

**Postgraduate Institute of Medical Sciences - 2023**

---

**1. Financial Statements****1.1 Qualified Opinion**

The audit of the financial statements of the Postgraduate Institute of Medical Sciences for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 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, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Institute as at 31 December 2023, 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 Qualified Opinion**

My opinion is qualified 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 qualified 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 Audit Observations on the Preparation of Financial Statements**

### **1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards**

<b>Non-compliance with Reference to the Relevant Standard.</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
The accounting policy used for recognizing revenue in accordance with paragraph 39(a) of Sri Lanka Public Sector Accounting Standard 10 had not been disclosed in the financial statements. Due to accounting for the course fees income of Rs. 10,800,000 received relating to 02 courses for the following year as revenue for the year under review, the course fees income had been overstated by that amount.	Arrangements have been made to implement a revenue recognition policy from the year 2024.	Actions should be taken in compliance with Sri Lanka Public Sector Accounting Standards.

### **1.5.2 Accounting Deficiencies**

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
Although the employee gratuity expense allocated for the year under review should have been Rs. 272,263, a sum of Rs. 6,240,267 had been allocated for that purpose, and this resulted in the employee gratuity expense for the year in the financial performance statement and the Gratuity Provision Account in the statement of financial position being overstated by Rs. 5,968,004, respectively.	Arrangements have been made to make corrections when preparing the financial statements for the year 2024.	Only expenses related to the relevant period should be accurately identified and accounted for.

## 1.6 Non-compliance with laws, rules, regulations, and management decisions.

Reference to laws, rules, regulations etc.	Non-compliance	Comment of the Management	Recommendation
(a) <b>Postgraduate Institute of Medicine Ordinance No. 03 dated 09 September 2019.</b>			
i. Ordinance 12	No courses had been initiated by Board of Study of Clinical Sciences and Health Sciences during the year under review.	Arrangements will be made to start short courses at the beginning of the year 2024.	Necessary actions should be taken to promptly initiate the academic programmes.
ii. Ordinance 13(3)(c)	Although it should be considered that a member of the Board of Study who did not participate in three consecutive meetings has resigned from their position, no such action had been taken with respect to the 13 Board of Study members who were absent from meetings from 03 to 07 instances.	Arrangements will be made to appoint new members to replace those who are absent as required.	Actions should be taken in accordance with the relevant regulations.
(b) Section 16.5 Chapter VI of the University Establishments Code.	Due to the payment of acting allowances for the posts of Assistant Bursar and Assistant Registrar being calculated at 25% of the current salary received by the officers acting in such posts, an excess amount of Rs. 268,092 had been paid for these positions.	Arrangements will be made to recover the overpayments and to act in accordance with the University Establishments code in the future.	Action should be taken to recover the overpaid salaries from the responsible parties.
(c) The decision from the 980th meeting of the University Grants Commission and the circular letter No. UGC/L/2020 dated 18 May 2018.	Although it had been decided that the total number of members on the board of management of all postgraduate institutes should be limited to a maximum of 11 members,	The matter will be brought to the notice of the Board of Directors, and appropriate actions will be taken accordingly.	Actions should be taken in accordance with the relevant circulars and instructions.

the board of management of the Postgraduate Institute of Medicine, which commenced on 09 September 2019 consisted of 26 members.

## **2. Financial Review**

### **2.1 Financial Results**

The operating results for the reviewed year was a surplus of Rs. 10,516,059, as compared with the corresponding surplus for the preceding year amounting to Rs. 522,363. Accordingly, an improvement of Rs. 9,993,696 was observed in the financial results. The increase in course fees income during the reviewed year was the main contributing factor for this improvement.

## **3. Operating Review**

### **3.1 Management Inefficiencies**

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
According to the approved strategic plan for the period 2022–2026, the three objectives set for the year 2023 had not been achieved within these timeframe.	Measures will be taken to implement the two remaining objectives in the upcoming year, other than one objective.	Action should be made to achieve the objectives according to the approved strategic plan.