

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

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### **1. Financial Statements**

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#### **1.1 Opinion**

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The audit of the financial statements of the Postgraduate Institute of Indigenous 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 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 2021, 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**

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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**

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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 Auditor's Responsibilities for the Audit of the Financial Statements**

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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 Observation on Preparation of 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
(a) Section 40 (1) of National Audit Act No 19 of 2018	An Internal Audit Division had not been established for the institute.	Staff requirement had been identified and the request to create an Assistant Internal Auditor position had been forwarded to the Management Services Department.	Action should be taken to establish an Internal Audit Division.
(b) Section 4 (h) of the Postgraduate Institute of Indigenous Medicine Ordinance No. 05 of 2017	Although libraries and laboratories should be maintained for the purpose of teaching, training or research in the institution, library and laboratory facilities had not been provided to the students even by the	The establishment of the library is being carried out more effectively after the appointment of an Assistant Librarian on 15 September 2021. Action had not been taken to establish laboratories as setting	Action should be taken to provide the necessary facilities for the use of the library

- date of audit of 09 March 2022. up laboratories in the institution is an unnecessary expense.
- (c) Public Administration Action had not been taken to confirm the arrival and departure of the officers through fingerprint machines from the year 2019, the date of the institute was established, till 20 March 2022, the date of audit. Bids have been invited in March 2022 and the fingerprint machine will be procured soon in the future. Circular provisions should be followed.
- (d) Section 8.2.2 of Public Enterprises Circular No. PED/12 dated 02 June 2003 A sum of Rs.3,370,000 had been invested in fixed deposits by the institute without obtaining the prior approval of the Minister of Finance. A letter has also been sent to the Ministry on 21 December 2021 requesting prior approval and after referring for prior approval, that amount had been invested in the Fixed Deposit Account on 30 December 2021. Circular provisions should be followed.

## 2. Financial Review

### 2.1 Financial Results

The operating result for the year under review was a surplus of Rs.2,121,329 and corresponding surplus amounted to Rs.1,371,700 in the previous year, thus observing an improvement of Rs.749,629 of the financial results. The increase in the course fee income had mainly attributed to said improvement.

## 3. Operational Review

### 3.1 Operational Inefficiencies

	<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a)	Although 19 students had been enrolled in the month of August 2020 for the first batch of the	Although the first batch of the MD in Ayurveda & Board Certification course started on	Action should be taken to enrol the students to give them

Postgraduate Institute of Indigenous Medicine established under the Gazette No. 46/2048 dated 18 December 2017, action had not been taken to enrol the second batch of students until 09 March 2022, the date of audit.

07 August 2020, the second batch could not be enrolled until 09 March 2022 due to the Ministry of Indigenous Medicine or the Department of Ayurvedic had not sent the posts under each specialization separately to the institute and part of the specialist doctors withdrawn from training activities etc.

an opportunity to follow up Postgraduate degree in Indigenous Medicine.

(b) Twelve academic boards had been appointed under Ayurveda, Siddha and Unani and 05 courses had been started under Ayurveda academic board, but courses had not been started under Siddha and Unani academic boards.

No reply was made.

Action should be taken to get the approval for courses for the main academic boards covering all the specialized fields.

### 3.2 Under Utilization of funds

----- <b>Audit Observation</b> -----	<b>Comments of the Management</b>	<b>Recommendation</b> -----
<p>A sum of Rs.8,809,163 had been received from the Ministry of Education and the Treasury for the procurement of a vehicle in the year 2019, but due to the suspension of the vehicle procurement, that amount had been deposited in a fund management account without getting instructions the Treasury.</p>	<p>The recommendation was not implemented due to circular constraints related to the procurement of new vehicles. A letter has been sent to the Treasury through the Ministry of Higher Education seeking approval for this in April 2021. The Ministry of Higher Education has been informed that, to use the Rs. 07 million fund for the procurement of other fixed assets required by the institution instead of purchasing the vehicle.</p>	<p>Action should be taken as per the instructions of the Treasury.</p>

### 3.3 Utilization of Resources of Other Organizations

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Audit Observation	Comments of the Management	Recommendation
<p>-----</p> <p>The activities of the Post Graduate Institute of Indigenous Medicine are presently operating on the fifth floor of the Borella Indigenous Ayurveda Hospital, which is under the Department of Ayurveda and a total provision of Rs.1,710,000 had been made for the period from 2019 to 2021 using the premises including electricity and water without entering into an agreement with the Department of Ayurveda. However, the institution had not formally established the office premises for offices and academic purposes.</p>	<p>-----</p> <p>Identification of land and building was recognized as the second option in the 17th management meeting held on 23.04.2021. The first option is the construction of one common building for the Institute of Indigenous Medicine and Postgraduate Institute of Indigenous Medicine on the land located in front of the National Ayurvedic Hospital belonging to the University of Colombo. It was informed that the decision taken to temporarily suspend the construction of new buildings by the government under capital expenditure in 2.3 of National Budget Circular No. 01/2021 had been extended. Also, it was informed in the same circular that requests should not be made for renting new buildings.</p>	<p>-----</p> <p>Action should be taken to properly establish the institute premises in consultation with the relevant parties.</p>

#### **4. Accountability and Good Governance**

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##### **4.1 Annual Report**

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<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Annual reports for the years 2019 and 2020 had not been tabled in Parliament even by 09 March 2022.	After obtaining the necessary approvals for the annual report by the Ministry of Education, 08 April 2022 date was given to refer to Parliament. The institution had completed all the related activities to table this report in Parliament by 23 September 2021.	Circular provisions should be followed.