

**Gampaha Wickramarachchi Ayurveda Institute Affiliated to the University of Kelaniya - 2014**

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The audit of financial statements of the Gampaha Wickramarachchi Ayurveda Institute Affiliated to the University of Kelaniya 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 funds 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 and Section 19 of the Gampaha Wickramarachchi Ayurveda Institute Ordinance No. 1 of 1995 enacted under Section 18 of the Universities Act. My comments and observations which I consider should be published with the Annual Report of the Institute in terms of Sub-section 108(2) of the Universities Act, was issued to the Director of the Institute on 15 May 2015.

**1.2 Management’s Responsibility for the Financial Statements**

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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**

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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 risks of material misstatements of the financial statements, whether due to fraud or error. In making those risks assessments the auditor considers internal control relevant to the Institute's preparation and fair presentation of 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 financial statements. Sub-sections (3) and (4) of the 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**

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

### **2. Financial Statements**

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#### **2.1 Qualified Opinion**

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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 Gampaha Wikramarachchi Ayurveda Institute Affiliated to the University of Kelaniya 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**

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##### **2.2.1 Sri Lanka Public Sector Accounting Standards**

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The following observations are made

- (a) In terms of the Public Sector Accounting Standard No.1, income of the courses should be brought to accounts on accrual basis according to the period, whereas income relating to the total expenditure of Rs.11,514,837 incurred on 12 courses during the year 2014 had not been identified.
- (b) Deviating from the Public Sector Accounting Standard No.07, the amortization for the assets amounting to Rs. 14,986,418 received under donations and aid and the amortization for the value of the revalued assets of Rs.148,719,740 had been debited to the Capital Grants spent Account without being debited them to the Donation and Aid Fund and the Revaluation Reserve Account respectively. Further, the amortization of the revalued assets had been inappropriately credited to the Statement of Financial Performance and as such the deficit for the year had been understated by that amount.

### **2.2.2 Accounting Deficiencies**

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The following observations are made.

- (a) The lands, 243.9 perches in extent purchased by and vested with the Institute had not been assessed and the value thereof had not been brought to accounts as an asset.
- (b) Even though an asset should be depreciated in a systematic basis throughout its useful life from the time it was brought to a condition fit for use, action had not been taken for depreciating the library books, sports and office equipment valued at Rs. 3,859,676 purchased during the year under review. As such depreciation amounting to Rs.97,296 had not been adjusted in the accounts.
- (c) Instead of adjusting the receipt amounting to Rs.758,363 relating to the courses completed during the years prior to the year under review to the General Reserve, it had been credited to the revenue of the year under review and as such operating income of the year had increased.

- (d) A software package named KOHA had been purchased at a cost of Rs.240,000 during the year 2014 to the Library and this intangible asset had been shown as addition under the Library books.
- (e) Withholding Tax paid in relation to the investment interest of Rs.4,309,183 had not been brought to account.

### 2.3 **Accounts Receivable and Payable**

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The arrears of the hostel charges receivable as at 31 December of the year under review relating to 03 hostels of the Institute amounted to Rs.201,695 and a delay in the recovery of the hostel charges relating to the academic year 2012/2013 was observed.

### 2.4 **Non-compliance with Laws, Rules, Regulations and Management Decisions**

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The following non-compliances were observed.

<b>Reference to Laws Rules and Regulations</b>	<b>Non-compliance</b>
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(a) Section 3(1) of Chapter XX and Section 1.6.1 of Chapter X of the Establishments Code of the University Grant Commission and Higher Education Institutes.	Since the books and records to ensure the arrival and departure and leave of the academic staff had not been properly maintained, the accuracy of the salaries and allowances amounting to Rs.60,569,849 paid to the academic staff during the year under review could not be verified.
(b) Financial Regulation 756 of the Democratic Socialist Republic of Sri Lanka.	Reports of the surveys conducted on the building situated in the land on which the Herbal Garden is maintained and the

equipment relevant thereto had not been furnished to audit.

(c) Public Enterprises Circulars

(i) Circular No.45 dated 02 October 2007.

The Statement of Responsibility of the Board of Management had not been included in the financial statements had been signed by the Director and the Bursar instead of being signed on behalf of the Board of Management.

(ii) Circular No.PED/12 dated 02 June 2003.

The draft Annual Report had not been furnished along with the financial statements.

