

## **Gampaha Wickramarachchi Ayurveda Institute - 2015**

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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 2015 comprising the statement of financial position as at 31 December 2015 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 Section 19 of the Gampaha Wickramarachchi Ayurveda Institute Ordinance No. 1 of 1995 enacted under Section 18 of the Universities Act 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 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**

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The 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 Auditing 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 judgement, including the assessment of 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 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. Section 111 of the Universities Act, No.16 of 1978 gives 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 2015 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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###### **Sri Lanka Public Sector Accounting Standard - 07**

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The following matters are observed.

- (a) If property, plant and equipment experience significant and volatile changes in fair values from its carrying amount, the annual revaluation is necessary. Nevertheless, action had not been taken to revalue the lands of the Institute costing Rs.72,126,250 as at 31 December 2015 and account **its fair value** after the year 2009.
- (b) Even though depreciation of property, plant and equipment should begin when it is available for use, action had not been so taken. As such, depreciation for office equipment, furniture, machinery and teaching tools had been understated in accounts by Rs.159,607.

##### **2.2.2 Accounting Policies**

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Even though it had been stated that the financial statements had been prepared on accrual basis, the policy on accounting an amount equal to the expenditure incurred for 18 courses as income without identifying income therefrom properly, had been followed.

##### **2.2.3 Accounting Deficiencies**

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The following observations are made.

- (a) Action had not been taken even up to the end of the year under review to assess and account the values of 03 lands of 233.2 perches in extent owned by the Institute before the year 1991.
- (b) The interest income from fixed deposits for the year under review had been over stated by Rs.292,699 and as such, the fixed deposit value and interest income had been overstated by the similar amount.

### 2.3 Accounts Receivable and Payable

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The following observations are made.

- (a) Action had not been taken to recover outstanding hostel charges totalling Rs.75,300 recoverable as at 31 December of the year under review from 250 students in 05 hostels owned by the Institute.
- (b) A sum of Rs.40,161 was due from the Department of Ayurveda since the year 2008.
- (c) Action had not been taken even by 03 June 2016, the date of audit to settle the retention money totalling Rs.70,557 relating to 09 contracts as at 31 December 2015.

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

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The following instances of non-compliance with laws, rules, regulations and management decisions were observed.

#### Reference to Laws Rules and Regulations

#### Non-compliances

- | Reference to Laws Rules and Regulations   | Non-compliances  |
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| -----   | -----  |
| (a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka<br><br>Financial Regulation 756   | Physical verification on library books for the year under review had not been conducted.   |
| (b) Section 3(1) of Chapter XX and Section 1.6.1 of Chapter X of the Establishments Code of the University Grants Commission and Higher Education Institutions. | Since the books and registers to ensure the arrival and departure and leave of the academic staff had not been properly maintained, the accuracy of the salaries and allowances totalling Rs.74,574,930 paid to them during the year under review could not be verified. |
| (c) Paragraph 03 of the National Budget Circular No.87(i) of 14 June 2000   | Overtime amounting to Rs.127,760 for 1065 hours had been paid exceeding the approved limit contrary to circular instructions.  |
| (d) Public Enterprises Circular No.95 dated 14 June 1994  | A sum of Rs.144,872 had been paid to the Staff Grade Officers as entertainment allowances based on salaries without Treasury approval and based on the Circulars of the University Grants Commission.  |

- (e) Treasury Circular No. 842 dated 19 December 1978. The Register of Fixed Assets for the computers and accessories had not been updated in terms of circular instructions.

### **3. Financial Review**

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#### **3.1 Financial Results**

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According to the financial statements presented, the financial result of the Institute for the year ended 31 December 2015 had been a deficit of Rs.13,524,703 as compared with the corresponding deficit of Rs.2,889,732 for the preceding year thus indicating an increase in the deficit by Rs.10,634,971 in the year under review as compared with the preceding year. Even though the income of the year under review had improved by Rs.32,346,152 as compared with the preceding year, the increase in the expenditure on personal emoluments by Rs.36,041,041 and the depreciation for fixed assets by Rs.7,781,097 had mainly attributed to the increase of the above deficit.

An analysis of financial results of the year under review and 04 preceding years revealed a continuous deficit in the financial result from the year 2011 to the year 2015. However, taking into consideration the employees' remuneration and depreciation for the non-current assets, it was observed that the contribution of the Institute had continuously increased. Accordingly, the contribution of the year under review as compared with the preceding year had increased by 20 per cent that is, by Rs.33,187,167.

### **4. Operating Review**

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#### **4.1 Performance**

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The main objectives of the Institute are admission of students selected by the University Grants Commission, making provisions for teaching and training in branches of Ayurveda Medicine, liaison with Universities in Sri Lanka or abroad for the purpose of teaching, training and research activities and award of Degrees, Diplomas, Certificates and other Academic Distinctions and the following observations are made in that connection.

