

1.1 Qualified Opinion

The audit of the financial statements of the Post graduate Institute of Indigence Medicine for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of comprehensive income, 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 and Finance Act No. 38 of 1971. My comments and observations which I consider should be report 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 accompanying financial statements give a true and fair view of the financial position of the Institute as at 31 2019, and of 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

My opinion is qualified 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

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 determine 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 intend 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 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

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 auditor's 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 Company'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 Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's 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 auditor's report. However, future events or conditions may cause the Company 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 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.

Entities are 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 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
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Paragraph 6.5.1 of the Public Enterprise Circular No. PED 12 of 02 June 2003	The draft annual report along with the financial statements for the year under review had not been submitted to the Auditor General.	The annual report for the year 2019 is being prepared and is expected to be submitted in the future.	The circular must be followed.

Financial Regulation No. 756 of the Financial Code of the Democratic Socialist Republic of Sri Lanka	According to the financial statements, the assets worth Rs. 6,334,208 had not been surveyed as at 31 December 2019.	Accept. Expected to be done in the future. The administrative and financial activities of the Postgraduate Institute of Indigenous Medicine commenced in March 2019.	Must comply with financial regulations.
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1.7 Cash Management

All issues related to maintenance of Bank accounts and cash management be shown under this heading.

Audit Issue	Management Comment	Recommendation
During the year under review, Capital grant Rs.10,000,000 received from the Ministry of Higher Education and the Treasury had been invested in a Fund Management Savings Account	The Management Committee decided to deposit Rs.7 million which is received from the Ministry of Higher Education, in the Fund Management Account as a more effective financial administration until received the recommendation and approval from Ministry of high Education and treasury to purchase the car. The account was opened in December 2019 By the end of 2019, Rs. 10 million had been deposited including 3 million received from the annual budget by the end of 2019 which had not been issued in checks. Part of the outstanding capital expenditure of Rs. 1.3 million has already been paid and the balance in the Fund Management Account has been deducted from that amount.	The money received for the year should be spent in the same year.

2. Financial Review

2.1 Financial Result

According to the first financial statements of this Institute which was started in the year 2017, the operating result of the year under review amounted to deficit of Rs. 446,530.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
Although the approval had to be obtained from the Council and the University Grants Commission, For the syllabi relevant to the 11 Board of Education (Board of Study) 03 (Ayurveda, Unani and Siddha) Subject Boards appointed for all Post Graduate (MD) Curricula with the approval of the Board of Management and the Senate of the University of Colombo, by August 21 2020 only two subject boards had obtained full approval.	Two courses have been approved by the University Grants Commission. The recommendation obtained for the three courses from the Standards Committee of the Quality Assurance Unit of the University Grants Commission and the Permanent committee of the subject of Indigenous Medicine, is to be submitted to the Management Committee. Applications for 3 courses in the year 2020 have been forwarded to the University Grants Commission for relevant approvals and applications for 4 courses have been forwarded to the Internal Quality Assurance Unit of the University of Colombo for submission to the Senate.	Approval must be obtained for the courses.

3.2 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
After the establishment of the Postgraduate Institute of Indigenous Medicine on 06 December 2017, the Institute of Indigenous Medicine failed to absorb 31 students who had been recruited for the 2016/2019 Postgraduate MD (AYU) Course and had completed 2 years of theoretical training.	Letters and e-mails were sent to 31 selected students during the interviews informing them to start the course and to pay the relevant fees and register. Accordingly, 24 students have registered for the course. Out of these, the Interview Board has released 5 students for 6 months and 1 year for their studies at the Institute of Indigenous Medicine. At present 19 students are pursuing their studies under 5 courses from 17.08.2020.	Evaluate and absorb the theoretical and practical training provided by the Institute of Indigenous Medicine

3.3 Human Resources Management

Audit Issue	Management Comment	Recommendation
There were 16 officers in 7 staff posts approved by the Department of Management Services on September 26, 2018 and had failed to fill the 14 vacancies by June 23, 2020.	Although the relevant posts were approved on September 26, 2018, this institution was formally established in March 2019 after the first Board of Management meeting. The approved staff is 16 and the posts of Technical Officer and Driver Management Assistant are 05 and 02 posts of Work Assistant are the posts included under University Grants Commission Circular No. 876. The non-academic staff strike in September 2019, due to the letter of the Secretary to the Treasury on 20.11.2019 to	Action should be taken to fill the vacancies on a permanent basis

stop all recruitment due to the Presidential election, this recruitment could not be done in 2019. Recruitment for the post of Management Assistant (Bookkeeping) has already commenced.

4. Accountability and Good Governance

4.1 Sustainable Development Goals

Audit Issue	Management Comment	Recommendation
<p>Although the organization is aware of the United Nations' 2030 Agenda for Sustainable Development, No action had been taken to identify the sustainable development, goals and objectives that could be applied to the organization, the milestones to be achieved and the indicators to measure the achievement on targets.</p>	<p>will take steps to include it in the preparation of the corporate plan for the year 2021.</p>	<p>Action should be taken to identify goals and objectives, milestones to be achieved, and indicators to measure achievement on targets.</p>