

Swami Vipulananda Institute of Aesthetic Studies 2013

The audit of financial statements of the Swami Vipulananda Institute of Aesthetic Studies for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended and 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 Sub-section 107(5) of the Universities Act, No. 16 of 1978. My comments and observations which I consider should be published with the Annual Report of the Institute in terms of Sub-section 108 (1) of the Universities Act, appear in this report. This report also to be considered as a detailed report in terms of Sub-section 108 (2) of the Universities Act.

1.2 Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor’s Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000 – 1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Swami Vipulananda Institute of Aesthetic Studies as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with the Sri Lanka Public Sector Accounting Standards.

2.2. Comments on Financial Statements

2.2.1 Accounts Receivable and Payable

The following observations are made

- (a) Loan balances aggregating Rs.573,338 receivable from 04 officers who were interdicted or dismissed from the service had remained outstanding for over 02 years. However, the Institute had not taken action to recover those outstanding balances.
- (b) Salary loans aggregating Rs.14,393 had remained outstanding for more than 02 years without taking action to recover them from the officers concerned.
- (c) A sum of Rs. 12,046 payable to the Eastern University had remained outstanding for more than 02 years without taking action to settle it.

2.2.2 Lack of Evidence for Audit

The following evidence indicated against each item had not been furnished to audit.

Item	Value	Evidence not made Available
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	Rs.	
(a) Land and Buildings	39,078,017	Title Deeds
(b) Plant and Machineries	2,294,781	} Register of Fixed Assets
(c) Motor Vehicles	237,372	
(d) Furniture Fittings and Office Equipment	23,107,830	
(e) Other Assets	777,275	
(f) Books and Periodicals	242,287	
(g) Welfare Goods	1,585,071	
(h) Health Equipment	105,432	
(i) Laboratory Equipment	23,300	

(j) Sports Goods	978,977	
(k) Loans and Advances	7,067,789	Detailed Schedules and Age Analysis

2.2.3 Transactions not Supported by Adequate Authority

According to the letter No.PE/01/174/11 (b) dated 6 March 1998 of the Director General of Public Enterprises and Establishments Circular Letter No. 08/2013 dated 23 May 2013 of the University Grants Commission, allowances payable for language proficiency for government officers should not be extended to State Corporations and Statutory Boards. However, a sum of Rs. 27,650 had been paid to three non-academic staff as language proficiency allowance from the year 2012 up to 31 May 2013 and this payment had not been recovered from the officers concerned even up to 30 April 2014. In this regard, the Director had informed that, after receiving the circular from the UGC by May 2013, the payment of allowances had been stopped from June 2013.

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

Instances of non-compliance observed in audit are given below.

Reference to Laws, Rules, Regulations and Management Decisions

Non- compliance

(a) Section 109 Universities Act No. 16 of 1978	The audited financial statements and report of the Auditor General on the financial statements for the year 2012 had not been published in the Government Gazette up to 30 April 2014.
(b) Financial Regulations ----- F.R.756	Annual physical verification of stores had not been carried out as at the end of the year under review even up to the date of audit on 22 May 2014.

(c) Establishments Code for the University Grants Commission and Higher Educational Institutions

(i) Section 20.6 of Chapter- X Particulars of no-pay leave obtained by 02 academic staff had not been reported to the Auditor General in Form General : 96

(ii) Section 3:1 of Chapter- XXVII Academic staff of the Institute had not recorded their departure in the attendance register.
In this regard, the Director had informed me that, by tradition the academic staffs sign only their arrivals in the attendance register.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the activities of the Institute during the year under review had resulted in a deficit of Rs. 70,750,664 before taking into account the Government Grant of Rs. 68,364,000 for recurrent expenditure as compared with the corresponding deficit of Rs. 53,926,128 for the preceding year before taking into account the Government Grant of Rs.57,500,000 for that year thus indicating a further deterioration of Rs. 16,824,536 in the financial results. The increase of personal emoluments, examination expenses and welfare expenses were the reasons for this deterioration

4. Operating Review

4.1 Performance

The academic performances of the University during the year under review were as follows.

(a) Results of Examinations

Details of final examinations held in 2013 and the passing out of graduates are shown below.

