

**1.1 Opinion**

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The audit of the financial statements of the Postgraduate Institute of Archaeology for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 and the National Audit Act No. 19 of 2018 read in conjunction with provisions of the Section 20 of the Postgraduate Institute of Archaeology Ordinance No. 02 of 1985 enacted under Section 18 of the Universities Act No. 16 of 1978 and Sub-section 107 (5) of the Universities Act. My comments and observations which I consider should be tabled in Parliament appear in this report.

In my opinion, the financial statements of the Institute give a true and fair view of the financial position of the Institute as at 31 December 2019, 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**

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I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAS). 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**

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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 intends 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

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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 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 Financial Statements**

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### **1.5.1 Internal Control over the preparation of financial statements.**

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The Institute is required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Issues with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under the following headings.

## **1.6 Accounts Payable and Receivable**

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### **1.6.1 Accounts Receivables**

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<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
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Payable to Airwin Guard for providing additional services included in accrued expenses by December 31 of the year under review amounted to Rs. 147,119 relevant to the month of December 2019 had not been paid until 31 May 2020.	Payments will be made in the future according to management decisions.	Payable expenses should be properly settled

## 1.7 Non-compliances with Laws, Rules, Regulations, and Management Decisions

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The following observations are made.

Reference to Laws, Rules, & Regulations, etc.	Non-compliance	Management Comment	Recommendation
a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.			
(i.) Financial Regulations 102, 103 & 104, and Circular No. 02/2017 dated 04 May 2017 of Director General of Combined Services	Action had not been taken in terms of Financial Regulations and Circulars on 216 books and 588 publications revealed to have been misplaced in the last survey conducted in the year 2017 on library books.	An initial inquiry had been conducted by the Management Board and thus taking action as per the decisions thereof.	Action should be taken in terms of Financial Regulations.
(ii.) Financial Regulation 757 (2).	A Board of survey had been conducted relevant to the inventory items in 2019 and action had not been taken in terms of Financial Regulations on 04 items valued for Rs. 510,093 revealed thereof.	Heads of Divisions will be inquired into the matter and act accordingly in the future.	Action should be taken in terms of Financial Regulations.
b) Section 15 (2) of the Postgraduate Institute of Archeology Ordinance No. 02 of 1985.	According to the Ordinance, the institution was required to determine the powers, duties, and functions and of the Board of Management of each academic body of Ecology and Sociology, but did not act accordingly.	Corrective measures will be taken in due course.	Ordinance should be adhered to.

## 2. Financial Review

### 2.1 Financial Results

The operating result of the year under review had been a deficit of Rs. 51,823,178 as compared with the corresponding deficit of Rs. 34,333,293 in the preceding year, thus observing a deterioration of Rs. 17,489,885 in the financial result. The increase in operating expenditure had mainly attributed to the said deterioration.

## 3. Operating Review

### 3.1 Management Inefficiencies

The following observations are made.

<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
a) An office belonging to a private company named "National Trust" is maintained at the premises of the Institute whilst the ICOMASS, a private institution, uses the address of the Institute as their office address with the auditorium of the Institute being used to hold meetings of the ICOMASS. However, after the audit pointed out that the auditorium was being used free of charge, two Memorandums of Understanding (MoUs) were signed between the relevant institutions and the Postgraduate Institute. Even though the agreements were entered into in such a way that there is no charge and the two institutions provide services to each other, the audit could not confirm that the post-graduate institute would receive the services mentioned in the agreement from the two institutions.	Reports on the services rendered by the two institutions from the year 2020 will be submitted to the Board of Management	A Memorandum of Understanding should be entered into so as not to disadvantage the institution.
b) The fingerprint machine which cost Rs. 55,000 installed in the administration building of the company had lost on 29 March 2019 and action had not been taken to investigate and identify the responsible parties and recover the damages even by the date of audit, 31st May 2020.	Decided to recover from the payable amount to Airwin Guard Force Security Clean & Janitorial Service (Pvt) Ltd.	The loss incurred by the institution should be recovered.

### 3.2 Operational Inefficiencies

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The following observations are made.

<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
a) The courses of this institute are held on weekends and appointments have been given for 09 permanent staff and 6 external lecturers for the academic year 2018/2019. During the inspection of the records maintained for the conducting of lectures, it was observed that the Acting Director had made notes in those documents on the failure to deliver the lectures on time and the register maintained on conducting of lectures during the year under review was maintained without proper supervision.	Action will be taken to minimize these situations in the future.	Management should maintain proper supervision over the conduct of lectures.
b). It was revealed that, delay of more than 60 days for handing over the dissertation to the examiners after handing over the dissertation to the institute, taking more than 03 months to check and return after giving the first examiner and the second examiner, and delay in calling for oral tests and delay in presenting to the Senate were the reasons for delaying in issuing the examination results related to the institute's research degree course. .	Action will be taken to minimize these delays in the future.	Arrangements should be made to issue examination results without delay.

**4. Accountability and Good Governance**

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**4.1 Annual Action Plan**

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<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
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Although in terms of paragraph 04 of the Public Finance Circular No. 01/2014 dated 17th February 2014, Statutory Institutions such as educational institutions are required to prepare an Annual Action Plan for the year 2019 with the objectives of the Act and with a long term vision aimed at achieving the objectives of the relevant Act.	The action plan for 2019 had not been approved by the Board of Management and the approval of the Board of Management will be obtained in 2020 and action will be taken accordingly.	An action plan should be prepared and implemented in line with the objectives.