

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Postgraduate Institute of Indigenous Medicine 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 a summary of significant accounting policies, and other explanatory information was carried out under my direction in pursuance of provisions in Section 19 of the Indigenous Medicine Postgraduate Institutions Ordinance No. 05 of 2017 enacted under section 18 of the Universities Act No. 16 of 1978 and sub-section 107(5) of the Universities Act read in conjunction with Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka and the 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, the financial statements give a true and fair view of the financial position of the Institute as at 31 December 2024, 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 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 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 had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Accounts Receivable and Payable

1.5.1 Payables

Audit Observation	Comments of the Management	Recommendation
The Postgraduate Institute of Indigenous Medicine has been operating in a building belonging to the Department of Ayurveda without entering into an agreement since 25 February 2019, and action had not been taken to pay a sum of Rs.6,698,048 for the use of the building and electricity during the period from the year 2019 to 2024.	A request had been made to allocate provisions for this payment from the Department of Public Enterprises.	An agreement should be entered with the relevant institution and the amount due should be paid promptly.

1.6 Non-Compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to the laws, rules and regulations	Non- compliance	Comments of the Management	Recommendation
Section 11 of the Finance Act No. 38 of 1971 and University Grants Commission Internal Audit Circular Letter	A sum of Rs. 1,943,969 had been invested in fixed deposits as at 31 December 2024 without obtaining the prior approval of the Minister in charge, the Minister in charge	The bank had been instructed to reinvest the deposits with the interest earned at maturity, and accordingly, it is not practical to obtain a new	Investments should be made with the formal approval as per the Finance Act.

No. 04/2019 dated 29 of Finance and the approval of approval again.
July 2019 the Financial Committee.

2. Financial Review

2.1 Financial Results

The operating result for the year under review was a surplus of Rs.1,836,589 and corresponding deficit amounted to Rs.8,969,778 in the previous year, thus observing an improvement of Rs.10,806,367 of the financial result. The increase in government recurrent grant by Rs.9,465,000 had mainly attributed to said improvement.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The institution was unable to execution 20 activities in relation to training, research, computer system development and construction out of 60 activities planned to be completed according to the action plan for the year under review.	It was unable to implement those activities due to various reasons.	Activities should be execute as planned.
(b) Although the institution had planned to commence 12 postgraduate programs at its inception, 6 years have passed since the inception of the institute, action had not been taken to commence 06 postgraduate programs with the approval of the University Grants Commission.	The Postgraduate Institute of Indigenous Medicine from 08.04.2021 to 04.05.2025 has continuously and diligently responded to all requests and revisions received from the Internal Quality Assurance Unit and the Quality Assurance Council in accordance with the guidelines received.	Action should be taken to commence courses after obtaining the required approval.

3.2 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
Although more than 05 years had been passed since the commencement of academic activities in the year 2020, the total number of students in the institution was 42 as at 25 April 2025 including	The institutional capacity has been strengthened presently and obtains the approvals for the proposed courses are in the final stages. it is expected that significantly increase	In order to achieve the objectives of establishing the institution, a formal study should be conducted and

19 students in 06 postgraduate programs and 23 students in 07 certificate courses. The institution had been started without conducting a formal study regarding the ability to enrol students for the courses and a sum of Rs.130,325,750 had been spent only for the recurrent expenditure of the institute from the year 2019 to 31 December of the year under review.

trainee recruitment by the end of the year 2025.

actions should be taken to enrol students.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comments of the Management	Recommendation
In accordance with Annexure III (b) of Chapter 3.1 of the Guidelines on Corporate Governance issued in accordance with Public Enterprise Circular No. 01/2021 dated 16 November 2021, a report on the risk assessment of the institute and strategy determination had not been included in the draft annual report of the year 2024.	Action will be taken to include this part in the preparation of the final report.	Should be followed the circular provisions.