

Postgraduate Institute of Medicine affiliated to the University of Colombo – 2018

1.1 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 2018 comprising the statement of financial position as at 31 December 2018 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. 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 2018, 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 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 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 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 Financial Statements

1.5.1 Internal Control over the Preparation of Financial Statements

The Institute is required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that, transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation	Comments of the Management	Recommendation
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A total sum of Rs.2,597,375 comprising Rs.915,750 as course fees recoverable from the Ministry of Health, brought forward since the year 2009 and Rs.1,681,625 as building rent recoverable for the years 2015 and 2016 years, had not been recovered up to the end of the year under review.	Reminders have been sent therefor even since the year 2009 itself. However, moneys mentioned therein have not been paid up to now.	Action should be taken to recover money without delay.

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

The following observations are made.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 371 and Public Finance Circular No.2015/3 of 14 July 2015	Even though the Sub-imprests should be settled immediately after the completion of the relevant purpose, a period from 28 days to 231 days had lapsed for the settlement of Sub-imprests totalling Rs.800,420 granted in 17 instances.	The strike of non-academic staff held from end of February to April 2018 has been the main reason for delay in settling of Sub-Imprests during the said period.	Action should be taken in terms of laws, rules, regulations and provisions of circulars.
(b)Public Enterprises Circular No.PED/25 of 29 July 2004	A sum of Rs.50 million had been invested in fixed deposits during the year under review without obtaining the approval of the Treasury.	Action was taken to forward letters for seeking the approval of the Treasury.	Action should be taken in terms of provisions in circulars.

2. Financial Review

2.1 Financial Result

Operations of the Institute for the year under review had been a surplus of Rs.53,726,287 as compared with the corresponding surplus of Rs.106,242,686 for the preceding year, thus indicating a deterioration of Rs.52,516,399 in the financial result. The decrease in other income by Rs.44,182,108 and increase in the expenditure on postgraduate trainings by Rs.13,129,711 had mainly attributed to the above deterioration.

3. Operating Review

3.1 Operating Inefficiencies

Audit Observation	Comments of the Management	Recommendation
None of the students who had been enrolled into courses such as “M D (2008 Prospectus)” and “M D Clinical Oncology Prospectus” of courses conducted in the year 2018, had passed examinations.	As there are criteria prescribed for passing each subject, there is no capability to pass Medical Officers who are unable to get relevant marks. Further, the Medical Officers who pass the examinations conducted by the Institute, are directed to relevant hospitals considering it as a national requirement. However, the said national requirement cannot be fulfilled through passing examinations by Medical Officers who actually fail those examinations and this situation has arisen due to the said harmful influence. However, it has been decided to draw attention of the relevant academic committee on this matter.	Reasons for this situation should be found out and action be taken to rectify them.

3.2 Underutilization of Funds

Audit Observation	Comments of the Management	Recommendation
Even though there was a balance of Rs.3,755,600 in the Donation Fund as at the end of the year under review for awarding gold medals at the convocation, action had not been taken to use the said Fund for the relevant purpose.	This Donation Fund consists of money received for purchase of gold medals for the convocation and only interests thereon are spent for the purchase of gold medals. If these basic moneys are utilized for other purposes, interests thereon are inadequate for the purchase of gold medals on behalf of the convocation.	It should be utilized for achieving the objective of the Fund.

3.3 Procurement Management

The following observations are made.

Audit Observation -----	Comments of the Management -----	Recommendation -----
(a) In terms of the Guideline 4.2.1(c) of the Procurement Guidelines, the Procurement Plan for the year under review had not been prepared in detail.	Even though the Master Procurement Plan for the year 2018 had been prepared, a detailed plan had not been prepared and action has been taken to prepare the Procurement Plan in detail since the year 2019.	Action should be taken in terms of Procurement Guidelines.
(b) Performance securities had not been obtained in terms of Guideline 5.4.10 (c) of the Procurement Guidelines in respect of 02 contracts valued at Rs.4,025,773 which was subjected to audit test checks.	As the value of this order is less than 0.5 million, action has not been taken to obtain a performance security of 10 per cent.	Action should be taken in terms of Procurement Guidelines.
(c) No written agreements had been entered into in terms of Guideline 8.9.1(a) of the Procurement Guidelines in respect of 03 contracts valued at Rs.4,439,699.	Even though no written agreements are entered into in contracts implemented on emergency service requirements, action has been taken to give instructions to all of them for entering into written agreements in future.	Action should be taken in terms of Procurement Guidelines.
(d) Contracts for supplies totalling Rs.1,338,498 had been awarded without calling for quotations in 12 instances and out of that, 04 contracts valued at Rs.492,979 had been awarded to the same contractor.	As there are vacancies in the posts of Mason, Carpenter and Plumber in the Institute for carrying out very urgent minor works, an institution with expertise in locations where pipes have been laid and with facilities to carry out activities without delay should be selected and certain works should have been done after office hours. As such, contracts had to be awarded without calling for quotations.	Quotations should be called for.

3.4 Human Resources Management

Audit Observation

Nine and 05 officers had been recruited on assignment and contract basis respectively without filling 27 vacancies existed in 12 posts of the approved cadre of the Institute and a total sum of Rs.6,103,072 had been paid to them during the year under review.

Comments of the Management

Vacancies have been created as mentioned by you due to taking long period for filling vacancies as a result of long term processes such as delay in obtaining necessary approval for filling vacancies, delay in receiving name lists on posts in which vacancies are filled through the list of the Minister and despite having called for applications by internal notifications for certain posts, lack of candidates therefor and appointment of qualified candidates by calling for applications through republishing newspaper advertisements due to failure in passing examinations by candidates when examinations are held for candidates who have applied therefor.

Employees have been recruited to our Institute on contract basis only for continuously rendering service required to Medical Officers until action will be taken to fill vacancies.

Recommendation

Vacancies should be filled speedily.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation

The estimated amount for achieving objectives for the year 2018 and indicators for measuring the progress of achieving those objectives had not been mentioned in the Action Plan prepared by the

Comments of the Management

The overall objective of main objectives included in the Action Plan is to produce specialists in the fields of medicine and dentistry to meet health needs in this country. The progress of achieving these

Recommendation

The Action Plan should be prepared accurately.

Institute. As such, the performance of the Institute could not be examined as compared with the actual progress. Further, 04 key functions included in the Action Plan had not been completely performed.

objectives is 98 per cent per annum and it is a continuous process. Moreover, it is difficult to represent the expected quantities relating to each objective as percentages. Further, envisaged provisions for achieving those objectives have been included in the relevant Action Plan.

4.2 Budgetary Control

Audit Observation

Variances ranging from 18 per cent to 24 per cent were observed between the estimated and the actual income and expenditure in 03 main sources of income and variiances ranging from 60 per cent to 2,455 per cent were observed in 10 Items of Expenditure. Moreover, there had been an actual income of Rs.31.5 million in sundry income which is not estimated, thus indicating that the budget had not been made use of as an effective instrument of management control.

Comments of the Management

The number of students registered for courses commenced in the relevant year depends on the registration fees and examination fees according to number of examinations held. Moreover, the increase in the percentage of interest received by the bank in the year 2018 had been attributed to increase in the income interest.

Recommendation

The budget should be made use of as an effective instrument of management control.