

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 2024 comprising the statement of financial position as at 31 December 2024 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 material accounting policy 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 Section 20 of the Postgraduate Institute of Medicine Ordinance No.01 of 1980 enacted under Section 18 of the Universities Act No. 16 of 1978 and the section 107(5) and section 108(1) of the Universities Act and the National Audit Act No, 19 of 2018. My comments and observations which I consider should be report to Parliament appear in this report.

The accompanying financial statements give a true and fair view of the financial position of the Institute as at 31 December 2024 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 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 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.

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 skepticism 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 Institutes' 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. 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;
- 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 Receivable and Payable Accounts

1.5.1 Payables

Audit Observation	Comments of the Management	Recommendation
Six refundable bid deposits amounting to Rs.154,000 which were deposited more than 02 years ago, had not been settled or taken into revenue.	The administration division has been informed to settle the bid deposits promptly. The administrative division has issued reminder letters to the relevant institutions and individuals and if no response has been received from them, by 31 December 2025, it will proceed to take to the revenue.	Action should be taken to settle outstanding amounts promptly.

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

	Reference to Laws, Rules, Regulations etc	Non-compliance	Comments of the Management	Recommendation
(a)	Paragraph 05 of the Treasury Circular No. BD/HRD/126/214/19/2023 dated 18 January 2023	Although the money recovered from the bonds that were breached should be remitted to the Treasury immediately, the amount of Rs.10,826,505 recovered in the year 2023 had not been remitted to the Treasury.	As per the Finance Circular Letter No. 05/2023 issued by the University Grants Commission on 04th July 2023, the amount of Rs.10,826,505 received from breach of bonds will be used to cover the air travel expenses of the academic staff who are entitled to sabbatical leave of our Institute subjected to a maximum limit. As discussed in the Audit Committee, the Postgraduate Institute of Medicine issued a letter on 12 August 2025 making an inquiry from the University Grants Commission.	The circular should be followed.

(b)	Financial Regulation 571	The total unclaimed contract retention of Rs.177,437 from 2016 to 2022 had not been settled or taken into revenue unless it was claimed.	That the administrative department of the Institute had been informed to settle the contract retention money promptly.	Financial Regulations should be followed.
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2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted a deficit of Rs.50,043,208 and the surplus as against the preceding year was of Rs.16,230,043. Therefore a deterioration amounting to Rs.66,273,251 of the financial result was observed. The decrease in interest income by Rs.42,408,504 had mainly caused to this deterioration.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
Although the Vision of the Institute is to become an internationally recognized centre of distinction for producing specialists and other professionals of high calibre to meet health needs of the country, region and contribute to promotion of world health. In the span of 43 years from 1980 to 2023, less than 10 specialist doctors had been produced for 44 out of 106 specialist fields, no necessary program had been implemented to achieve the Vision of the Institute.	The Postgraduate Institute of Medicine (PGIM) is responsible for producing medical and dental specialists through structured clinical and non-clinical training programs. The Postgraduate Institute of Medicine (PGIM) achieves this objective by conducting relevant training in the facilities of hospitals under the Ministry of Health, utilizing the services of specialist doctors attached to the Ministry of Health (MOH). Since the Postgraduate Institute of Medicine cannot control the increase or decrease in the number of specialist medical staff, it could not determine or increase the recruitment of trainees independently beyond the number approved and requested by the Ministry of Health.	The activities should be implemented as per the plans.