

## **Postgraduate Institute of Archaeology - 2021**

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### **1. Financial statements**

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#### **1.1 Opinion**

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The audit of the financial statements of the Postgraduate Institute of Archaeology affiliated to the University of Kelaniya for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 2021, 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 (SLAuS). 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 Non-compliance to Laws, Rules, Regulations and Management Decisions

Reference to laws, rules, regulations	Non compliance	Comments of the Management	Recommendation
(a) Financial regulation 570 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Action had not been taken in terms of Financial Regulations regarding 10 tender deposits with a total value of Rs.140,000 exceeded 02 years..	Action will be taken to settle in 2022.	The provisions of the Financial Regulations should be complied with.
(b) Director General of Combined Services Circular No. 2/2017 dated 04 May 2017	An annual board survey on library books was not conducted after 2019.	Necessary actions are being taken to conduct a board of survey on library books at the end of the year 2022.	The provisions of the circulars should be complied with.
(c) Paragraph 04 of Public Finance Circular No. 01/2014 dated 17 February 2014	The action plan of the institute was not prepared as per the circular.	The action plan will be prepared as per the relevant circulars hereafter.	The provisions of the circulars should be complied with.

## 2. Financial Review

### 2.1 Financial Results

The operating result of the year under review had been a surplus of Rs.8,263,714 as compared with the corresponding deficit of Rs. 6,373,891 in the preceding year, thus observing an improvement of Rs. 14,637,605 in the financial result. The actual profit on the provision of pension gratuity amounting to Rs.13,261,846 in the year under review had mainly attributed to the said improvement.

### 3. **Operating Review**

#### 3.1 **Management Inefficiencies**

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
According to the verification of library books conducted in 2019, 308 books and 535 magazines were misplaced and the related settlements were not done until 31December 2021.	Necessary actions are being taken.	Necessary action should be taken against the responsible officers related to misplaced books and publications.

#### 3.2 **Operational Inefficiencies**

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) Although 388 students were registered for 11 one year and six months non degree courses for the years 2018 and 2020, 255 students had not completed the courses and the management was unable to find out the reasons and take the necessary remedies in this regard.	It was informed that studies could not be completed within the relevant period due to the Corona situation and travel restrictions.	Prompt action should be taken all students to complete coursework.
(b) 22 days to 73 days were taken for handing over the theses submitted to the institute by 08 undergraduates to the first and second examiners and the examiners had spent 60 days to over 100 days in examining theses. Also, there was a delay in releasing the results due to taking 70 to 238 days to conduct the oral test after the examination of theses and the attention of the management was not focused on it.	There were difficulties in accepting and handing over theses due to the travel restrictions and the institution was also closed as a result of the occasional shutdowns of the country due to the Corona situation and action will be taken to speed up this process in the future.	Action should be taken to minimize the time spent in examining theses by the examiners and conduct oral examinations promptly.