

Postgraduate Institute of Medicine

1. Financial Statement

1.1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Postgraduate Institute of Medicine had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters, referred to in paragraph 1.2 of this report, the financial statements have been prepared in accordance with Sri Lanka Accounting Standards and give a true and fair view of the state of affairs of the Postgraduate Institute of Medicine as at 31 December 2010 and the financial results of its operation and cash flows for the year then ended.

1.2 Comments on Financial Statements

1.2.1. Presentation of Financial Statements

Accounting deficiencies and instances of non-reconciliations of items included in the financial statements with the schedules and the trial balance revealed in audit were brought to the notice of the Institute whereas explanations and corrections had been provided to audit.

1.2.2. Accounts Receivable and Payable

(a) A loan balance aggregating Rs. 13,224 receivable from six officers of the staff who are not in service at present due to change of station transfers and interdiction from the service had remained for the period of three years without being recovered.

- (b) Miscellaneous advances amounting to Rs. 209,761 and the interest income receivable on investment amounting to Rs. 43,479 included in the accounts receivable had remained unrecovered for more than three years.
- (c) The value of money retained from various suppliers included in the accounts payable exceeding for three years amounted to Rs. 54,867.

1.2.3. Lack of Evidence for Audit

An updated register of fixed assets and the report of the Boards of Survey in respect of fixed assets at a total cost of Rs. 285,738,457 had not been presented for audit.

1.2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non-compliance were observed.

Reference to Laws, Rules, Regulations etc.,	Non-compliance
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(a) Paragraph 5.2 of Chapter V of the Establishments Code for University Grants Commission and Higher Educational Institutions	Despite the period of service of non academic staff is limited to 60 years, without considering this age limit two officers at the age of 61 years had been deployed further in the service without the approval of the Cabinet of Ministers. The Director had informed that there was no other alternative in this regard.

- (b) Letter No. PGIM/MERC/DFM – OL/2009 dated 19 June 2009 – According to the instruction issued by the Director of the Institute in respect of incurring expenditure from the funds of the Institute for the diploma courses on family health under the Modernization of Distance Education, lecture fees should not be paid from the funds of the project. However, project coordinating allowances should not be paid from the funds of the Institution. However, contrary to the above direction a sum of Rs. 403,000 from the project funds and a sum of Rs. 392,000 from the institutional funds had been paid as lecture fees and coordinating allowances respectively.

2. Financial and Operating Review

2.1 Financial Review

2.1.1 Financial Results

According to the financial statements presented, the working of the Institute for the year ended 31 December 2010 had resulted in a deficit of Rs. 45,558,680 before taking into account the Government Grant for recurrent expenditure, as compared with the corresponding deficit of Rs. 48,145,401 for the preceding year. The financial results for the

year under review had become a surplus of Rs. 27,350,320 due to the Government Grant of Rs. 72,909,000 received for recurrent expenditure whereas the deficit for the preceding year had become a surplus of Rs. 26,654,599 due to the Government Grant of Rs. 74,800,000 received for recurrent expenditure of that year.

2.2 Operating Review

2.2.1 Performance

During the year under review, examinations were held by the Institute for 3209 Doctors under the various postgraduate courses and the number of passes was 1053.

2.2.2. Management Inefficiencies

- (a) According to Paragraph 2.1 of Chapter XXVI of the Establishments Code of the Universities, all the assets belonging to the Higher Educational Institutions had not been verified annually and the relevant reports of the Board of Survey had not been presented to the Auditor General in terms of Financial Regulations 756.
- (b) Assets valued at Rs. 13,282,413 purchased during the years 2007-2010 had not been included in the Register of Fixed Assets and the total value of assets amounting to Rs. 18,709,581 purchased during that period had not been included in the main inventory register as well. The Annual Board of Survey could not be conducted in terms of Paragraphs 2.7 and 2.8 of Chapter XXVI of the Establishments Code of the Universities due to not maintaining the above registers in an updated manner.

(c) As mentioned in Paragraph 3.9 of Chapter XXIV of the Establishments Code of the Universities, goods issued to the lecturer / officer for their private or official purposes should be kept in the private custody of them and it should be recorded in the inventory register by confirming that those goods were taken over. However, action had not been taken according to such directions when issuing assets valued at Rs. 11,624,075 to the lecturers and officers by the Institute.

2.2.3. Budgetary Control

Significant variances were observed between the budgeted values and the actual expenditure relating to the capital expenditure thus the budget had not been made use of as an effective instrument of the management control.

3 Systems 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) Management of Assets
- (b) Accounting of Revenue