

Gampaha Wickramarachchi Ayurveda Institute Affiliated to the University of Kelaniya -2012

1. Financial Statements

1.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the financial position of the Gampaha Wickramarachchi Ayurveda Institute as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Comments on Financial Statements

1.2.1. Accounting Deficiencies

Although 999 books valued at Rs. 719,557 had been donated to the library as a special grant, under “Higher Education for Twenty-First Century” Project (HETC), that value had not been included in the Financial Statements.

1.2.2 Unreconciled Control Accounts

The following deficiencies were observed.

- (a) Although the value of acquisition of machinery and equipment according to the schedule amounted to Rs. 865,890 those assets had not been disclosed in the Financial Statements. Schedules relating to the acquired buildings valued at Rs.73,748,992 shown in the Financial Statements had not been furnished.
- (b) Differences as shown below existed between the opening and closing balances of the Register of Loans and the main ledger maintained by the Institute for distress loans, motor vehicle loans, computer loans and other staff loans.

Details	Balance According to General Ledger		Balance According to Loan Register		Difference	
	Opening Balance	Closing Balance	Opening Balance	Closing Balance	Opening Balance	Closing Balance
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Motor Vehicle Loans	35,667	1,277,714	1,763,115	1,458,048	1,727,448	180,334
Computer Loans	1,129,500	1,240,000	1,063,500	1,228,000	66,000	12,000
Distress Loans	15,754,317	16,094,073	14,365,870	15,916,952	1,388,447	177,121
Special Distress Loans	392,572	103,020	392,572	980,252	-	877,232
Staff Loans	282,880	9,650	293,590	341,150	10,710	331,500

1.2.3 Accounts Payable

Although the liabilities totaling to Rs. 5,479,064 as at 31 December 2012 comprising retention money amounting to Rs. 5,281,364, miscellaneous security deposits amounting to Rs.175,250 and unpaid voucher deposits amounting to Rs 22,450 had been remaining for periods ranging from one year to five years, action had not been taken to clear the balances even by the end of the year under review.

1.2.4 Lack of Evidence for Audit

A sum of Rs. 66,439,561 had been shown in the balance sheet as the work in progress as at 31 December 2012 and separate ledger accounts or registers had not been prepared to clearly show the value of work in progress of each contract, opening balance and capitalization.

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

The following non-compliances were observed.

	<u>Reference to Laws, Rules, Regulations, etc;</u>	<u>Non-compliance</u>
(a)	Financial Regulation 104(2)	Preliminary investigation report in respect of a motor vehicle which had met with an accident on 12 August 2011 had not been sent to the Auditor General.
(b)	Public Enterprises Circular No. 95 dated 14 June 1994.	A sum of Rs 8,787,108 had been paid without approval as various allowances and fees to the Academic and Non - Academic staff in respect of duty during normal office hours and weekends for organizing 05 fee levying courses.

- (c) Section 6.5.1 of the Public Enterprises Circular No PED/12 Dated 02 June 2003 Draft annual report had not been furnished with the Financial Statements.
- (d) Management Services Circular No.45 of 07 April 2011 A sum of Rs 3,914,230 had been paid as research grants for 30 officers during the year 2012 and only 18 officers had submitted reports as required.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the working of the Institute for the year ended 31 December 2012 had resulted in a deficit of Rs. 133,083,665 before taking into account the Government grant for recurrent expenditure as compared with the corresponding deficit of Rs.120,634,006 for the preceding year. After taking into account the Government grant of Rs.127,600,000 received for recurrent expenditure the deficit for the year under review had been reduced to Rs. 5,483,665. The deficit for the preceding year had been reduced to Rs.9,534,898 after taking into account the Government grant of Rs.111,099,108 received for that year.

The increase in the Government grant and the interest income for the year under review by Rs.16,500,892 and Rs. 4,288,639 respectively as compared with the preceding year had been the main reason for the decrease of Rs.4,051,233 in the deficit for the year under review.

3. Operating Review

3.1 Academic Performance

Only the five year degree course in Ayurvedic Medicine and Surgery had been conducted by the Institute and out of 394 students registered, 38 students had abandoned the courses during the past ten years while 265 students had sat the year end examination. Out of them, 219 had passed the examination.

Accordingly, out of the students registered from the academic year 2001/2002 to the academic year 2009/2010, students ranging between 2 per cent to 41 per cent had abandoned the courses and that represented 10 per cent for the academic year 2010/2011.

3.2 Operating Inefficiencies

Conducting of Fee Levying Courses

The following observations are made.

- (a) Communication Allowances had been paid to certain Co-ordinators at the rate of Rs.1,000 per month as allowances not covered by criteria in addition to the payments made based on unapproved criteria and such payments made during the year 2012 had been Rs.30,000
- (b) According to Section 6.7 of the Criteria made by the Institute, payments to the Academic Staff for work done on public holidays for organizing the courses can be made subject to a maximum of Rs.5,000 per each day of work. But payments ranging from Rs.3,000 to Rs.5,000 per day had been made from 04 Courses. As such, a sum of Rs.281,000 had been overpaid contrary to the criteria made by an Internal Committee without the approval of the Treasury.

