

University of Visual and Performing Arts - 2013

The audit of financial statements of the University of Visual and Performing Arts 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 equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes to the financial statements 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 13(1) of the Finance Act, No. 38 of 1971 and 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 University in terms of Sub-section 108(1) of the Universities Act appear in this report.

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 the 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 misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's for the 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 University'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 financial statements. Sub - sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary power to the Auditor General to determine the scope and the extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Qualified 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 University of Visual and Performing Arts as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standard.

2.2 Comments on Financial Statements.

2.2.1 Accounts Receivable and Payable

Action had not been taken to recover the sums totalling Rs. 955,461 receivable to the University Fund comprising a sum of Rs.799,147 due from the Vice-Chancellor's Fund and the Faculty of Dancing Development Fund, an excess payment of Rs.46,417 made to the Employees Trust Fund and a sum of Rs.67,259 recoverable from the Storekeeper relating to a periods ranging from 01 to 05 years.

2.2.2 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances with laws, rules and regulations were observed.

Reference to Laws, Rules and Regulations

Non – compliance

(a) Chapter XX Section 3(1) and Chapter Attendance Registers and Leave Registers

- X Section 1.6.1 of the Establishments Code of the University Grants Commission and Institutions of Higher Education. pertaining to the academic staff had not been maintained for the verification of the accuracy of the salaries and allowances of Rs.147,825,402 paid to the Academic staff of the University during the year under review.
- (b) Financial Regulation 104 (3) and (4) of the Democratic, Socialist Republic of Sri Lanka. Preliminary inquiry report in respect of four vehicles which had met with accidents during the year under review had not been furnished to the Auditor General.
- (c) Public Enterprises Circular No.95 dated 14 June 1994. Without obtaining the approval of the Treasury based on a budget estimate prepared by the Distance and Continuing Education Centre and the Post Graduate Study Centre, a sum of Rs.614,000 and Rs.264,250 had been paid as allowances on the recommendations of the Committee and the approval of the Council
- (d) Public Enterprises Circular No. 95 dated 14 June 1994 and the Public Administration Circular No. 14/2008 dated 26 June 2008. For the purpose of providing transport facilities to the academic staff of the University of Visual and Performing Arts, namely the Deans, the Bursar and the Librarian from the office to their residences a monthly transport allowance at the rate of Rs.30,000 is paid. Nevertheless, transport allowances amounting to Rs.1,694,516 had been paid to 05 officers during the year under review deviating from the relevant circulars.
- (e) Section 7.4.5.of the Public Enterprises Circular No.PED/12 dated 02 June 2003 Annual Boards of Survey in respect of the library books of the University had not been conducted from the year 1984 up to the year under review.
- (f) Treasury Circular No.842 dated 19 December 1978. The Register of Fixed Assets had not been updated and a difference of Rs.8,611,522 could be observed when comparing the fixed assets schedules and the Register of Fixed Assets.

2.3 Transactions not supported by an Adequate Authority.

A sum of Rs.348,051 had been paid without an adequate authority as the travelling expenses of the Vice Chancellor, expenditure pertaining to the Conference of Vice Chancellors and Conference of the Directors (CVCD) and as telephone expenditure of the Chief Coordinator and the Controller of the Distance and Continuing Education Centre.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the University for the year ended 31 December 2013 had resulted in a deficit of Rs.18,668,242 as against the surplus of Rs.7,322,560 for the preceding year. The increase in the personal emoluments by Rs.61,104,977 and the contractual services and other operating expenditure by Rs.23,334,680 had mainly given rise to the deterioration of the financial results for the year under review by a sum of Rs.25,990,802 as compared with the preceding year .

4. Operating Review

4.1 Performance

The following observations are made

(a) Academic Performance

According to the information report on the academic performance furnished to the audit, the summarized information on the registration of students and passing the final examinations under the three Faculties of the University for 05 academic years had been as follows.