Details	Faculty of Music	Faculty of Dance	Faculty of Drama and Theatre	Faculty of Visual and Technological Arts
No. of students sat for final examinations during the year under review	26	25	50	43
No. of students passed the examinations	19	22	46	33
No. of students passed degree examinations, as a percentage of No. of students who sat for the examinations	73.07	88	92	76.74

In this regard, the following observations are made.

- (i) Out of 26 students of the Faculty of Music sat for final examination, 19 students had passed the exam, which represents 73.07 per cent of the total number of students sat for the final examination.
- (ii) Out of 43 students of the Faculty of Visual and Technological Arts sat for final examination, 33 students had passed the exam, which represents 76.74 per cent of the total number of students sat for the final examination.

(b) Cost per Student

The total cost of each faculty of the Institute and the cost per student for the year under review are shown below.

	Faculty of Music	Faculty of Dance	Faculty of Drama and Theatre	Faculty of Visual and Technological Arts	Total
Total Cost (Rs.)	12,496,872	9,350,020	21,280,967	28,894,594	72,022,454
Total Number of Students	305	197	249	246	997
Cost per Student (Rs.)	40,973	47,462	85,466	117,458	67,154

The highest cost per student amounting to Rs. 117,458 was reported at the Faculty of Visual and Technological Arts whilst lower cost per student amounting to Rs. 40,973 was reported at the Faculty of Music.

(c) Mahapola and Bursaries

A sum of Rs. 5,552,500 had been paid to 572 students as Bursary and a sum of Rs. 660,000 had been paid to 108 students as Mahapola during the year under review. However, sums of Rs. 17,500 and Rs. 265,700 in respect of Mahapola and Bursaries respectively had not been paid to 26 students up to the date of audit on 22 May 2014 as those students had discontinued their courses.

4.2 Management Inefficiencies

The following observations are made.

- (a) The Institute had delayed nearly one year to initiate a formal inquiry against the Senior Assistant Bursar and the Storekeeper who had been charged for the cheque fraud of Rs. 5 million and fraudulent payment of Rs. 4.5 million in terms of Sections 5.2 and 5.3 of Chapter XXII of the Establishments Code for the University Grants Commission and Higher Educational Institutions.

- (b) A sum of Rs. 1,395,000 had been overpaid with regard to the purchase of floor carpets, easels, sculpture wheels, and bunk beds made in 2011. However, the Institute had not taken necessary action against the officers who were responsible for the above overpayment.
- (c) The Institute had not taken action to recover the losses sustained due to the cheques fraud, which had taken place by encashing fourteen cheques to the value of Rs. 3,622,315 by an officer of the Institute through a bank account of an unknown person maintained at a private Bank in Batticaloa.
- (d) The Institute had purchased 106 toners for photocopying machines at a cost of Rs.1.27 million without considering the actual requirements and the inferior quality of toners had affected spare parts such as the Drum, Drum Blade, Heater Roller of photocopying machines. As a result, 21 of such toners had remained idle at the stores of the Institute up to the date of audit inspection on 22 May 2014.

4.3 Human Resources Management

The position of approved and actual cadre of the Institute as at 31 December 2013 is given below.

Category of Staff	Approved cadre	Actual cadre	Number of vacancies	Excess
Academic	38	35	03	-
Academic Support	07	01	06	-
Administrative	01	01	-	-
Administrative Support	04	02	02	-
Temporary (Academic)	06	01	05	-
Visiting	-	-	-	<u>15</u>
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Total	<u>56</u>	<u>40</u>	<u>16</u>	<u>15</u>

The following observation is made in this regard.

The Institute had not taken action even as at the end of the year under review to fill 16 vacancies.

5. Accountability and Good Governance

5.1 Action Plan

According to the Circular Letter No. PF/R/2/2/3/5/(4) dated 10 March 2010 of the Director General of Public Finance, the Institute had not prepared an Annual Action Plan and Annual Performance Report for the year under review.

5.2 Procurement Plan

A Procurement Plan had not been prepared for the year under review in terms of Section 4.2 of the Procurement Guidelines-2006.

5.3 Budgetary Control

Significant variances were observed between the budgeted and actual income and expenditure thus indicating that the budget had not been made use of as an effective instrument of management control.

6. Systems and Controls

Weaknesses in systems and controls observed in audit were brought to the notice of the Director of the Institute from time to time. Special attention is needed in respect of the following areas of controls.

- (a) Assets Management
- (b) Procurement