

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Swami Vipulananda Institute of Aesthetic Studies (“Institute”) for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 2020, 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.

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

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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 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 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.

1.4 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 scepticism 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 documents have 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 Institute, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Institute has complied with applicable written law, or other general or special directions issued by the governing body of the Institute;
- Whether the Institute has performed according to its powers, functions and duties; and
- Whether the resources of the Institute had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Internal Control over the preparation of financial statements

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards, and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

1.5.2 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Following observations are made

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
(a) The useful lifetime of fixed assets had not been reviewed annually in terms of paragraph 65 of the Sri Lanka Public Sector Accounting Standard 07. Property, Plant and Equipment costing Rs.17,259,976 had been fully depreciated but still being use by the end of the year under review. No action had been taken to rectify the estimated error in	Revaluation of the fully depreciated assets will be performed after finalizing the fixed asset register.	Adhere the Sri Lanka Public Sector Accounting Standards.

accordance with Sri Lanka Public Sector Accounting Standard 03.

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| (b) Even though, 5 acres Land which had been donated by National Water Supply and Drainage Board to the Institute in 2019, the value of the land had not been brought to the Accounts in terms of Sri Lanka Public Sector Accounting Standard 07. | It has been already requested from the Department of Valuation to value the said land. However, this was disclosed in the page no 9 of the Financial Statements under the caption of donation. | Adhere the Sri Lanka Public Sector Accounting Standards. |
| (c) Stock balance of education materials aggregating Rs. 500,220 and the value of 98 consumable items had not been taken to the Inventories as at 31 December 2020 in terms of paragraph 12 of Sri Lanka Public Sector Accounting Standard 09. | Action will be taken to incorporate the balance of consumables as at reporting date of the Maintenance Unit and Department of Visual and Technological Arts from 2021 onwards in the accounts. | Adhere the Sri Lanka Public Sector Accounting Standards. |

1.5.3 Accounting Deficiencies

----- Audit Issue -----	----- Management Comment -----	----- Recommendation -----
Other grant amounting Rs.2,500,000 which had been received and utilized during the period from year 2007 to 2009 had not been amortized and the amount shown as other grant in the Financial Statements.	A committee will be appointed to investigate this matter and to rectify in the financial statements for the year 2021.	Action should be taken to find out the evidence and adjust the book of accounts accordingly.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

----- Audit Issue -----	----- Management Comment -----	----- Recommendation -----
Receivables Rs.2,950,935 had remained outstanding for a period ranging from 02 to 8 years without being recovered as at 31 December 2020 as per the details given below.	Action will take to recover the balance of Rs.701,372 from 06 employees from their UPF balances or guarantors. UPF Refund application was already sent to UGC to recover Rs.2,128,637 receivable of bond violation. Action will be taken to write off the receivable of Rs.94,190	Action should be taken to recover the receivables without further delay.

after obtaining the approval and to recover Rs.26,735 from the Eastern University Sri Lanka.

1.6.2 Payables

----- Audit Issue -----	----- Management Comment -----	----- Recommendation -----
Payables and accrued expenses aggregating Rs.536,942 had remained unsettled for over 02 years without being settled.	Payables amount of Rs. 495,162 will be written back from the books of accounts due to non-availability of payment request from particular suppliers. Action will be taken to rectify the balance Rs.10,000 as per FR 396. Accrued expenses of Rs. 25,280 consists of un-presented cheques, amount of Rs. 6,500 will cleared as per FR 571.	Action should be taken to settle the payables and accrued expenses.

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

Following observations are made

Reference to Laws, Rules Regulations etc. -----	Non- Compliance -----	Management Comment -----	Recommendation -----
(a) Financial Regulations of the Government of the Democratic Socialist Republic of Sri Lanka -----			
i. FR 396	Twelve cheques valued at Rs. 38,850 issued by the Institute had not been presented for payment for periods ranging from 02 to 04 years. However, the entire value of those un presented cheques had been cancelled and shown as liabilities without taking action in terms of the financial regulations.	Action will be taken in terms of the financial regulations 396 and will clear from the books of accounts.	Action had to be taken according to the Financial Regulations.

