

## **Swami Vipulananda Institute of Aesthetic Studies – 2016**

---

The audit of financial statements of the Swami Vipulananda Institute of Aesthetic Studies (“the Institute”) for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of financial performance, statement of changes in equity and cash flow statement for the year 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.

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

---

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**

---

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. 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 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 given a true and fair view of the financial position of the Swami Vipulananda Institute of Aesthetic Studies (SVIAS) as at 31 December 2016 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 Accounting Deficiencies**

---

The following observations are made.

- (a) According to the actual balance of the stocks as at the end of the year under review amounted to Rs. 1,377,111. However, this stock balance had been brought to the financial statements as Rs. 1,308,962. As a result, the balance of the stocks had been understated by Rs. 68,149 in the statement of financial position.
- (b) According to the accounting policies of the Institute, the computer software treated as intangible assets. However, a software (LEARN) purchased in the year under review to the value of Rs. 443,386 had been shown under the computer accessories and installation instead of showing intangible assets.
- (c) Eight Air Conditioners and 90 Dustbins for which purchase order made at the end of the year under review had been received and payment made for Rs. 1,535,939 in the year 2017. However, those Air Conditioners and Dustbins had been accounted as non-current assets in the financial statements for the year under review. As result non-current assets had been overstated by the same amount.

#### **2.2.2 Lack of Evidence for Audit**

---

Report of the Board of Survey with respect to Library Books and Periodicals valued at Rs. 3,256,855, was not made available for audit.

#### **2.2.3 Non-compliances with Laws, Rules, Regulations and Management Decisions**

---

The following non-compliances with Laws, Rules, Regulations and Management Decisions were observed.

## **Reference to Laws, Rules, Regulations, etc.**

---

## **Non-compliance**

---

Financial Regulations of the Government of Democratic Socialist Republic of Sri Lanka.

---

(a) Financial Regulations 102 – 104

Three vehicles belonging to the Institute had met with accident during the previous year and cost of repair thereon amounting to Rs.1,171,872 had been paid in 2015. However, action had not been taken to appoint a Board of Inquires in order to ascertain the extent and cause of losses and to fix responsibilities even up to the end of the year under review.

(b) Financial Regulation 880

In terms of Public Officers (Security) Ordinance, Security deposit had not been obtained from Director, Deputy Registrar, Senior Assistant Bursar, Assistant Bursar and Two Drivers of the Institute.

### **3. Financial Review**

---

#### **3.1 Financial Results**

---

According to the financial statements presented, the operations of the Institute during the year under review had resulted in a net deficit of Rs. 21,267,684 as compared with the corresponding net deficit of Rs. 2,915,242 for the preceding year, thus showing a further deterioration of Rs. 18,352,442 in the financial results for the year under review as compared with the preceding year. The increase of depreciation and amortization expenses by Rs. 13,844,515 had mainly attributed for this deterioration.

Even though the net deficit for the year under review was Rs. 21,267,684 the value addition of the Institute after taking into account the personnel emoluments, taxes paid to the Government and depreciation for the year under review was Rs. 874,297,000. Further, The contribution of the Institute to the Country during the year under review had improved by Rs. 1,255,000 as compared with the previous year.

### **4. Operating Review**

---

#### **4.1 Performance**

---

Delays in releasing the Results of the Examinations

---

According to the Establishment Circular No. 15/2015 dated 17 November 2015 of the University Grants Commission, the results of the examinations conducted for the internal students should be released within 03 months. However, the results for the examinations conducted for the academic years 2011/2012, 2012/2013, 2013/2014 and 2014/2015 had been released after a delay of 3 to 7 months without acceptable reasons.

## 4.2 Operating Inefficiencies

-----

### Purchase of Water Colour Painting Tables and Sculpture Wheels

-----

The Institute had purchased 50 sculpture wheels and water colour painting tables at a total cost of Rs. 1,312,500 in the month of August 2016 as per the request made by the Department of Visual and Technological Arts. The following observations are made in this regard.

- (a) In terms of Guideline 2.6.1 (a) of the Procurement Guidelines, the Technical Evaluation Committee (TEC) is responsible to review and approve the specifications to ensure that the specifications are generic in nature. However, the Institute had procured the above mentioned item without the approval of the TEC.
- (b) According to the purchase order and the specification, the supplier should use teak wood for the above mentioned drawing tables. However, the supplier had used very low quality timber instead of teak wood.
- (c) Even though the Technical Officer had refused to certify the payment on 22 August 2016 as the item supplied not matched with the specifications, the officer responsible for payment had made payment to the supplier on 25 August 2016 without considering the dissatisfaction of the Technical Officer.
- (d) The Co-ordinator of the Department of Visual and Technological Arts had refused to accept those items supplied by the supplier as those items not comply with the specifications. As a result, all the tables supplied by the supplier had remained idle at the premises of the Institute.
- (e) The Officer responsible for making payment to the supplier had made payment without considering refusal of the Technical Officer to recommend the payment. As a result, the entire cost incurred for this procurement had become a fruitless expenditure.

## 4.3 Management Weakness

-----

The following observations are made.

- (a) Loan balances aggregating Rs. 752,515 of 06 academic and non-academic staff had remained outstanding for more than 04 years. However, the Institute was unable to take action to recover these outstanding balances.
- (b) The advances totalling Rs. 2,489,109 granted to 10 officers in 94 instances for various purposes during the year under review had been settled after delay of period ranging from 14 days to 106 days.

#### **4.4 Human Resources Management**

-----

The following observations are made.

- (a) The post of Store-keeper had remained vacant since 02 July 2012. However, Store-keeper of the Eastern University had performed duties for the above post on acting basis without taking action to appoint a permanent officer for this post.
- (b) The post of Lecturer Probationary and Audio Visual Technical Officer had remained vacant since 01 January 2013. However, action had not been taken to fill these vacancies.

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

-----

##### **5.1 Presentation of Financial Statements**

-----

According to Section 6.5.1 of Public Enterprises Circular No. PED/02 of 02 June 2003, the Draft Annual Report and financial statements for the year under review should have been rendered for audit within 60 days after the end of financial year. However, the financial statements of the Institute for the year under review had been rendered for audit only on 18 April 2017 after a delay of 48 days.

##### **5.2 Action Plan**

-----

The Action Plan prepared by the Institute for the year 2016 had not included the information such as updated Organizational Structure, approved and actual Cadre, imprest requirements, Internal Audit Plan, activities for achieving the objectives etc. in terms of Section 04 of the Public Finance Circular, No. 01/2014 dated 17 February 2014.

##### **5.3 Establishment of Career Guidance Unit**

-----

The unemployment has become a major problem in Sri Lanka at present. As such, the Universities/ Higher Educational Institutions have to produce highly capable graduates required for local and global job markets. Therefore, the University Grants Commission has provided clear guidelines for the establishment and operation of the Career Guidance Units in the Universities / Higher Educational Institutions by its Circulars Nos. 819 and 934 dated 06 February 2003 and 21 October 2010 respectively. However, the Institute had not taken any action to establish and operate a Career Guidance Unit even up to 19 July 2017.

#### **6. Systems and Controls**

-----

Deficiencies observed in systems and controls 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 systems and controls.

**Areas of System and Control**

-----

**Observations**

-----

(a) Control over the overtime works

Failure in taking action to control the overtime works.

(b) Library Administration

Failure to conduct the Board of Surveys.