Academic Year	Faculty of Drama and Dancing				Faculty of Music				Faculty of Visual Arts			
	Number of Students registered	Number of Students sat the Examination	Number Passed	Passed Percent age	Number of students registered	Number of Students sat the examination	Number Passed	Passed Percentage	Number of students registered	Number of Students sat the examination	Number Passed	Passed Percentage
2007/2008	332	329	312	95	321	328	281	85	109	108	105	97
2008/2009	346	360	330	92	268	317	239	75	112	120	118	98
2009/2010	188	209	204	98	161	187	172	92	53	53	52	98
2010/2011	187	195	184	94	131	155	150	97	52	55	52	95
2011/2012	182	188	182	97	137	145	133	92	62	63	62	98

The following observations are made.

- (i) A lower percentage level of passes in examinations of the Faculty of Music in the 04 academic years from 2007 to 2011 as compared with the Faculty of Dance and Drama and the Faculty of Visual Arts was observed.
- (ii) Examination results for the academic year 2011/2012 had not been issued even up to 03 June 2014.

(b) Cost Per Student

The Cost Per Student of the University for the preceding year amounted to Rs.221,110 while it amounted to Rs.256,779 in the year under review. Accordingly, the Cost Per Student had increased by 16 per cent during the year under review.

(c) Payment of Research Allowances.

In pursuance of the Department of Management Services Circular No.45 dated 07 April 2011, provisions amounting to Rs.15,539,000 had been made for the payment of research allowances for the year 2013 and a sum of Rs.18,371,618 had been paid as research allowances to 101 individuals including the Lecturers of the three Faculties and the Library officers during the year under review.

The following observations are made in this connection.

(i) Faculty of Drama and Dancing

Out of the 42 Lecturers entitled to the research allowances of the Faculty of Drama and Dancing only seven Lecturers who had completed their researches during the year 2013 had furnished their final research reports while three Senior

Lecturers and three Probationary Lecturers who had completed their researches had not submitted their final reports up to the date of audit. Out of the remaining 29 Lecturers the number of Lecturers who had not furnished their progress pertaining to the year under review was three.

(ii) Faculty of Music

The progress of the researches in progress relating to the year 2011 in respect of the year under review had not been furnished by three Lecturers and a Probationary Lecturer had not submitted the progress of their researches pertaining to the years 2011,2012 and 2013 even up to 31 March 2014.

(iii) Faculty of Visual Arts.

Four Lecturers of the Faculty of Visual Arts had not submitted the progress of the researches continuing since year 2011 relating to the year under review and the number of Lecturers who had not submitted any progress pertaining to the researches had been three.

(d) Research Symposiums

(i) At the Research Symposium conducted on 27 and 28 November 2013 only 16 Lecturers of the three Faculties had submitted the Research Abstracts.

(ii) In accordance with the criteria pertaining to the world ranking of Universities the criteria on the researches are of importance. However, according to the above observations it appears that the involvement and the dedication for the researches were at a lower level. Therefore, it was observed according to the world ranking 2013 that the University of Visual and Performing Arts occupied the 16,071 place of the world ranking.

4.2 Management Inefficiencies

The following observations are made

(a) The title in respect of 06 lands valued at Rs.2, 117,041,000 shown in the Financial Statements as at the end of the year under review had not been transferred hither to.

(b) There were 382 issued books valued at Rs.210,733 that had not been returned to the library.

(c) Allowance of Rs.20,000 and 36,000 had been paid respectively to a same professor during the year under review in respect of rendering service as an Invigilator and a Director on the days of conducting practical tests of Drama 2011/2012 of the General Degree.

- (d) A sum totlled Rs.300,250 and the interest income thereof Rs.383,452 relating to 08 Funds established with the donations made by external parties with the objective of awarding scholarships had not been utilized for the respective purpose even during the year under review.

4.3 Transactions of Contentious Nature.

- (a) According to the lease agreement No.228 dated 08 August 2012, the terms of lease of the Vice Chancellor's official quarter, which the monthly lease amount was Rs.60,000, had been from 01 November 2011 up to 30 October 2014. However, having terminated the term of the lease prior to 31 March 2013 without giving any reason, the Vice Chancellor had occupied at his personal residence and a sum of Rs.81,232 had been paid in respect of the electricity bills of that residence issued in favour of the Vice Chancellor for the months from February to December during the year under review and a sum of Rs.147,629 had been paid by the University in respect of the water bills and electricity bills issued in the name of another person.
- (b) A female employee in the labour grade recruited on contract basis had been employed in the service of the personal residence of the Vice Chancellor from May to December in the year under review and a sum of Rs.143,814 at a rate of Rs.23,846 per month and a sum of Rs.22,991 had been paid respectively to the University Provident Fund and the Employees' Trust Fund by the University.

