

Postgraduate Institute of Medicine affiliated to the University of Colombo - 2013

The audit of financial statements of the Postgraduate Institute of Medicine affiliated to the University of Colombo for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of financial performance and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory 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 the Finance Act, No.38 of 1971, Sub - sections 107(5) and 108(1) of the Universities Act, No. 16 of 1978 and Section 20 of the Postgraduate Institute of Medicine Ordinance, No.01 of 1980 enacted in terms of Section 18 of the Universities Act. My comments and observations which I consider should be published with the Annual Report of the Institute in terms of Section 108(1) of the Universities Act appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub - sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Audit Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Postgraduate Institute of Medicine as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Accounting Policies

Even though it had been shown in the accounting policy 3(iii) presented with the financial statements that the income from all other courses except the courses, of which the details cannot be found, is accounted in proportion to the period of the courses, the said income had been brought to account as an income received for the year.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) Sixty five postgraduate degree courses had been conducted by the Institute during the year under review and an income of Rs. 132,815,315 had been received as income of courses from registration fees of Rs. 15,577,280, course fees of Rs. 51,498,749 and examination fees of Rs. 65,739,286 . But control accounts had not been maintained for each course.
- (b) Even though the income of courses for the year under review should be credited proportionately to the statement of financial performance and income received for the ensuing period should be brought to account as deferred income, the income received during the year had been accounted as income of courses. In the sample test check carried out in respect of 08 courses, the entire income of the said courses amounted to Rs. 8,699,500. Out of this, a sum of Rs.3,491,380 should be adjusted to the statement of financial performance for the year under review as an income and a sum of Rs. 3,330,480 should be adjusted to the statement of financial position as a deferred income. Nevertheless, the entire income amounting to Rs.3,644,500 received during the year had been credited to the statement of financial performance.
- (c) Instead of adjusting sums of Rs. 146,012,472 and Rs. 238,316,770 adjusted against the income and expenditure respectively in the preceding year, in the financial statements retrospectively, those had been included in the Accumulated Fund.

2.3 Accounts Receivable and Payable

A sum of Rs. 6,712,875 comprising course fees amounting to Rs.4,046,625 and rent income amounting to Rs. 2,666,250 receivable from a Government Ministry and a State Bank remained without being recovered even by the date of audit despite the elapse of 02 to 06 years.

2.4 Unreconciled Control Accounts

Comparison 03 items of non-current assets shown in the financial statement with the Register of Fixed Assets revealed a difference of Rs. 189,425,356 resulting from the failure to maintain the Register of Fixed Assets in an updated manner.

2.5 Non-compliance with Laws, Rules, Regulations and Management Decisions.

The following non-compliances were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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(a) Section 29(e) of the Universities Act, No. 16 of 1978 and Section 12(3) of the Postgraduate Institute of Medicine Ordinance No. 10 April 1980.	Approval of the Senate and the University Grants Commission had not been obtained in planning courses for commencement.
(b) Public Enterprises Circular No. PED/33 of 19 December 2005	The Treasury approval should be obtained for investments. Even though the Treasury approval had been sought for investments of Rs. 92,887,489, it had not been received.
(c) Treasury Circular No. IAI/2002/02 of 28 November 2002.	A specific Register of Fixed Assets on Computer Accessories and Software had not been maintained.
(d) Treasury Circular No.842 of 19 December 1978.	Even though a Register of Fixed Assets should be maintained in terms of Form General 287, details such as cumulative depreciation, assets disposed of, capital cost incurred in the year had not been included in the Register of Fixed Assets.
(e) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Even though advances obtained for a specific purpose should be settled immediately after its completion, it was observed that advances granted to 08 officers in 18 instances had not been settled during periods ranging from 40 days to 139 days.
(i) Financial Regulation 371	
(ii) Financial Regulation 571	Even though bid deposits amounting to Rs. 113,550 and sundry deposits of Rs. 183,557 included in the financial statements should be settled immediately after the completion of the relevant purpose, it was observed that bid deposits of Rs. 87,050 of the value of the above deposits and sundry deposits of Rs.144,717 had not been settled over a period of 03 years.

3. **Financial Review**

3.1 **Financial Result**

According to the financial statements presented, the financial result of the Institute for the year ended 31 December 2013 had been a surplus of Rs. 10,331,320 as compared with the corresponding surplus of Rs.11,434,802 for the preceding year. The increase of the Government grants by a sum of Rs.15,180,000 and the decrease of other income by a sum of Rs.41,672,778 had been mainly attributed to the decrease in surplus by a sum of Rs.1,103,482 in the year under review as compared with the preceding year.

4. **Operating Review**

4.1 **Management Inefficiencies**

The following observations are made.

(a) In comparing duty lists presented to audit by the Institute as at 31 December 2013 with employees who were engaged in the service of the Institute as at that date, duty lists had not been provided by the Institute for 81 officers and the duty lists which were provided had been from the years 1994 to 2004 and they had not been updated according to the current duties.

(b) The contract for the preparation of Register of Fixed Assets had been awarded to a private firm by the Institute. Despite the delay of 53 days for the completion of the said purpose, the entire amount of Rs. 1,458,286 had been paid to the respective private firm.

4.2 **Staff Administration**

According to the approved cadre of the academic staff of the Institute as at 31 December 2013, number of lecturers had been 11 and out of that, 08 posts had been vacant. It was observed in audit that the vacancy of the said essential posts had directly affect the performance of the Institute.

4.3 **Assignment of Duties among the Officers of the Institute**

Even though the duties of officers should be changed at the end of a specific period by the Institute to strengthen the internal control, it was observed that 26 officers had been attached to the same duty for a period of 07 to 32 years.

4.4 **Apparent Irregularities**

In the sample test check carried out on the entertainment expenditure incurred for the meetings conducted in the Academic Division for the first quarter of the year under review revealed that a sum of Rs.286,384 had been paid for 116 bills relating to 12 vouchers for the supply of instant food for the meetings by altering the rubber stamps and amount and placing forged signatures.

5. **Accountability and Good Governance**

5.1 **Budgetary Control**

Even though separate budget estimates should be prepared for each course conducted by the Institute and approval of the University Grants Commission obtained, no action had been taken accordingly.

5. **System and Controls**

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Director of the Institute from time to time. Special attention is needed in respect of the following areas of control.

- (a) Control of Fixed Assets
- (b) Staff Administration
- (c) Accounting