

## **Postgraduate Institute of Medicine affiliated to the University of Colombo - 2021**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Postgraduate Institute of Medicine affiliated to the University of Colombo for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 sub section 107(5) and 108 (1) of the Universities Act, No. 16 of 1978 and Section 20 of the Postgraduate Institute of Medicine Ordinance No. 01 of 1980 enacted under Sub section 18 of the Universities Act 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 2021, 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 Qualified Opinion**

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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**

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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 Audit Scope**

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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 Audit Observations on the preparation of Financial Statements

### 1.5.1 Non – Compliance with the Sri Lanka Public Sector Accounting Standards

The following observations are made.

<b>Non-Compliance with the reference to particular Standard</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) The useful life of the non- current assets of the Institute had not been reviewed annually, as required by the paragraph 65 of the Sri Lanka Public Sector Accounting Standards-07. As a result, non- current assets valued at a cost of Rs. 300,729,344 had been continued be used, even though the values of the respective assets were totally depreciated. However, action had not been taken to rectify the above-mentioned estimation error, as per Sri Lanka Public Sector Accounting Standards-03.	Knowledge and support of two technical officers of the University of Colombo was obtained and the assessment process is underway by a committee selected under the supervision of them.	Need to be complied with public sector accounting standards.
(b) A specific method of identifying the expenditure related to the year had not been followed. As a result, in the year under review, Rs.55,475,741 had been estimated for the	Since it was not possible to precisely calculate the amount of expenses for transportation allowances,	Need to be complied with public sector accounting standards.

accrued expenses related to 4 types of expenses without specific identification. It included Rs.8,607,875 allocated for the graduation ceremony which was not held for the years 2020 and 2021. Also, the over-allocation of Rs.15,343,776 made in the previous year in relation to 3 types of expenses, had been adjusted to the General Reserve without being corrected by restating the comparative values presented for the period in which the error occurred as per paragraph 47 of Sri Lanka Public Sector Accounting Standard 03.

examination fees and lecturer fees, an estimate has been presented for the same. In the year 2021, there was no restatement of comparative values in the accounts and the presentation of such items will be done in accordance with Accounting Standard 3 from the year 2022.

## 1.5.2 Accounting Deficiencies

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
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(a) Due to under-accounting of amortization by Rs.2,003,147 for the year under review, the Surplus of income over expenditure and the capital grant expenditure of the year had been understated and overstated respectively in the financial statements.	This has been corrected by the Journal.	Actions should be taken to prepare financial statements accurately.
(b) An accounting policy for gifts and donations had not been disclosed in the financial statements and due to the fact that the office equipment and library books amounting to Rs.35,226,257 received by the institution as gift and donations during the period from 2004 to 2019, had not been amortized even on 31 December 2021, the balance of the gift and donation account was shown in the financial statements under capital.	These gifts and donations have already been included in the fixed assets of the institution and depreciation calculations have also been made. However, I will adjust the accounting policies to be followed for these gifts and donations in the financial statements from the year 2022.	Actions should be taken to prepare financial statements accurately.

## 1.6 Receivable and Payable Accounts

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### 1.6.1 Payables

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<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Creditors balances amounting to Rs.12,609,410 from year 1 to 6 years old as at 31 December 2021 had not been settled during the year under review.	As the unsubmitted balances are already being scrutinized, arrangements will be made to settle the balances or take it to the income statement.	Actions should be taken to settle to the concerned parties or take into income.

## 1.7 Non – Compliance with Laws, Rules , Regulations and Management Decisions etc.,

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The following observations are made.

<b>Reference to the laws, rules and regulations</b>	<b>Instances of Non- compliance</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
The Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 371	Although the advances given should be settled immediately after the completion of the relevant work, the advances of the total value of Rs. 2,351,335 given in 38 instances for recurring expenses had not been settled at the end of the year under review, which was included the advances of Rs.29,000 given in the year 2020.		Need to comply with the financial regulations.

## 2. Financial Review

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### 2.1 Financial Results

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The operating result for the year under review was a surplus of Rs. 103,730,876 and corresponding surplus amounted to Rs. 98,336,164 in the previous year, thus observed that an improvement of Rs.5,394,712 of the financial results. The increase of course income had influenced mainly for the above-mentioned improvement.

### 3. Operational Review

#### 3.1 Under -utilization of Funds

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
The existing total from the year 2018 of the PGIM Research and Publication Fund of Rs.3,605,803 had not been utilized to achieve the expected objectives even by the end of 2021.	Since none of the expected activities of the PGIM Research & Publication Fund have been implemented in the last two years, the funds have not been utilized. Research activities are being presented to spend this money in 2022.	Purposeful tasks should be identified and spent in a planned manner.