

**1. Financial Statements**

**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 2022 comprising the statement of financial position as at 31 December 2022 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 Section 20 of the Postgraduate Institute of Medicine Ordinance No. 01 of 1980 enacted under Section 18 of the Universities Act and sub section 107(5) of the University Act. No. 16 of 1978 and Section 108(1) 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, the financial statements give a true and fair view of the financial position of the Institute as at 31 December 2022, 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 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 Responsibility of the Auditor on Audit 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 Receivable and Payable Accounts

### 1.5.1 Accounts Receivables

Audit Observation	Comments of the Management	Recommendation
A receivable amount of Rs.2,597,375 due from the Ministry of Health in relation to the years 2015, 2016 and 2017 was not collected even during the year under review.	Although a reminder letter was sent for the third time on 20/10/2022 regarding the collection of this money, no positive response has been given from the Ministry of Health so far.	Actions should be taken to recover immediately.

### 1.5.2 Accounts Payable

Audit Observation	Comments of the Management	Recommendation
Various creditors amounting to Rs.14,988,019 remained over 01 year to 07 years, payable deposits amounting to Rs.741,703 more than one year old and accrued expenses amounting to Rs.1,131,929 were not settled even during the year under review.	Action will be taken to settle these old balances in the year 2023.	Action should be taken to settle the balances.

## 2. Financial Review

### 2.1 Financial Results

The operating result for the year under review had been a deficit of Rs. 6,974,530 as compared with the corresponding surplus of Rs. 33,184,173 for the preceding year, thus observing a deterioration of Rs.40,158,703 in the financial result of the year under review. Increase in operating expenses and decrease in government grants had mainly attributed to the said deterioration.

### 2.2 Trend Analysis in Major Income and Expenditure subjects

- 05 percent of the total income of the institution consisted of government grants in the year under review and the government grants had decreased by 77 percent compared to the previous year.
- The interest income on investments had increased by 140 percent and maintenance expenses had increased by 20 percent in the year under review compared to the previous year.

## 2.3 Ratio Analysis

(a) Current Ratio

The current ratio in the previous year was 5.3 : 1 and in the current year was 5.8 : 1.

(b) Quick Assets Ratio

The quick assets ratio in the previous year was 5.29 : 1 and in the current year was 5.73 : 1.