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| ii. FR 571 | Retention money from a contractor amounting Rs. 234,365 had existed for over 5 years without taking action in terms of the financial regulations. | Action will be taken to as per FR 571 and will be transferred to revenue. | Action had to be taken according to the Financial Regulations. |
| (b) Section 3(1) of Chapter XX of Establishments Code of the University Grants Commission and the Higher Educational Institutions and Circular Letters of the University Grants Commission No.10/2017 dated 10 July 2017 | All staff should enter their arrivals and departures in the finger print scanner. However, the academic staff had refused to enter their arrivals and departures in the finger scanners and as such there was no satisfactory control system in that connection. | Academic Staff members do not register their arrival/ departure in the finger scanner as to the same practice in other Higher Educational Institutes under UGC. | Action had to be taken according to the Circular. |
| (c) University Grants Commission Circular Letter No. 04/2013 dated 10 April 2013. | The Annual Boards of Survey for the year under review should be conducted and the report thereon should have been furnished to the Auditor General on or before 17 March 2021. However, such report had not been furnished to audit even up to now. Further, verification on Library books had not been carried out from the commencement of the Institute. | It will be forwarded to you once the approval is obtained from the Board of Management. Report of the Board of Survey will be provided on time 2021 onwards. A verification of Library books will be performed 2021 onwards. | Action had to be taken according to the Circular to furnish the Report. |

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs. 1,694,493 and the corresponding deficit in the preceding year amounted to Rs.23,344,485 Therefore an improvement amounting to Rs. 25,038,978 of the financial result was observed. The reasons for the improvement are the increase of Government Grant and other income by Rs. 20,943,860 and decrease of other Operating expenses, Contractual service and Supplies & consumables expenses by Rs.12,769,144 had mainly attributed for this improvement.

2.2 Ratio Analysis

Current Assets ratio and Quick ratio had been revealed as 1.58 and 1.43 respectively during the year under review Current Assets ratio had been increased by 0.04 as compared with the preceding year, as a result of decreases in Mahapola/ Bursary payable and Accrued Expenses by Rs. 2,020,000 and Rs. 2,075,604 respectively.

3. Operational Review

3.1 Underutilization of Funds

Audit Issue	Management Comment	Recommendation
Provision of Rs. 3,885,993 had been made for the research allowance to 23 staffs who had not submitted the researches in the particular years since 2016 and the provision had been idled without utilize for the research progress.	Action will be taken to write back these provisions idling in the accounts since those are outstanding from 2016 and did not receive the request from relevant academic staff with in the period that they are entitled for the research allowance.	Action had to be taken to use the provision for the intended purpose

3.2 Human Resources Management

Audit Issue	Management Comment	Recommendation
According to the information made available to Audit, 13 vacancies of Academic Staff and 44 vacancies of Non-Academic Staff of the Institute as at end of the year under review had not been filled up to the date of this report.	Out of 13 Academic Cadre vacancies, 06 Temporary Assistant Lecturer and 05 Academic Cadres were received in November 2020 and action is underway to fill the 05 academic cadre posts. With regard to filling of 44 vacancies of Non-Academic posts, a new list of names was received from the Ministry on January 2021 does not consist of adequate eligible candidates to conduct the examination and a request again made to the Ministry.	Action had to be taken to fill the vacancies.

4. Accountability and Good Governance

4.1 Annual Action Plan

Following observations are made

Audit Issue	Management Comment	Recommendation
(a) Even though, 11 new degree and postgraduate degree programs had to be introduced as per the action plan for the year 2019, no new degree programs had been commenced by the Institute even up to 15 April 2021.	Action Plan and Strategic Plan of the Institute will be amended according to the need of time.	Action had to be taken to commence new Post graduate programmes.
(b) According to the action plan for the year under review, 90 activities were planned to be implemented under five targets. Nevertheless, 60 per cent of activities had not been completed. The progresses of 12 activities were at a low level as 50 per cent.	It was not able to achieve the required progress of the Action Plan due to Covid 19 Pandemic. However, action will be taken to review the progress of Action Plan quarterly 2021 onwards.	Action had to be taken to complete the actives.

4.2 Sustainable Development Goals

Audit Issue	Management Comment	Recommendation
According to the United Nations “2030 Agenda” for Sustainable Development, Circular No. NP / SP / SDG / 17 and dated 14 August 2017 issued by the Secretary to the Ministry of National Policies and Economic Affairs, every Government Institution should take action to identify the Sustainable Development Goals. However, action had not been taken to identify the Sustainable Development Goals and indicators to measure those goals.	It has already been identified “sustainable development concept” in the annual report. However, action will be taken to identify the sustainable development goals in the Action Plan and Strategic Plan of the Institute.	Action had to be taken to identify the sustainable development goals.