

**1. Financial Statements**

**1.1 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 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, 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 Section 18 of the Universities Act and sub section 107(5) of the University Act. No. 16 of 1978 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 2023, and 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**

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 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 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 Responsibility of the Auditor on Audit 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 had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## 1.5 Audit Observation on the Preparation of Financial Statements

### 1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non - Compliance with the Referenceto the Particular Standard	Comment of the Management	Recommendation
Board of Study Payment amounting to Rs.22,359,873 had been shown as a separate item under other recurring expenses under a new classification in the year under review. But as per paragraph 55 of Sri Lanka Public Sector Accounting Standard 01, the comparative figures had not been classified and disclosed.	That the disclosures and comparative information relating to this classification will be further explained in a note in the financial statements of the year 2024.	Sri Lanka Public Sector Accounting Standard 07 should be followed.

### 1.5.2 Accounting Deficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) Although it was stated under accounting policy 2.5 presented with the financial statements of the institute that the financial statements are prepared on accrual basis, contrary to that, it was stated under accounting policy 4.5 that supervision and evaluation fee income and expense were recognized on cash basis, accordingly, conflicting accounting policies had been followed in preparing the financial statements. Accordingly, a payable supervision and evaluation fees amounting to Rs.7,856,088 for the year under review had been adjusted as prior year adjustments to the Recurrent	It was decided from the year 2023 to recognize supervision fees from students as income at the time of collection, and as an expense at the time the related payments were made. Accordingly, payable supervision fee as at 31 December 2022 amounted to Rs. 7,856,087.72, were adjusted to the Accumulated Fund (Recurrent). This will not be affected to the statement of financial performance and that the adjustment related to the accumulated fund (recurrent)	Accounting policies should be correctly followed.

Accumulated Fund in the statement of changes in equity as on 31 December 2022.

and current liability balances in the statement of financial position has been made.

- (b) Out of the income of Rs.250,881,975 received for the degree courses, the income received for the degree courses with a period of more than a year had not been recognized and the total income was accounted as income of the year.

A practical program will be implemented from the year 2024 to identify the income and deferred income related to each period.

Income related to the year should be correctly recognized and accounted for.

## 1.6 Receivable and Payable Accounts

### 1.6.1 Accounts Receivables

#### Audit Observation

A receivable amount of Rs. 2,597,375 due from the Ministry of Health in relation to the years 2015, 2016 and 2017 and course fees amounting to Rs. 88,000 due from the year 2020 had not been collected even during the year under review.

#### Comments of the Management

Reminding letters had been sent to collection of this money to the Ministry of Health. That adjustments to course fee receivables will be presented in the 2024 financial statements.

#### Recommendation

Actions should be taken to recover the receivables.

### 1.6.2 Accounts Payable

#### Audit Observation

Action had not been taken to settle a sundry creditors balance of Rs.14,659,744 from a period of 3 to 8 years and a retained deposit balance of Rs.38,313,816 from a period of 3 to 7 years and other deposits of Rs.496,703 old from 2 to 9 years even during the year under review.

#### Comments of the Management

Information about these outstanding balances is being collected from the academic and examination departments of the Post Graduate Institute of Medical Sciences, and based on that information, these balances will be settled in the year 2024.

#### Recommendation

Action should be taken to settle the payable balances.

## 1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

	<b>Reference to Laws, Rules, Regulations etc</b>	<b>Non-compliance</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a)	Section 11(a) of the Finance Act No. 38 of 1971	A sum of Rs.115,000,000 had been invested in fixed deposits during the year under review without obtaining the prior approval of the Minister concerned and the Finance Minister.	Action will be taken to obtain the necessary approvals regarding this investment.	The Finance Act should be followed.
(b)	Financial Regulation 371(5)	Advances amounting to Rs.1,155,800, given in 19 occasions from the year 2021 to 2023 had not been settled even by 28 February 2024.	Most of these advances have been settled by January 2024 and an urgent program will be implemented in the future in this regard.	Financial Regulations should be followed.
(c)	Paragraph 05 of the circular letter No. BD/HRD/126/214/19/2023 dated 18 January 2023 of the Secretary to the Treasury addressed to the Secretary, Ministry of Education	An amount of Rs. 10,826,505 recovered from a lecturer who had breached bond during the year under review had not been credited to the state revenue.	According to the University Grants Commission Circular No. 5/2023, the air fares of academic staff members traveling abroad on sabbatical leave or for postgraduate studies should be covered from the Breach of Bond Fund. Accordingly, this money was retained without remitting to the Treasury.	Circular letter should be followed.

## 2. Financial Review

### 2.1 Financial Results

The operating result for the year under review had been a surplus of Rs.17,907,543 as compared with the corresponding deficit of Rs.4,656,665 for the preceding year, thus observing an improvement of Rs.22,564,208 in the financial result of the year under review. Increase in interest income by Rs.48,195,793 had mainly attributed to the said improvement.

**3. Operational Review**  
**3.1 Under Utilization of Funds**

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
The balance of Rs.3,768,988 in the Development Fund of the Institute (PGIM Development Fund) from the year 2021 had not been utilized for the intended purpose even at the end of the year under review.	That the development fund is being used to improve knowledge of employees.	The relevant funds should be effectively utilized for the intended activities.