(iii) Circular No.95 dated 14 June 1994

(i) Contrary to the circular on the fee levying courses and on the basis of criteria formulated by the Institute, the academic staff had been paid a sum of Rs. 572,000 and 96,500 as weekends allowances and monthly allowances respectively in respect of 08 courses during the first quarter of the year under review.

(ii) A sum of Rs.136,000 had been paid contrary to the circular instructions and on an approval of the Finance Committee as resource persons allowance at Rs.3,000 and Rs.2,000 per hour to 06 Resource Persons in connection with the “Abiman Abiyasa -III” held from 25 March 2014 to 28 March 2014 held for the Ayurvedic Students .

(iii) A sum of Rs.89,750 or 0.25 per cent of the direct construction value had been paid as an honorarium without obtaining a proper approval to the Works Engineer of the University Grants Commission whereas services had been obtained for the preparation of designs for the construction of second phase of the Students Center of which the contract value amounted to Rs.46 million.

(d) Public Administration Circular No. 07/97 dated 03 February 1997.

The Computer Instructors who are not entitled to 1/20 allowances payable for work done on weekends and the public holidays in terms of the circular had been paid Rs.54,107 as that allowance during the year under review on the approval of the Board of Management.

### **3. Financial Review**

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#### **3.1 Financial Results**

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According to the financial statements presented, the operations of the Institute for the year ended 31 December 2014 had resulted in a deficit of Rs.2,889,732 as compared with the corresponding deficit of Rs.8,470,174 for the preceding year. The increase in the Government Grants by Rs.34,421,646 had specially attributed to the decrease of the deficit for the year under review by a sum of Rs.5,580,442 as compared with the preceding year.

#### **4. Operating Review**

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##### **4.1 Performance**

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###### **4.1.1 Academic Performance**

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The following observations are made.

- (a) The number of students who sat the final examination of the Ayurvedic Medical and Surgical Degree in the academic year 2009/2010 had been 107 and out of which 95 or 89 per cent had been successful.
  
- (b) Even though the number of students registered for this course in the academic year 2012/2013 had been 88, seven students had abandoned the course.

##### **4.2 Transactions of contentious nature.**

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According to the criteria prepared by the Institute on the approval of the Board of Management, payments for organizing courses on weekends and public holidays can be paid subject to a maximum of Rs.5000 per day, whereas payments had been made at the rate of Rs.5000 depending on the number of courses conducted on a day. Accordingly, an overpayment of 245,000 had been made during the first quarter of the year under review.

##### **4.3 Operating Inefficiencies**

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One hundred and six books valued at Rs.99,084 issued to the students by the Library prior to the year 2014 and 25 books issued during the year 2014 had not been returned even by April 2015.

#### **4.4 Weaknesses in Contract Administration**

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Even though a period of 03 years had elapsed after the construction of Library building, expenditure had not been capitalized as the final bill had not been obtained from the State Engineering Corporation. Action had not been taken to settle the Capital Advance amounting to Rs.3,701,862 paid in respect of this construction and the retention money amounting to Rs.8,262,316 up to the date of audit.

#### **4.5 Staff Administration**

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There were 22 vacancies in the academic staff and 16 vacancies in the non-academic staff of the Institute as at the end of the year under review. Twenty one visiting lecturers had been employed for the vacancies in the academic staff.

### **5. Accountability and Good Governance**

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#### **5.1 Action Plan**

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According to the Action Plan of the Institute there were 04 main objectives and raising the Institute up to world standard university for the graduates and postgraduate students had been indicated as the first objective. A provision amounting to Rs.3,765,000 had been made in this connection during the year under review. Nevertheless, according to annual progress, only the primary arrangements of the subsidiary activities had been executed and the total provision had been saved.

#### **5.2 Budgetary Control**

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The revised budget for the year 2014 had been tabled for the approval by the Board of Management Paper No.224 dated 27 February 2015. Reconciliation of the budgeted expenditure of the year under review with the actual expenditure according to the revised budget revealed material variances ranging from 10 per cent to 100 per cent and as such the budget had not been made use of as an effective instrument of financial management control



**6. Systems and Controls**

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Deficiencies in systems and controls observed during 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) Accounting
- (b) Fixed Assets Control
- (c) Library Control
- (d) Motor Vehicles Control
- (e) Contract Administration