

Postgraduate Institute of Science - 2024

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Postgraduate Institute of Science 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 Finance Act No.38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, the financial statements give a true and fair view of the financial position of the Institute 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 Auditor's Responsibilities 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 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 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, 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 institution'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 with Laws, Rules, and Regulations

Reference to laws, rules, regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Section 11 of the Finance Act No. 38 of 1971	Although all excess money of the Institute should be invested with the prior approval of the appropriate Minister and the Minister of Finance, such approval had not been taken when investing Rs. 248,971,554 and USD 1,157,293.	A request for the approval for the investment had already been forwarded to the Department of Public Enterprises by the University Grants Commission and the Ministry of Higher Education.	According to the provisions of the Finance Act, arrangements should be made to obtain the relevant approvals to invest the excess money.
(b) University Grants Commission Circular No. 15/2018 dated 26 November 2018.	The Institute had paid an amount of Rs. 758,400 to the National Insurance Trust Fund as Employee Aghara Insurance Contribution between August 2019 and December 2024 without obtaining the approval of the Department of Public Administration and the General Treasury.	The contribution made by the Institute had been included in the Budget of the relevant years under "Staff Welfare" and those Budgets had been forwarded to the Department of Public Enterprises and the General Treasury by the University Grants Commission for approval.	Rules and regulations should be followed.

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| (c) | University Grants Commission letter No. UGC/L/2020 dated 18 May 2018. | Although it had been specified that the Board of Management of all Postgraduate Institutes should be limited to a maximum of 11 members, contrary to that from 02 to 08 exceeding the maximum number of members, had participated in 36 meetings of the Board of Management meetings held during the period from January 2019 to 31 December 2024, and the Institute had incurred an additional expenditure of Rs. 1,535,483. | It has already been decided to submit a memorandum titled "Amendment of the existing regulations of the Postgraduate Institute of Science" to the 185 th Board of Management meeting scheduled to be held on 26.04.2025. | Actions should be taken in accordance with the circular provisions. |
| (d) | University Grants Commission Circular No. 15/2015 dated 17 November 2015 | Although, it had been mentioned that the results should be released within 03 months after conducting the internal exams, it had been taken 04 months to 10 months to release the results of 05 courses in the academic year 2022/2023. | Initial steps are being taken to establish the Examination Division, and once the Examination Division is fully operational, it will be possible to deliver results efficiently without delay. | Action should be taken according to the circular instructions. |

2. Financial Review

Financial Results

The operating result of the year under review amounted to a deficit of Rs. 64,993,387 and the corresponding deficit in the preceding year amounted to Rs. 15,467,962. Therefore, a deterioration amounting to Rs. 49,525,425 of the financial result was observed. The foreign exchange loss of Rs. 36,039,585 the decrease in interest income of Rs. 41,155,310 and non-receipt of government grants during the year had mainly caused to this deterioration.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
(a) The Institute had failed to recover the arrears of course fees of Rs. 23,497,200 due for the period from 2017 to 2023, even as at 31 December of the year under review.	The Institute had taken action to prevent the issuance of examination applications to students with outstanding course fees, and the Institute had	A formal procedure should be implemented to collect outstanding course fees.

been able to recover a large amount of outstanding course fees with the introduction of this system.

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| (b) | Action had not been taken even by the end of the year under review to settle the over provision of Rs. 260,459 relating to 05 study boards existing since 31 December 2016, the retention money of Rs. 1,345,430 relating to 03 industries completed in the years 2018 and 2019 and Rs. 169,075 relating to workshops, short-term courses and other payable expenses existing since 02 years. | The final financial statement related to this workshop had already been prepared and action will be taken to refer it to the Finance Committee and the Board of Management and to correct the relevant balances as per the instructions given by it. | Research grants should be utilized efficiently and research should be completed on time. |
| (c) | Although 01 to 11 months had passed since the deadline for completing 03 research grants totaling Rs. 10,332,176, those researches had failed to be completed. | The time has been extended for two research projects, and one research project had already been completed and the final report has been submitted. | Research grants should be utilized efficiently and research should be completed on time. |