

Swami Vipulananda Institute of Aesthetic Studies (SVIAS) - 2018

1.1 Qualified Opinion

The audit of the financial statements of the Swami Vipulananda Institute of Aesthetic Studies (SVIAS) (“Institute”) for the year ended 31 December 2018 comprising the statement of financial positions as at 31 December 2018 and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Institute as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.2 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Institute’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute’s financial reporting process.

As per Section 16(1) of the National Audit Act, No. 19 of 2018, the Institute is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Institute.

1.3 Audit Scope

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Institute to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. The scope of the audit also extended to examine as far as possible and as far as necessary the following;
- Whether the organization, systems, procedures, books, records and other document shave been properly and adequately designed from the point of view of the presentation of information to

enable a continuous evaluation of the activities of the Swami Vipulananda Institute of Aesthetic Studies (SVIAS) and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Swami Vipulananda Institute of Aesthetic Studies (SVIAS) has complied with applicable written law, or other general or special directions issued by the governing body of the Swami Vipulananda Institute of Aesthetic Studies (SVIAS)
- Whether the Swami Vipulananda Institute of Aesthetic Studies (SVIAS) has performed according to its powers, functions and duties; and
- Whether the resources of the Swami Vipulananda Institute of Aesthetic Studies (SVIAS) had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.4 Financial Statements

Inappropriate Valuation or Estimation

Lack of Evidence for Audit

Item of Accounts	Value Rs	Evidence not made available
Building and Improvement	530,139,729	Register of Fixed Assets , Detailed Schedules and Report of the Board of Survey
Furniture		
Fittings and Office		
Equipment	62,094,152	
Machinery	31,850,145	
Sports Goods	1,876,481	
Other Assets	5,962,234	

This is due to large amount of deprecation charged and non-revaluation of fixed assets. Once revalued the assets, the general reserve will become positive Fixed assets register is being updated and the delay causes due to not supporting the computer package to upload the dates. After discussion, the company had agreed to assist SVIAS with another software to upload the data.

Evidence should be submitted to verify the account balance shown in the financial statements.

1.5 Accounts Receivable and Payable

Receivables

The Flood Loans totaling Rs.134, 723 due from 03 employees of the Institute had not been recovered from their guarantors or the Provident Fund for more than 03 years. Actions will be taken to recover those outstanding balances from their guarantors and their Provident Fund. Action should be taken to recover Outstanding loan balances

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
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Reference to law/ Direction	Description		
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Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

Financial Regulations 1646

Monthly performance summaries relating to 05 vehicles of the Institute had not been prepared and submitted to audit.

Action has been taken to prepare monthly performance summaries relating to SVIAS vehicles from 2019.

Action should be taken to comply with Financial Regulations.

Establishments Code of the University Grants Commission and the Higher Educational Institutions

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| i) Section 1.6.1 of Chapter X and Section 3 (1) of Chapter XX | A sum of Rs. 96,615,640 had been paid relating to the year under | University Teachers Association informed that they are working for 24 hrs and they will not | Action should be taken to comply with Establishments Code of the University Grants Commission. |
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	review as salaries and allowances without confirming the arrival and departure of the academic staff.	mark their attendance for arrival and departure and the Council of the University has not taken any decision on the matter	
ii) Section 4.1 of Chapter IX	In order to obtain overtime allowance, the Registrar of the University should personally satisfy that the overtime duties had been actually and fairly performed. But it was observed that the institute has not followed proper procedures.	Action is taken to maintain separate overtime Register	Action should be taken to comply with Establishments Code of the University Grants Commission
Treasury Circular No. IAI/2002/02 dated 28 November 2002.	A separate Register of Fixed Assets had not been maintained for computers and computer accessories.	Action is being taken to have separate fixed assets Register	Action should be taken to comply with Treasury Circulars.

2. **Financial Review**

2.1 **Financial Result**

The operating result of the year under review amounted to a surplus of Rs. 1,409,514 and the corresponding deficit in the preceding year amounted to Rs. 4,637,623. Therefore, an improvement amounting to Rs. 6,047,137 of the financial result was observed. The reasons for the improvement are Increase of Recurrent Grant by Rs. 47,993,000 and Decrease of Contractual Service by Rs. 6,576,168.

2.2 Trend Analysis of major Income and Expenditure items

Major Income and Expenditure were identified as Recurrent grant and Personal Emoluments of Rs. 194,780,000 and Rs. 142,934,500 respectively during the year under review which had been increased by 33% and 30% as compared with the corresponding value of Rs. 146,787,000 and Rs. 109,972,827.

3. Operational Review

3.1 Identified Losses

The Steel Easel Stand is an equipment used by the Visual and Technological Arts students for drawing picture, painting and to display picture. The following matters were observed in this regard.