#### **(a) Academic Performance**

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The following observations are made.

- (i) As compared with the academic year 2011/2012, a decrease by 28 per cent was observed in the number of students enrolled for the academic year 2012/2013.
- (ii) Even though the number of students who sat the final examination in the academic year 2012/2013 had increased by 32 students than the academic year 2011/2012 in which the final results of examinations had been released, a decrease from 96 per cent to 90 per cent was observed in the percentage of the number of students passed.

**(b) Granting and Utilization of Research Aid**  
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The following observations are made.

- (i) Two Lecturers and three Lectures who obtained research aid for the studies of Doctor of Philosophy and Master of Philosophy from the University Grants Commission and the National Center for Advanced Studies in Humanities and Social Sciences (NCAS), had lapsed for periods of 06 years and 05 years respectively. Nevertheless, they had failed to complete research activities and to submit the final report to the Research Committee even by 30 June 2016. Moreover, provisions amounting to Rs.250,000 granted to a Lecturer for researches during the year under review had been returned to the Institute without being utilized.
- (ii) Even though a total sum of Rs.7,175,686 had been paid to 38 Officers in the academic and non-academic staff during the year under review, research activities of the Institute had not been implemented adequately and research symposiums had not been conducted for the year 2015.

**4.2 Management Activities**  
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The following observations are made.

- (a) Even though the post of Director of the Institute is a full time post, a Professor who engages in the service on contract basis in the General Sir John Kotelawala Defence University had been appointed to cover the duties in the post of Director on 25 May 2015 as the Competent Authority of this Institute. A honorarium amounting to Rs.180,000 is paid by the Institute monthly and despite the elapse of over a period of one year, the service had been extended up to 26 August 2016 without taking steps to appoint a Director. It was observed in audit that the existence of a senior post in the Institute on contract basis may affect the operation of the Institute.
- (b) The academic allowances totalling Rs.1,979,494 and research allowances totalling Rs.446,182 had been paid to 05 Lecturers of the Institute who obtained sabbatical leave for the period during the year under review and up to 31 May 2016.

**4.3 Underutilization of Funds**  
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The following observations are made.

- (a) The University Grants Commission had allocated a sum of Rs.03 million on 18 October 2010 for Pancha Karma training activities and for the development of skills on computers of the Ayurvedic Medical Undergraduates under the Undergraduate Development Programme. Even though a period exceeding 05 years had lapsed by 03 June 2016, a sum of Rs.1,214,142 had remained underutilized due to failure to carry out any Pancha Karma training activity.

- (b) Even though the Ministry of Higher Education had allocated a sum of Rs.475,000 in December 2011 for the implementation of the Languages Policy among Public Officers, out of those provisions, 92 per cent that is Rs.436,200 had remained underutilized without being utilized for the relevant purpose from the year 2012 up to 31 December of the year under review.

#### **4.4 Contract Administration**

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Three main construction projects of the Institute were being implemented by 31 December 2015 and the work of main contracts had not been completed on due date in terms of agreements of those 03 projects as at 31 May 2016. Further, action had not been taken to charge penalty for delays by extending the duration without a reasonable basis.

#### **4.5 Staff Administration**

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The following observations are made.

- (a) Nine vacancies and 10 vacancies existed in the academic staff and non-academic staff of the Institute respectively at the end of the year under review and the service of the 21 visiting lecturers had been obtained.
- (b) The service of temporary Work Engineers had been obtained since many years for various purposes such as new constructions, preparation of estimates for maintenance activities, preparation of bills of quantities and recommendation of bills. However, action had not been taken to appoint an officer for the post of Work Engineer which is an approved post.

#### **4.6 Identified Losses**

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Two hundred and five stock units valued at Rs.91,202 had remained in the stores for a long time due to ordering without considering the requirement of the Institute and as such, those stocks had become unserviceable.

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

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#### **5.1 Action Plan**

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An Action Plan had not been prepared with a clear view on objectives which had to be fulfilled during the year under review.

#### **5.2 Budgetary Control**

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Material variances ranging from 10 per cent to 100 per cent were observed between the budgeted expenditure and actual expenditure respectively in the year under review, thus indicating that the budget had not been made use of as an effective instrument of management control.

**6. Systems and Controls**  
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Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Competent Authority of the Institute from time to time. Special attention is needed in respect of the following areas of control.

<b>Areas of Systems and Controls</b> -----	<b>Observations</b> -----
(a) Accounting	Failure to assess and account the lands and action not taken to revalue and account the fair value of property and plant by identifying their necessity.
(b) Contract Administration	Failure to pay adequate attention on projects the constructions work of which had not been completed as at due date in terms of agreements and action not taken to recover penalty for delays.