

## **Post Graduate Institute of Management affiliated to the University of Sri Jayawardanapura - 2021**

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### **1. Financial Statement**

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#### **1.1 Opinion**

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The audit of the financial statements of the Post Graduate Institute of Management affiliated to the University of Sri Jayawardanapura for the year ended 31 December 2021 comprising the statement of financial position, statement of financial performance for the year then ended, statement of changes in net assets 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 section 12 of the National Audit Act No. 19 of 2018 and section 19 of the Postgraduate Institute of Management Regulation No. 3 of 1985 enacted under subsection 107 (5) and section 18 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 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 (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**

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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 intend to liquidate the University 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 institution.

#### **1.4 Responsibility of the Auditor on the audit of 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 institution;
- 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, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulation 231	A sum of Rs. 119,500 had been paid to the officers of the internal audit division of the University of Sri Jayawardenapura during the year under review but relevant information for that payment had not been submitted with the payment vouchers.	Payments are made for obtaining the services of the internal audit department of the University of Sri Jayawardenapura for the internal audit functions of the institution.	In terms of Financial Regulations, relevant evidence should be submitted to confirm the payment
(ii) Financial Regulation 371 (2)	The ad hoc sub imprests from Rs. 136,650 to Rs. 293,364 were issued in 03 occasions exceeding the maximum limit of sub imprest can be issued during the year under review.	Advances were given taking into consideration of the amount required for the function. It was difficult to depend on the maximum limit of RS. 100,000.	Financial Regulations should be followed.

(iii) Financial Regulation 371 (2) b	Although ad hoc sub imprests could be issued only for the staff officers, ad hoc sub imprests from Rs. 9,000 to Rs. 100,000 were issued in 03 occasions to three non-staff officers during the year under review.	Advances are sometimes given to non-staff officers and the advances are utilized under the direct supervision of staff officers.	Financial Regulations should be followed.
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**2. Financial Review**  
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**2.1. Financial Results**  
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The operational result of the year under review had been a surplus of Rs. 114,002,565 and as compared with the corresponding surplus of Rs. 171,800,211 for the preceding year, thus indicating a deterioration of Rs.57,797,646 in the financial result. Decrease in the course fee and other income had been the main reasons for the said deterioration.

**3. Operational Review**  
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**3.1 Management Inefficiencies**  
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Audit Observation -----	Comments of the Management -----	Recommendation -----
(a) The approval of the Cabinet of Ministers was granted for the construction of phase II of a building with an estimated total cost of Rs.248 million from the generated income of the institution within the medium-term budget framework of 2018-2020. The contract had been awarded and had to be started in August 2019 and completed within 720 days at a cost of Rs.180.65 million. Although the contract period were exceeded by 182 days, no approval was given to extend the contract period even the date of audit of 18 February 2022.	During the progress review meeting the contactor stated that despite the contract period was exceeded, due to the effect of Covid-19, the closed down of the country, the shortages in raw materials and other inputs, the interruption of the supply of electricity, the difficulties in getting employees, etc. were affected to the completion of contract works. This matter had been constantly discussed in those meetings.	Action should be taken to complete the contract within the stipulated time.

- (b) 500 books worth of Rs. 278,846 Procured in the year 2019 and 699 books worth of Rs. 873,750 procured in 2020 remained in the publication stock without issuing as on 31 December 2021.
- (c) Since the duration of the post-graduate program is two years, action had been taken to write off the outstanding course fees at the end of that period. But, Similarly, 03 balances amounting to Rs.10,631,597 related to the year 2020/21, which had not exceeded the 02 years period, had been written off from the receivable course fee income of the year under review. Further, 09 balances amounting to Rs. 30,233,624 related to 2018/2019 and previous years were remained in the receivable course fee balance as on 31 December 2021, without being written off. Accordingly, it was observed that non-payment of annual course fees by registered students or dropping out of the course may adversely affect the performance of the institution.
- Considering the advantage of printing cost, a bulk of books was Printed at once. Stocks of books related to students are issued annually as per the requirement.
- The written off outstanding course fees of Rs. 10,631,597 during the year under review were relevant to the year 2020/2021 and, hence, had been written off in the year 2021. Due course fees related to 2018/2019 and previous years are applicable to active students.
- Procurement should be done by considering the remaining stock.
- An internal control system should be prepared regarding the write off of course fees.