

Postgraduate Institute of Indigenous Medicine - 2023

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Postgraduate Institute of Indigenous Medicine for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 provisions of the National Audit Act, No. 19 of 2018 and Finance Act No. 38 of 1971. 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 2023, 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 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 Non – Compliance with Laws, Rules , Regulations and Management Decisions etc.

Reference to the laws, rules and regulations	Non- compliance	Comments of the Management	Recommendation
Sections 11(a) of the Finance Act No. 38 of 1971	A sum of Rs.1,806,873 has been invested in fixed deposits as on 31 December 2023 without obtaining the approval of the concerned Minister and the Minister in charge of Finance.	That the letters have been submitted to the National Budget Department, Treasury through the University Commission and the Ministry of Education to get approval to open these fixed deposits.	Investments should be made with formal approval as per the Finance Act.

2. Financial Review

2.1 Financial Results

The operating result for the year under review was a deficit of Rs.8,969,778 and corresponding surplus amounted to Rs.2,636,838 in the previous year, thus observing a deterioration of Rs.11,606,616 of the financial results. The decrease in government recurrent grant by RS.6,000,000 and increase in contractual service expenditure by Rs.3,435,390 had mainly attributed to said deterioration.

3. Operational Review

3.1 Operational Inefficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	As the approval for any course had not been received under the “Siddha” study boards appointed for postgraduate courses, courses could not be conducted.	That all the work to be done by the institute in this regard has been completed by now but the University Grants Commission has not given the relevant approvals till now.	Action should be taken to get approval for the courses.

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| (b) | Although 102 activities were planned to perform according to the action plan of the year under review, the institute was unable to perform 34 activities in training, research and development of computer systems. | The institution had not received any funds as capital or recurrent expenses in the year 2023, lack of approval from the University Grants Commission to start new courses, the shortage of employees and the lack of approval for the recruitment was not received from the Management Services Department were caused. | Actions should be taken to implement the tasks included in the action plan. |
| (b) | Although operational activities had been started from the year 2019, an amount of Rs.17,853,054 had been spent without recruiting students for the year 2019. 20 students and 12 students had been enrolled in the years 2020 and 2022 respectively, and a total sum of Rs. 63,466,524 had been spent. In 05 academic years related to the period 2019 to 2023, due to non-enrollment of students in 03 academic years, the cost per student was remained in the ranged of Rs.676,843 to Rs.1,130,204. | That students could not be recruited in the year 2019 as many initial tasks including the preparation of the syllabus had to be completed.
The Ministry of Ayurveda or the Department of Ayurveda had not sent the posts under each specialization separately to the institute, some trainers had withdrawn from the training activities, the approval of the University Grants Commission had not yet been received for some courses and the institute had closed due to the Covid epidemic at that time, etc. it was not possible to recruit students in 2021 due to reasons. | In order to fulfill the objectives of the establishment of the institute, action should be taken to recruit a sufficient number of students. |

3.2 Under Utilization of Funds

Audit Observation	Comments of the Management	Recommendation
The capital allocation of Rs. 7,000,000 received from the Ministry of Higher Education in the year 2019 had been kept in a savings account without utilization even as at 31 December 2023.	That this allocation was retained to procure a vehicle which was essential for the institute, but due to the vehicle import was suspended by the government, it will be used for essential capital nature expenditure for the institute in the year 2024.	Funds should be used effectively.