

Postgraduate Institute of Medicine Affiliated to the University of Colombo – 2012

1. Financial statements

1.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1:2 of this report, the financial statements give a true and fair view of financial position of the Postgraduate Institute of Medicine Affiliated to the University of Colombo as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Comments on Financial Statements

1.2.1 Accounting Deficiencies

The following observations are made.

- (i) Ninety eight items of assets eliminated at the auction conducted on 06 March 2011 had not been identified and eliminated from the accounts.
- (ii) According to the financial statements, the balance of the Stores Advance Account amounting to Rs.1,311,618 had been shown as the closing stock whereas according to the stock verification report as at 31 December 2012 the balance of the stock was revealed as Rs.1,823,731. The reasons for the difference of Rs.512,113 had not been examined and adjusted. The difference of Rs.1,155,719 between the verified balance and the stocks pointed out in audit in the preceding year had not been adjusted in the accounts even by the end of the year under review.

1.2.2 Lack of Evidence for Audit

Attendance registers, leave registers and leave applications had not been maintained for the confirmation of the arrival and departure and leave of the Academic Staff in terms of Section 3.1 of Chapter 20 and Section 1.6.1 of Chapter 10 of the Establishment Code of

the Universities. As such it was not possible to establish the accuracy of the sum of Rs.9,333,000 paid as salaries and allowances to the Academic Staff during the year under review.

1.2.3 Accounts Receivable and Payable

The following observations are made.

- (a) Sums of Rs.23,932 deposited in two external institutions had remained without any change over periods exceeding 04 years to 08 years. Action had not been taken up to date for the settlement of those balances.
- (b) The balance that remained without being recovered from two institutions over periods ranging from 01 years to 05 years amounted to Rs.18,357,104.

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

The following non-compliances were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non- Compliance
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(a) Management Services Circular No.45 of 07 April 2011 Paragraph (04)(a) and (b)	The research allowance payable to the officers/lectures that are entitled to the research allowance should be paid only after obtaining the approval by submitting the research proposal to the Research management Committee accepted by the Senate. Nevertheless, allowances amounting to Rs.115,974 had been paid in the year 2011 without such approval while a sum of

Rs.329,831 had been paid in the year 2012 without being satisfied with regard to the progress.

- (b) Schedule Circular No.2004/PS/01 of the National Library and Documentation Services Board – Paragraph 3.1. The library books had not been annually surveyed from the beginning of the year 2006 to 30 June 2012.

2. **Financial Review**

2.1 **Financial Results**

According to the financial statements presented, the operations of the institute for the year under review before taking into account the Government Grant for recurrent expenditure had resulted in a deficit of Rs.51,315,198 as compared with the corresponding deficit of Rs.63,236,345 for the preceding year. After taking into account the Government grant of Rs.62,750,000 received for recurrent expenditure, the financial results for the year under review amounted to a surplus of Rs.11,434,802 and as a result of the Government grant of Rs.52,117,072 received for the recurrent expenditure of the preceding year, the deficit for that year amounted to Rs.11,119,273. The increase of the Government grant by a sum of Rs.10,632,928 and the increase of other income by a sum of Rs.8,753,670 had been the main reasons for the improvement of Rs.22,554,075 in the year under review as compared with the preceding year.

3. **Operating Review**

3.1 **Performance**

The Postgraduate Institute of Medicine had conducted a course on Certificate of Competence in Computer Application in March 2006 for the Doctors who following the Courses of the Institute, without the syllabus being approved by the Council of the University and certificates had been issued without the approval of the University Senate.

3.2 **Management Inefficiencies**

Even though estimates had been prepared by 22 February 2008 for the constructions of a “Medical Education Research Centre” of eight storeys for the Postgraduate Institute of Medicine the estimates remained subjected to revisions from time to time and being submitted to the respective institutions for approval even by 31 December 2012.

3.3 **Apparent irregularities**

An examination of a sample of the entertainment expenditure of the year 2012 and the first quarter of the 2013 revealed that a sum of Rs.286,284 had been irregularly obtained on 116 bills relating to 12 vouchers for the payments made for the supply of instant foods for the meetings of the Academic Divisions by fraudulently altering the rubber stamps and placing forged signatures.

3.4 **Losses and Damage**

A motor vehicle belonging to the Postgraduate Institute of Medicine had met with an accident on 17 September 2009 causing a loss of Rs.338,354 while being taking out by the Security Guards of the private security firm without approval. Even though a sum of Rs.148,686 out of the amount payable for security services had been retained in connection with the loss caused due to the accident action had not been taken for the recovery of the balance sum of Rs.189,668.

4. **Accountability and Good Governance**

4.1 **Presentation of Financial Statements**

The financial statements for the year under review presented for audit by the Postgraduate Institute of Medicine Affiliated to the University of Colombo on 03 April 2013 were audited and the draft report was issued on 18 September 2013. Accounting deficiencies amounting to Rs.215,274,581 were pointed out in the draft report. Accounting deficiencies amounting to Rs.214,762,468 had been rectified and the revised financial statements had been presented on 28 October 2013. The possibility of such deficiencies outside the sample selected cannot be ruled out in audit.

4.2 **Corporate Plan**

A Corporate Plan embodying the matters referred to in Section 5.1.2 of the Public Enterprises Circular No. PED/12 of 02 July 2003 had not been prepared for the period 2011 to 2015.

4.3 **Budgetary Controls**

Even though the Postgraduate Institutions of Medicine had conducted 87 Courses, the budget estimate of 80 Courses had not been presented. As such instances such as the failure to account for the course fees charged for each course in a manner to facilitate identification, deficiencies in obtaining information needed for the management for taking division on each course, and inability to maintain expenditure control were observed in audit.

5. **System 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 controls.

- (a) Accounting
- (b) Advances Control
- (c) Debtors Control
- (d) Stocks and Inventory Register Control
- (e) Library Control
- (f) Fixed Assets Control