4.4 Uneconomic Transactions

The following observations are made.

- (a) It was observed at the physical verification conducted on 25 April 2014 that 919 compact discs titled "Induwara" produced by the University at a cost of Rs.399,115 during the year under review had not been entered in the stock books of the stores and since they had not been sold even as at the date of audit, the expenditure incurred in that respect had been an uneconomic expenditure.
- (b) In order to fill the vacancy of the post of Chief Marshall of the University a sum of Rs.99,552 had been spent in respect of 04 newspaper advertisements. Although over a period of one year had elapsed, the officers responsible in this connection had not taken action to fill this vacancy.
- (c) Without formulating a basic plan for deploying security officers a security inspector and eight security guards had been recruited to the internal security service in the year 2013 in addition to the earlier recruited 06 security personnel and salaries and allowances of Rs. 3,563,559 had been paid to 15 permanent Security Officers during the year under review. Despite the availability of such internal security service, a sum of Rs. 23,514,350 had been paid as salaries and allowances for the contractual security service during the year under review.

4.5 Deficiencies in the Contract Administration

The following observations are made

- (a) The following observations are made on the hostel construction project.
- (i) Even though an extension had been granted up to 27 December 2013 for the Male Hostel Construction Project at Dehiwala commenced on 10 May 2011, it had not been completed even up to the date of audit on 24 April 2014. The financial performance and the physical performance thereof had been 48.23 per cent and 60 per cent respectively as at 31 December 2013.
 - (ii) The agreement for the construction of Female Hostel at Rajagiriya had been signed on 12 May 2011 and the project had to be completed within 540 calendar days. However, an extension had been granted again up to 23 January 2014, and work had not been completed even as at 24 April 2014.

The financial performance and the physical performance of this project as at the end of the year under review had been 31.9 per cent and 70 per cent respectively. Since this project had been delayed for a period of approximately 1 ½ years , a sum of Rs.15, 901,946 had to be spent as the rental for the hostel during the year under review.

- (b) The project for the construction of the Administration building had been commenced on 14 January 2012 under an estimate of Rs. 94.65 million and it had been scheduled to be completed on 14 January 2013. Since the project delayed on various grounds, extension for the second time had been granted up to 17 October 2013. Nevertheless, constructions had not been completed even as at the date of audit on 24 April 2014. When taking into consideration the progress of the project as at 31 December 2013, the expenditure had been Rs.42 million and the financial performance and the physical performance could be observed as 44.26 per cent and 70 per cent respectively.

4.6 Personnel Administration

The following observations are made

- (a) When comparing the approved cadre and the actual cadre as at 31 December 2013, fifty five vacancies and four excess employees were observed.
- (b) In keeping with the requirement of the Faculty of Visual Arts, employees had been recruited on contract basis up on the annual agreements to the post of “Model Employee” which had not been included in the approved cadre and salaries and allowances had been continuously paid. Further salaries and allowances totalling Rs. 1,341,800 had been paid to 08 employees during the year under review.

5. Accountability and Good Governance

5.1 Action Plan

The Action Plan prepared by the University for the year 2013 had included 07 major objectives expected to be implemented during the year and the estimated cost thereof amounted to Rs. 1,333 million. However, progress reports had not been prepared by devising a methodology for the evaluation of financial and physical performance of the achievement of expected targets at the end of the year under review.

5.2 Budgetary Control

A reconciliation of the budgeted expenditure and the actual expenditure for the year under review revealed substantial variances ranging from 50 per cent to 2,058 per cent, thus indicating that the budget had not been made use of as an effective instrument of financial control.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Vice Chancellor from time to time. Special attention is needed in respect of the following areas of control.

- (a) Fixed Assets Control
- (b) Contract Administration
- (c) Stock Control
- (d) Cash and Bank
- (e) Library Books
- (f) Procurement.

