

1.1 Qualified Opinion

The audit of the financial statements of the Gampaha Wickramaarachchi Ayurveda Institute affiliated to the University of Kelaniya for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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, 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 Section 19 of the Gampaha Wickramarachchi Ayurvedic Institute Regulations No. 1 of 1995 enacted in terms of Section 18 of the Universities Act No. 16 of 1978 and the provisions of the National Audit Act, No. 19 of 2018. My comments and observations which I consider should be reported 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 financial statements give a true and fair view of the financial position of the Institute as at 31 December 2019, and of its financial performance and 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 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 Financial Statements

1.5.1 Internal Control over the Preparation of Financial Statements

The Institute is 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.

1.5.2 Non-compliance with Sri Lanka Public Sector Accounting Standards

The following observations are made.

Non-compliance with Reference to the relevant Standard	Comments of the Management	Recommendation
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Even though the fixed assets costed Rs. 53,574,104 had been fully depreciated the useful lifetime of non-current assets had not been reviewed annually in terms of paragraph 65 of the Sri Lanka Public Sector Accounting Standard 7, they were being further used. Accordingly, action had not been taken to revise the estimated error in terms of Sri Lanka Public Sector Accounting Standard 3.	The institute has taken action in this regard and the Valuation Department has not fulfilled this requirement and the accounting was not done in the year 2019.	Sri Lanka Public sector accounting standards should be complied.

1.5.3 Accounting Deficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
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(a) Even though value of the library building which was completed on 1st February 2012 costed Rs. 64,171,020 was capitalized, the value of the final bill amounted to Rs. 4,513,788 which should be included to the value of the building had not been submitted and shown under capital advances. Accordingly, the value of the building was under stated by Rs. 4,513,788.	The relevant value will be added to the cost of the building in the future	Building costs must be accurately identified and accounted for.
(b) Depreciation and amortization for the year under review had not been calculated for intangible assets included in non-current assets amounted to Rs. 761,800 purchased from capital grants in the Financial Statement as at 31 December 2019	Necessary adjustments will be made on wards from the year 2020.	Action should be taken to correct financial statements.
(c) Rs. 330,000 incurred during the year for human capital development was shown under non-current assets in the Statement of Financial Position without identifying an accounting policy regarding the accounting of intangible assets.	Action will be taken to mention under intangible assets in the future.	Action should be taken to identify an Accounting Policy for accounting of Intangible Assets in Financial Statements and correct financial statements.

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

 The following observations are made.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
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(a).Gampaha Wickramaarachchi Ayurveda Institute Ordinance published in the Gazette Extraordinary No.862/8 of 13 March 1995 of the Democratic Socialist Republic of Sri Lanka Paragraph 5 of the Ordinance	The Dean of the Faculty of Medicine in the University of Kelaniya, official member of the Board of Directors, had not been participated to the meetings even since 2018 and the Institute had informed the University Grants Commission accordingly. But action had not been taken even up to the date of report.	The University Grants Commission has been informed that paragraph 9 (F) of the Ordinance should be amended as obtaining the representation of the Dean is practically difficult.	Action should be taken to amend the regulations as necessary.
(b) Paragraph 6 of the Ordinance	The post of Director of the Institute had vacant since 17th October 2018, and the University Grants Commission had appointed two Competent Officers	These appointments have been made in accordance with the powers vested in the Minister under Section 20 (4) (b) of the Act.	Action should be taken to appoint a full time permanent Director as per paragraph 6 of the regulations to enhance the performance of the institute.

in two occasions to continue the activities of the Institute but action had not been taken to appoint a full time Permanent Director to that post.

2. Financial Review

2.1 Financial Results

The operations of the Institute for the year under review had been a deficit of Rs. 80,540,075 as compared with the corresponding deficit of Rs. 7,898,494 for the preceding year, thus indicating a deterioration of Rs.72,641,581 in the financial result. The increase in the expenditure on personal emoluments had been the main reason for the said deterioration.

3. Operating Review

3.1 Management Inefficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
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Even though the Work Engineer had recommended on 09 January 2019 that a new building should be constructed due to that the reading room of the institute was in an unusable condition, action had not been taken to commence the construction works of the building by the end of 2019.	The soil test report has been received and it is expected to proceed further as per the recommendation of the Land Building Committee.	Action should be taken immediately to begin construction.

3.2 Operation Inefficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) Even though 06 years was lapsed, action had not been taken even by the end of the year under review to develop the Herbal Garden under a proper plan located at Wathupitiwala with an extent of 2.3533 hectares which was vested with the Institute on 12 September 2013, so as to use for educational purposes of students.	Due to administrative changes in the year 2019, it was unable to go for a continuous development process.	Action should be taken to carry out development activities, cultivate medicinal plants and use them for students' academic activities
(b).Even though 34 lecturers were attached to the institute, no research grants were requested from 2017 to the end of the year under review. It was also observed that although Rs. 1,000,000 had been allocated for research and development expenditure in 2019, total money was saved by the end of the year due to that the permanent academic staff was less focused on research.	Although the research grant applications for the year 2019 have been received, since all of them are clinical research, the applicants have been directed to get the approval of the Evaluation Committee and send it back.	Attention should be made that the Permanent academic staff focus on research.
(c) Even though the duration of the degree course in Ayurvedic Medicine is 5 years, it was observed that more than 06 years spent to complete the degree program due to	Students were unable to complete their degree within the stipulated time due to the postponement of lectures and examinations and the boycott of lectures and examinations.	Management should focus on implementing a program to complete the degree course within the stipulated time frame.

conflicts between the students and the administration. As of December 2019, it was observed that 68 students who have completed 6 years are still staying in the institute due to delays in completing their degree.

