

1. Qualified Opinion

The audit of the financial statements of the Postgraduate Institute of Medicine affiliated to the University of Colombo for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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, 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 Section 20 of the Postgraduate Institute of Medicine Ordinance No. 01 of 1980 enacted under Sub-section 107(5) and Section 18 of the Universities Act, No. 16 of 1978 and sub section 108 (1) of the Universities Act and provisions of the National Audit Act, No. 19 of 2018. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Institute as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.5 of this report.

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 determines 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

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 audit 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 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 audit 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 audit 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

1.5.1 Non – Compliance with the Sri Lanka Public Sector Accounting Standards

The following observations are made.

Non-compliance with reference to the respective Standards	Comments of the Management	Recommendation
(a) As per the Paragraph 65 of the Sri Lanka Public Sector Accounting Standard 07, the residual value and the useful life of an asset should be reviewed at least at each annual reporting date and, if expectations differ from previous estimates, the changes should be accounted for as a change in an accounting estimate in accordance with SLPSAS 3. However, fully depreciated property, plant and equipment valued for Rs. 306,946,647 had not been accounted for in respect of.	Action will be taken to rectify this after obtaining the assistance of the Valuation Department as the knowledge available to the officers of the institution is insufficient to assess the useful life time of the technical assets of the institution.	Accounting standards should be followed.
(b) Contrary to paragraph 18 of the Sri Lanka Public Sector Accounting Standards 08, due to accrued expenses which can be accurately estimated was over stated by Rs.1,109,188 and non-	Expenditure payable on transport allowances, examination fees, lecturer fees were obtained as estimates at	Accounting standards should be followed

accounting of accrued expenses relevant for the year under review total amounting to Rs. 545,000, the surplus of the year under review was over stated by Rs. 564,188 in the financial statement.

the end of the year from the examination and academic sections and made provisions from the profits. In consultation with those departments, action will be taken to obtain the exact amount of liabilities for the year 2021 to keep accurate accounts.

1.5.2 Accounting Deficiencies

----- Audit Observation -----	----- Comments of the Management -----	----- Recommendation -----
Depreciation of Rs. 820,000 had not been accounted for the year under review for a car procured on 31 December 2015 for Rs. 4,100,000 and, as a result, the surplus for the year and the net value of the assets at the end of the year had been over calculated by that amount.	This error has already been corrected by the journal voucher number 00001C. Revised figures for the year 2020 will be presented in the preparation of the financial statements for the year 2021.	Accounts should be kept correctly.

2. Financial Review

2.1 Financial Results

The operating result of the Postgraduate Institute of Medicine for the year under review was a surplus of Rs. 98,336,164 and corresponding surplus amounted to Rs.192,687,731 in the previous year, thus observed that an deterioration of Rs.94,351,567 of the financial results. The decrease in government grants and other income had mainly attributed for this deterioration.

3. Operational Review

3.1 Operational Inefficiencies

The following observations are made.

	Audit Observation	Comments of the Management	Recommendation
(a)	Although the outstanding balance has elapsed from 01 to 04 years including the retention money amounted to Rs.30,656,944 shown under current liabilities as at 31 December 2020, action had not been taken to settle those balances.	Action had been taken to inform in writing to the relevant division to pay the retention money. Also, noted to correct the retention money applicable to previous years as non-current liabilities.	Necessary arrangements should be made to settle to the relevant parties or taken to the revenue
(b)	Action had not been taken till the end of the year under review to utilize the balances of the existing PGIM Research & Publication Fund of Rs. 3,605,803 from the year 2018 with a plan for the objectives of the Fund.	None of the objectives of this fund have been implemented in the last two years and the funds have not been utilized.	Action should be taken to identify the objective functions and incur systematically.
(c)	The total amount received for rehabilitation of fixed assets, publications and library books in the years 2018 and 2019 amounted to Rs. 1,625,666 had not been utilized for the intended purposes.	Action will be taken to use the remaining funds for the relevant expenditure in the year 2021.	Action should be taken to identify the objective functions and incur systematically.