

Swami Vipulananda Institute of Aesthetics Studies – 2017

The audit of financial statements of the Swami Vipulananda Institute of Aesthetics Studies (“the Institute”) for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 and the statement of financial performance, statement of changes in equity and statement of cash flows 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) and Section 108 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 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 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 judgments, 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 financial statements. Sub-Section (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 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.

2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Swami Vipulananda Institute of Aesthetics Studies as at 31 December 2017 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 Accounting Deficiencies

A former Store Keeper has filed a legal case against the Institute at the labour tribunal with regard to his termination from the Institute and requesting reinstate in the service and claiming the compensation of Rs. 1 million from the Institute. However, the Institute had failed to disclose this event in the financial statements for the year under review.

2.3 Accounts Receivable

Staff loan balances totaling Rs. 625,015 due from 07 employees who had interdicted from the service and deceased had remained in the accounts for more than 05 years without taking actions to recover or write-off from the accounts.

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

The following instances of non-compliance with Laws, Rules, Regulations and Management Decisions were observed.

Reference to Laws, Rules, Regulations etc.	Non-compliance
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(a) Section 4.3 and 4.4 of Chapter IX of the Establishments Code of the University Grants Commission and Higher Education Institutions.	The Institute had not maintained a separate register for overtime payments as requested.
(b) Financial Regulations of the Government of the Democratic Socialist Republic of Sri Lanka Financial Regulation 880	Security deposits had not been obtained from the Director, Deputy Registrar, Senior Assistant Bursar, Assistant Bursar and Store Keeper of the Institute.

Although the ad-hoc sub-imprest should be settled immediately after the completion of the relevant work, 21 such imprest totalling Rs. 946,665 had been settled after delaying a period ranging from 12 days to 188 days.

- (c) Public Finance Circular No.03/2015 dated 14 July 2015. Sub-imprest should be settled before 31 December of financial year. Nevertheless, 03 Sub-imprest valued at Rs. 43,225 had not been settled as at 31 December 2017 as requested.
- (d) Guideline 4.2.1 (b) and (e) of the Government Procurement Guidelines
- (i) Even though, expected procurement activities at least for 3 years should be listed in the Master Procurement Plan, the Procurement Plan had not been prepared in such a manner.
- (ii) Two renovation works worth Rs. 6.46 million had not been included in the Master Procurement Plan for the year 2017

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Institute for the year under review had resulted in a net deficit of Rs. 4,637,623 as against the net surplus of Rs.6,486,866 for the preceding year, thus indicating a deterioration of Rs. 11,124,489 in the financial results during the year under review as compared with the preceding year. Increase of personnel emoluments and contractual services by Rs. 30,487,533 had mainly attributed for this deterioration.

Even though, the net deficit for the year under review was Rs. 4,637,623 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. 145,980,620. Further, the contribution of the Institute to the Country during the year under review had improved by Rs. 15,955,700 as compared with the previous year.

4. Operating Review

4.1 Performance

The following observations are made.

- (a) According to the information made available for audit, a difference in enrollment of students was observed between the records maintained by the University Grants Commission and the Institute. Details are given below.

Academic Year	Number of Students Proposed to be Enrolled	Number of Students Enrolled		Difference
		According to the Institute	According to the University Grants Commission	
2014/2015	230	208	229	21
2015/2016	230	189	211	22
2016/2017	230	208	225	17

Since non-maintenance of accurate information and absence of a proper and accurate coordinating system between these two institutions, it had adversely affected in taking decisions on the enrollment of students.

- (b) Conducting researches by an institute will help to upgrade the standard of that institute and it will be provided an immense contribution to the national economy as well. Hence, the Institute had allocated a sum of Rs. 587,286 for conducting researches on behalf of 4 academic staff. However, they were not presented their research proposals even up to the date of audit on 27 September 2018.
- (c) 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 final examinations conducted for the academic year 2012/2013 of the Institute had been released with the delay of 6 months. This practice had badly affected the student's employment opportunities after passing out.

4.2 Management Activities

The following observations are made.

- (a) A sum of Rs. 7,951,181 had remained outstanding for more than one year from 03 officers as bond value for breaching their agreements. However, the Institute was unable to recover those outstanding balances due to not obtaining valid securities from them.
- (b) According to the Public administration Circular No. 9/2009 dated 16 April 2009, the finger scanners should be used to record the arrival and departure of the officers, if the number of officers has exceeded 25. However, the Institute had not used the finger scanners although there were 94 officers attached to the Institute.
- (c) Leave register of non-academic staff had not been properly maintained and supervised by the relevant executive officer.

4.3 Personnel Administration

The following observations are made.

- (a) Post of senior lecturer and probationary lecturer in the Department of Visual and Technological Art had remained vacant since 2013. However, this Department is conducting the academic activities with temporary assistant lecturers and visiting lecturers. Even though, this situation had affected to the academic activities of the students, the Institute had not filled those vacancies even up to the date of audit on 27 September 2018.
- (b) 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.

5. Accountability and Good Governance

5.1 Action Plan

The Action Plan prepared by the Institute for the year 2017 had not included the information such as updated organizational structure, approved and actual carder, and internal audit plan in term of Section 4 of the Public Finance Circular, No. 01/2014 dated 17 February 2014.

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 systems and controls.

Areas of System and Control	Observations
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(a) Personnel Administration	Failure to take action for filling the vacancies.
(b) Accounts Receivable	Failure to take action to recover the long outstanding loans.
(c) Releasing the Examination Results	Delays in releasing the results of the examinations.