

Swami Vipulananda Institute of Aesthetic Studies - 2014

The audit of financial statements of the Swami Vipulananda Institute of Aesthetic Studies for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014 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 Sections 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.

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 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 Swami Vipulananda Institute of Aesthetic Studies as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with 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) Staff loan balances aggregating Rs.573,338 receivable from 04 officers who were interdicted or dismissed from the service had remained outstanding for over 03 years. However, those outstanding balances had not been recovered even up to the date of audit on 30 June 2015.
- (b) Salary advances aggregating Rs.14,393 paid to 04 officers had remained outstanding for more than 03 years without taking action to recover them from the officers concerned.
- (c) A sum of Rs.1,652,862 had been shown as payable to the Eastern University of Sri Lanka in the financial statements for more than ten years without taking fruitful action to settle or write off it from the books of accounts.

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

The following instances of non- compliances were observed in audit.

- (a) The audited financial statements and report of the Auditor General thereon for the years 2012 and 2013 had not been published in the Government Gazette even up to 24 April 2015 in terms of Section 109 of the Universities Act, No. 16 of 1978.
- (b) Advances granted to the staff should be settled immediately after completion of the purposes for which it was granted in terms of Financial Regulations 371(2). However, advances aggregating Rs.383,420 granted in six instances had been settled after a delay of period ranging 04 months to 07 months.

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. 90,919,352 before taking into account the Government Grant of Rs. 74,000,000 for recurrent expenditure as compared with the corresponding deficit of Rs. 70,750,664 for the preceding year before taking into account the Government Grant of Rs. 68,364,000 for that year, thus indicating a further deterioration of Rs.20,168,688 in the financial results. The increase of personnel emoluments by Rs.13,256,976 as compared with the previous year had mainly attributed for this deterioration.

4. Operating Review

4.1 Performance

The academic performance of the Institute during the year under review is as follows.

(a) Results of Examinations

Details of final examinations held and number of students passed in the examinations during the year under review as compared with the preceding year are shown below.

Details	Faculty of Music		Faculty of Dance		Faculty of Drama and Theatre		Faculty of Visual and Technological Arts	
	2014	2013	2014	2013	2014	2013	2014	2013
Number of students sat for final examinations during the year under review	38	26	29	25	39	50	46	43
Number of students passed in the examinations	23	19	27	22	38	46	32	33
Number of students passed in the examinations, as a percentage of total number of students sat for the examinations	61	73	93	88	97	92	70	77

The following observation is made in this connection.

Out of 38 students and 46 students of the Faculty of the Music and the Faculty of Visual and Technological Arts respectively who sat for final examination, 15 and 14 students had failed the examination, which represents 39 and 30 per cent of the total number of students sat for the final examination.

4.2 Management Inefficiencies

The following inefficiencies were observed in this connection.

- (a) The Institute had purchased 45 bunk beds in the year 2013 at a total cost of Rs.2,119,360. However, these beds had remained idle up to 31 July 2015 at the building obtained on rental basis.
- (b) Two computers purchased at a total cost of Rs.190,000 had been kept at the stores from the date of purchase on 18 September 2014 without being utilized for the intended purposes.
- (c) Advances aggregating Rs.300,080 paid to 03 officers of the Institute during the year under review in 7 instances had not been settled even up to 31 July 2015 by the officers concerned.
- (d) At the physical verification carried out in the stores of the Faculty of Dance revealed a stock shortage of 38 items valued at Rs.920,621. However, the Institute had not taken proper action against the officers who were responsible for the loss of those items.

4.3 Human Resources Management

The position of approved and actual cadre as at 31 December 2014 is given below.

Category of Staff	Approved Cadre	Actual Cadre	Number of Vacancies	Number of Excess
Academic	38	36	02	
Academic Support	07	01	06	
Executive	05	03	02	-
Clerical and Allied	16	10	06	
Minor	07	27		20
Total	<u>73</u>	<u>77</u>	<u>16</u>	<u>20</u>

The following observations are made in this regard.

- (a) The post of Senior Assistant Bursar and Store Keeper had remained vacant since 02 July 2012. At the Meantime, officers of the Eastern University had performed duties for the above two post on acting basis without taking action to appoint suitable officers for the

above posts and a sum of Rs.101,719 had been paid as acting allowances during the year under review.

- (b) Even though approved cadre for minor employees was 07, the Institute had recruited 20 employees exceeding the approved cadre. Further, the Institute had not obtained required approval from the relevant authorities to fill this excess cadre.

5. Accountability and Good Governance

5.1. Budgetary Control

Variances ranging from 20 per cent to 2,524 per cent 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

Deficiencies in systems and controls observed during the course of 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 control.

- (a) Assets Management
- (b) Procurement
- (c) Payment of Advances