- (d).According to the academic calendar of the Division of Principles Studies, the mid-year semester examination held in December 2019 for 130 to 106 students studying in the Level I and Level II examinations, have participated a very small population of 3 to 6 students respectively.
- Even though the majority of the students did not appear for the examination, all the examinations were held as scheduled.
- Steps should be taken to emphasize that students should sit for the relevant examinations
- (e).Out of the Rs. 3 million allocated by the University Grants Commission on 18 October 2010 for the Panchakarma training of Ayurvedic medical undergraduates and the development of computer skills under the Undergraduate Development Program, the balance of Rs. 1,214,142 and total amount of 06 funds amounting to Rs. 2,240,628 had been underutilized for several years without being spent on relevant purposes.
- In the future, the funds will be used for students' study, research and sports activities.
- Existing funds balance should be utilized to achieve the objectives of establishing that fund

3.3 Underutilization of Funds

Audit Observation	Comments of the Management	Recommendation
Out of the capital grants given to the Institute, A sum of Rs.178,989,779 has not been utilized for the intended purpose and remained idle as on 31st December of the year under review.	Funds had not been utilized due to some issues in building construction and land acquisition.	Capital grants should be utilized for the intended purposes.

3.4 Deficiencies in Contract Administration

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) Even though the contract for the construction of 04 storied, 990 square meters administrative building was approved by the Cabinet of Ministers in 2011 at estimated cost of Rs. 79 million, it was increased to 1,475 square meters without formal approval at the commencement of work. Therefore, due to the difficulty in obtaining funds for the institute, the construction work could not be completed as planned and only two floors were completed and the office work commenced.	In response to the letter sent to the Ministry of Higher Education for approval, it was informed that the remaining work on the building be carried out using the funds earned by the institution.	Action should be taken to complete the construction works within the approved estimates.
(b) (i). Construction of four-storey study building at estimated cost of Rs. 134.5 million, including lecture hall facilities, commenced on 18 September 2014. However, the contractor had filed a	Construction works will be started after settling the outstanding bills to the construction company.	Action should be taken to start construction works without delay.

case in the Colombo Commercial Court on 25 February 2018 over a dispute with the contractor but the contractor had withdrawn the case on 03 July 2019 due to compliance with the contract agreement. A year had passed since the case was withdrawn. Even though one year had lapsed, the balance works had not been restarted.

(ii). The building, which had been half-completed for more than five years, was found to be in a state of gradual destruction due to exposure to the sun, flooding of the floors and storing flood water of the basement.	The roof will be constructed soon and the Ministry has approved the construction work to be carried out by a new contractor.	The building should be protected from destruction and the remaining construction work should be started immediately.
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3.5 Human Resources Management

----- Audit Observation -----	----- Comments of the Management -----	----- Recommendation -----
Even though the approved academic cadre was 50, the actual cadre was 36. Accordingly, when there were 14 vacancies in the academic staff, one lecturer was on sabbatical leave and two apprentice lecturers were on academic leave, so it was observed that academic activities had continued with there was a shortfall of about 28% of the approved academic cadre. Even though the Department of Management Services had approved 15 temporary academic lecturers, due to the existing vacancies in the permanent lecturers, action had been taken to recruit 06 more than the approved number.	Necessary arrangements are being taken to fill the vacancies in the permanent cadre.	Action should be taken to fill the vacancies in the permanent cadre.

4. Accountability and Good Governance

4.1 Annual Action Plan

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) According to the action plan for the year under review, 74 tasks were planned to be implemented under five targets but 11 of them had not been completed, including the enrollment of students for paid courses. The progress of 24 functions performed, was at a low level as 50 per cent.	The change of administration within a year and the existence of student protests and staff strikes have effected to the slowdown in progress.	Action should be taken to accomplish the tasks included in the action plan
(b) Even though it is the role of the institute to implement lecturer and student exchange programs for teaching, training and research activities with universities or institutes in Sri Lanka or overseas, it had not been included in the action plan for the year 2019 or had not been implemented.	Had not been included in the 2019 action plan.	should be included in the action plan and implemented to fulfill the functions of the institute.

4.2 Budgetary Control

Audit Observation	Comments of the Management	Recommendation
The budget had not been used as an effective management control tool as variances ranging from 50 percent to 100 percent were observed when comparing the actual figures with the budget prepared for the year 2019.	The uncontrollable conditions prevailing within the institution caused this variability.	The budget should be used as an effective management control tool.