in excess of the approved cadre up to 31 December 2024. Although other financial benefits including transport allowances, attendance allowances had been provided to those officers, details of the specific amounts paid had not been submitted for audit.	Since these employees had been recruited with the approval of the Governing Council and although the details of the salaries and allowances paid can be obtained promptly, the list of financial benefits including transport allowances, attendance allowances, etc. cannot be obtained accurately from the accounting system that exists for the year at one time, action had already been taken to collect data through checking of vouchers and provide the information to the Audit Division.	Action should be taken to recruit staff with the approval of the Department of Management Services/University Grants Commission.

4 Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Comments of the Management	Recommendation
Although an Internal Audit Division consisting of an Internal Auditor should be established for all Public Enterprises, in accordance with the Paragraph 4.4 of the Guidelines for Good Governance of Public Enterprises, of Public Enterprises Circular No. 01/2021 dated 16 November 2021 such a division had not been established even by the end of the year under review.	A request had been made to the Department of Management Services (DMS) to appoint officers for the establishment of an Internal Audit Division, but it is not possible to establish this Division at present as new appointments have been suspended, and that the internal audit is currently being conducted in accordance with the Internal Audit Circular Letter 03/2019 of the University Grants Commission.	Action should be taken in accordance with the provisions of the circulars.