- a) Action had not been taken to recover Rs. 88,804 for the loss of 36 Steel Easel by the management.
- b) In terms of financial regulation 104 and 105 the lost had not been reported to the nearest police station and to the Auditor General respectively.
- c) Further, it was revealed that students were requested by the lecturers to buy these Easels. Students had spent money ranging from Rs. 1,500 to Rs. 4,000 to buy these easels for their academic activities. As a result of this lost, students are facing lot of difficulties in their academic activities.

No Comments

Proper inventory control system to be implemented in the Department. And Action should be taken to implement the decision of the inquiry committee appointed by the Director.

3.2 Management Inefficiencies

- (i) As per the letter Nos. CSA/2/3/4 and CSA/1/1/16 of 26 February 2006 and 11 June 2012 respectively of the Secretary to the President, the officers who proceed abroad on duty should submit a report within 2 weeks of returning to the island, including the benefits received to the Government of Sri Lanka from the relevant tour abroad. However, 2 officers and 05 lecturers who had been abroad by spending a sum of Rs. 4,873,402 from the University Fund in 2017 and 2018 had not submitted the relevant reports up to the date of this report.
- Relevant officers have been requested by reminders to submit their reports.
- Action should be taken implement the instruction of the secretary to the President.
- (ii) The bond value totalling Rs 3,913,865 from 02 employees of the Institute who had been terminated from the Temporary Lecturer post and a deceased had not been recovered from their guarantors or their Provident Fund for more than 04 years.
- An appeal of an employee for discharging from the obligation on violation of bond is still under considerate by the MOHE. All relevant documents have been seat to UGC to refund the UPF balance to SVIAS to settle the bonded amount and once the balance is received, boded amount will be settled.
- Action should be taken to recover the bond value from Guarantors or provident fund of the employees who had terminated.

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| (iii) | <p>Research conducted by an Institute will result in upgrading the standard of the Institute and it will make an immense contribution to the national economy too. It was observed that 46 Academic staff are eligible to do research and obtain research grant but grant had not obtained from the year 2007 to 2018. It was observed in audit that this has mainly attributed to the inverse effect on improvement of education and economic.</p> | <p>No comments</p> | <p>Academic staff should be obtained the research grant and conduct the research for upgrading the standard of the Institute.</p> |
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3.3.1 Operational Inefficiencies

<p>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 2014/2012015/2016 and 2016/2017 had been released after a delay of 3 to 6 months. This practice had badly affected the student's employment opportunities after the pass out.</p>	<p>In future, the proper action will be taken for releasing results within three months</p>	<p>Action should be taken to implement the circular which is related to the released of the Examinations results.</p>
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3.4 Procurement Management

According to the Master Procurement Plan, Purchase of Lighting system, which was very essential for the third year examination of (Drama and Theatre) DTA 3123 stage lighting exam was scheduled to be purchased in September to December 2018. But it had not been purchased even until 01 March 2019. However, the above DTA 3123 stage lighting exam was scheduled to be conducted in July 2018. Due to non-availability of the stage lighting system the exam was postponed for more than 3 months. It was observed that the negligence of the officers concerned severely affected the academic activities of the students.

No comments

Action should be taken to implement the master procurement plan with efficiently and effectively.

3.5 Human Resources Management

The approved permanent non-academic staff as at the end of the year under review had been 81 and the actual cadre was 44, thus existing 37 vacancies. This vacant is 45 percent on the approved cadre. This situation had severely affected the administrative and academic activities of the Institute. But action had not been taken to fill those vacancies for 3 years.

No comments

Action should be taken to fill the vacancies based on the Approved permanent cadre.

4. Accountability and Good Governance

4.1 Annual Action Plan

- (i) The Action Plan prepared by the Institute for the year 2017 had not included the information such as approved and actual cadre, internal audit plan in terms of section 4 of the Public Finance Circular, No. 01/2014 dated 17 February 2014.

No comments

Action plan should be prepared based on the relevant public finance circular.

<p>(ii) Progress Report of the Annual Action Plan for the year 2017 and 2018 had not been prepared and furnished to audit. In the absence of the progress report, it is not possible to ascertain whether the goals and objective of Annual Action Plan had been achieved by the Institute. Therefore, utilization of Annual Action plan to achieve the effectiveness and efficiencies of the Institution could not be measured and quantified in audit.</p>	<p>No comments</p>	<p>Progress Report should be furnished with in the specific time frame to evaluate and measure the Annual Action plan.</p>
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4.2 Sustainable Development Goal

<p>In terms of the Letter No. NP/SP/SDG/17 of 14 August 2017 on sustainable development issued by the Secretary to the Ministry of National Policies and Economic Affairs and the “2030 Agenda” for Sustainable Development of the United Nations, the University had been aware of the manner in implementing the functions that come under its scope. However, action had not been taken to identify the sustainable development goals, targets relating to those function and focal points to reach those targets and indices for measuring the achievement of targets.</p>	<p>No comments</p>	<p>Action should be taken to implement the function under the scope of Sustainable Development.</p>
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