

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 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance, statement of changes in net asset 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 2022, 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

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 Auditor's Responsibilities for the Audit of the Financial Statements

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 Non-Compliance with Sri Lanka Public Sector Accounting Standards

	Non Compliance with the reference to particular Standard	Management Comment	Recommendation
(a)	The cost of other assets amounting to Rs.10,821,672 had been shown under property, plant and equipment without grouping of assets of a similar nature or function in an entity's operations according to Paragraph 50 of the SLPSAS 07.	The cost of other assets will be shown in the Financial Statement under separate group other than property, plant and equipment.	Should be comply with the Sri Lanka Public Sector Accounting Standards.
(b)	Even though the fixed assets costing of Rs.48,911,548 as at 31 December 2022 had been fully depreciated, the useful lifetime of non-current assets had not been reviewed annually in terms of paragraph 65 of the Sri Lanka Public Sector Accounting Standard 7 and they were being further used. Accordingly, action had not been taken to revise the estimated error in terms of Sri Lanka Public Sector Accounting Standard 3.	Action is being taken to re-value the fully depreciated assets with the assistance of the Department of Valuation and the revaluated amount will be reflected in the books of accounts for the year 2023.	Should be comply with the Sri Lanka Public Sector Accounting Standards.
(c)	The capital grant and donation received amounting to Rs.23,744,540 for the year under review had not been recognized as revenue in accordance with Sri Lanka Public Sector Accounting Standard 11.	Comments had not been received.	Should be comply with the Sri Lanka Public Sector Accounting Standards.

1.5.2 Accounting Deficiencies

	Audit Issue	Management Comment	Recommendation
(a)	The fixed assets received from the Accelerating Higher Education Expansion and Development (AHEAD) Project and the Children's Emergency Relief and International, Sri Lanka (CERI) amounting to Rs.1,401,660 had not been accounted for the year under review.	It will be rectified in the books of accounts and presented in the financial statements for the year 2023.	Action should be taken to brought to the accounts.
(b)	The consumable stock balance of Rs.3,817,918 as at 31 December 2022 were write off as expenses instead of being recorded as inventory in the financial statements for the year under review. As a result, the inventory stock at the end of the year and deficit for the year under review were understated and overstated respectively by that amount.	By oversight it was shown. It will be adjusted in the books of accounts and presented in the financial statements for the year 2023.	Action should be taken to adjust in the books of accounts.

1.5.3 Unreconciled Control Accounts or Records

All issues related to unreconciled control accounts or records may be shown under this heading.

Item	As per Financial Statements Rs.	As per corresponding record Rs.	Difference Rs.	Management Comment	Recommendation
Cost of Library books and Periodicals	6,667,608	10,188,368	3,520,760	The variance in financial statement and accession register is due to unreported book transfers, collections from HETC project, and donated books, which will be rectified in the financial statements 2023.	Action should be taken to reconcile the differences.

1.6 Accounts Receivable

	Audit Issue	Management Comment	Recommendation
(a)	A sum of Rs.2,128,637 receivables from a lecturer who breached the bond agreements had not been recovered for over 09 years.	That the UGC has already recommended writing off the bond receivable of Rs.2,128,637 and is awaiting approval from the Treasury.	Action should be taken to recover the bond receivables.

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| (b) | The loan outstanding from 03 officers amounting Rs.345,685 had failed to be recovered by 31 December 2022 and remained in arrears for over 9 years. | That the action is being taken to recover all other long outstanding receivables. | Action should be taken to recover the receivables. |
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1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non- Compliance	Management Comment	Recommendation
(a) Sub-section 3.1 of Chapter XX of Establishments Code of the University Grant Commission and the Higher Educational Institutions and Circular Letters of the University Grants Commission No.10/2017 dated 10 July 2017.	Salaries and Allowances amounting to Rs.67,494,934 had been paid during the year under review without confirming the arrivals and the departures of the academic staff.	That the academic staff don't use finger scanners, unlike other UGC institutes.	Action should be taken to comply with the circulars.
(b) Section 3 of Chapter XXVI, as amended by Establishment Circular Letter No. 04/2013 dated 10 April 2013 of University Grant Commission	The Annual Board 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 2022. However, such report had not been furnished to audit even up to 20 June 2023.	That the Board of Survey for the year 2022 is almost completed and the report will be submitted within a month period.	Action should be taken to comply with the circulars.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs.7,762,169 and the corresponding surplus in the preceding year amounted to Rs.833,091. Therefore, a deterioration amounting to Rs.8,595,260 of the financial result was observed. The reason for the deterioration is the decrease in other income by Rs.10,471,005 and an increase in other operating expenses by Rs.8,051,245, mainly attributed to the above-mentioned deficit.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
The store had issued consumable items worth Rs.3,249,393 for the Maintenance Unit during the year 2022. However, significant works were carried out without the job cards, and the existing job cards were not maintained properly. Further, 28 job cards that were requested by user departments or divisions of the Institute during the year 2022 had not been completed even up to the date of the report, due to a lack of proper supervision to complete them in time.	That due to lack of experience staff at the Maintenance Unit, proper documentation and records has not been maintained. It will be update and rectified during this year.	Action had to be taken to implement comprehensive job card system for completion the maintenance on time and proper documentation with supervision.

3.2 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
A lecturer with educational qualifications in folklore and culture had been recruited in September 2018 without approval of the University Grants Commission. The said lecturer had been paid salaries and allowances totaling Rs.8.934,203 from 21 December 2018 to May 2022 without deploying him for curricula relevant to his qualifications. Despite the fact that he was being paid so, he had been granted study leave with pay from May 2022 to July 2025 subject to a bond of Rs.7,893,081 to study for a PhD relating to the field of folklore and culture.	That when particular person was appointed to the Lecturer (Prob) in Folklore and Cultural Studies, Institute had a strategic plan to introduce new degree programs relating to her specialized subject area. Further, additional subjects in other departments have been allocated to her and effort was made to obtain her service at the Faculty of Arts and Culture, EUSL.	Action needs to be taken to obtain necessary approval, allocate the workload, and ensure appropriate allocation of subject.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Issue	Management Comment	Recommendation
According to the action plan for the year under review, 66 activities were planned to be implemented under five goals. However, out of these 14 activities had not been implemented. The progress of considerable activities was at a low level, i.e., below 30 percent.	That the activities could not be completed during the period under review due to the price escalation, government policy, economic crisis etc.	Action should be taken to complete the actives within the time frame.

4.2 Sustainable Development Goals

Audit Issue	Management Comment	Recommendation
Although the Institute was aware of the United Nations' Agenda for Sustainable Development 2030, action had not been taken to identify the sustainable development goals in the Action Plan and Strategic Plan of the Institute.	That the 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.