

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Postgraduate Institute of Indigence Medicine affiliated to the University of Colombo for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 2020, 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 Audit Observation on Preparation of Financial Statements

1.5.1 Non – Compliance with Laws, Rules , Regulations and Management Decisions etc,

The following observations are made.

	Reference to the laws, rules and regulations	Non- compliance	Comments of the Management	Recommendation
(a)	Section 40 (1) of National audit Act No 19 of 2018	An Internal Audit Division had not been established	The post of Audit Assistant will be created in accordance with the discussion held at the Audit and Management Committee held on 29 January 2021 conducting of internal audit activities of the institution.	Should act in accordance with the National Audit Act
(b)	Public Finance Circular No.01/2014 of 17 February 2014	An action plan had not been prepared for the year under review.	A corporate plan and action plan will be prepared in the future covering all the matters.	Need to comply with the provisions of the Circular.
(c)	Guidelines 4.2.1 and 4.2.2 of the Government Procurement Guidelines	The procurement plan had not been prepared in accordance with the procurement guidelines.	It is planned to prepare a procurement plan and a procurement time table for 3 years.	Should act in accordance with the Government Procurement Guidelines.

2. Financial Review

2.1 Financial Results

The operating result for the year under review was a surplus of Rs. 1,371,700 and corresponding deficit amounted to Rs.446,530 in the previous year, thus observed that an improvement of Rs.1,818,230 of the financial results. The increase of government grants and course fee had mainly attributed to said improvement.

3. Operational Review

3.1 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation
A car rented with a driver for a maximum of 3,000 km per month at a rent of Rs.150,000 on behalf of the Director of the institute had covered 987 km for three months in 2019 and only 4,499 km for 11 months in 2020. Accordingly, the rent payment of Rs. 1,742,891 was identified as an un-economical transaction due to that hired vehicle had been under-utilized without identified the real requirements.	This vehicle was the vehicle used as the official vehicle of the Director. In both 2019 and 2020, the directors employed on a contract and acting basis and during the above period, the need of appointing a permanent director to the institution has been considered. Until the new permanent director was appointed, the distance from his home to the institution could not be calculated, so there was issue in identifying the maximum number of kilometers that would be required. A new director had been appointed now and the institute considered the needs of vehicle facilities and call for bids.	The need of the institution should be properly identified and action should be taken to make procurement in a manner that is more advantageous to the institution.