3.3 Uneconomic Transactions

A sum of Rs.277,140 had been paid by the Institute on 28 September 2010 to purchase a wireless direct and intercom telephone system from the Sri Lanka Telecom and due to the weaknesses in the system it had not been possible to obtain a good communications. Even though Sri Lanka Telecom had agreed to supply a PABX system free of charge, the supply of the PABX system had not materialized due to the failure to return the telephones supplied and the non-payment of the monthly rental and bills amounting to Rs.176,805.

3.4 Identified Losses

Library Books not Returned

The Academic Staff and 74 Students who had borrowed 127 books valued at Rs.30,090 up to 31 December 2012 had not returned the books up to 28 June 2013 and recoverables in that

connection amounted to Rs.113,526. An effective course of action had not been taken for the recovery of the books or the money or for recovery from the library deposits.

3.5 Lands not Properly Vested

The following observations are made.

- (a) Even though the Herbarium, in extent of 5 Acres 3 Roods and 21.32 Perches in extent situated at Wathupitivala had been used by the Institute, its title had not been secured.
- (b) A land 205.42 Perches in extent purchased from the Ministry of Lands and Land Development for Rs.9, 263,000 on 21 August 2002 had been assessed at a low value of Rs.1,540,651 and brought to account as at 31 December 2011.
- (c) The value of lands 419.2 perches in extent appearing under land No.4 included in the Register of Fixed Assets had not been valued and brought to account even up to 31 December 2012 and the title deeds were also not available with the Institute. Action had not been taken to settle the title to those lands and update the Register of Fixed Assets.
- (d) According to the report made by the Works Superintendent, it had been certified that a land recorded in the Register of Fixed Assets was not physically in the possession of the Institute. Action had not been taken even by 28 June 2013 to conduct a formal inquiry and take appropriate action.
- (e) According to the Register of Fixed Assets the extent of 03 lands totalled 967.04 perches whereas according to the report of the Work Superintendent the total thereof had been 1,967.41 perches, thus indicating a difference of 1,000.37 perches. Similarly, the actual extent of a land recorded in the Register of Fixed Assets as 143.02 perches amounted only to 107.76 perches according to the report of the Works Superintendent, thus indicating a difference of 35.26 perches.

3.6 Personnel Administration

A comparison of the report approved staff furnished to audit with the actual staff of the Institute as at present revealed the following vacancies existing at present.

<u>Category of Employees</u>	<u>Approved</u>	<u>Actual</u>	<u>Vacancies</u>
<u>Non - Academic</u>			
Clerical and Allied	20	15	05
Junior	17	08	09
<u>Academic</u>			
Senior Lecturer II	27	20	07
Senior Lecturer I	06	03	03
Lecturers (Probationary)	<u>04</u>	<u>03</u>	<u>01</u>
	<u>74</u>	<u>49</u>	<u>25</u>

Thirteen vacancies in the Basic Theory and Treatment Divisions alone were observed.

3.7 Establishing a Fund for the Provision for Employees' Gratuity

Action had not been taken to establish a Fund for the provision amounting to Rs.37,599,840 made for employees' gratuity.

4. Accountability and Good Governance

4.1. Action Plan - 2012

According to the Action Plan of the Institute prepared for the year 2012, the activities that should be implemented within the year had been 68. The following matters were observed at the evaluation of the Progress Report of the Institute prepared for the achievement of those activities.

- (a) Out of the activities intended to be completed within the year, 18 projects had not been commenced even by the end of the year. Out of the activities that should be completed by the end of the year 23 activities had not been completed.

- (b) Out of the 68 expected activities in the Action Plan 12 activities only had been fully completed and as such the Institute could complete only 18 per cent of the expected activities during the year. Accordingly over 80 per cent of the activities of the Action Plan had not been achieved in the year under review.

4.2 Budgetary Control

A comparison of the budgeted expenditure for the year under review with the actual expenditure revealed material variances ranging from 10 per cent to 145 per cent, thus indicating that the budget had not been made use of an effective instrument of management control.

4.3 Tabling of Annual Reports

Annual Reports for the years 2010 and 2011 had not been tabled in the Parliament.

4.4 Observations on Unsettled Audit Paragraphs

The Ayurveda Teaching Hospital had been transferred to the Department of Aurveda in the year 2008 and a sum of Rs.1,989,577 paid by the Institute on behalf of that hospital had not been reimbursed even up to the end of the year under review. This amount had been disclosed in the Financial Statements under current assets as water bills receivables. Although attention to this matter was drawn in the previous audit reports and by the Committee on Public Enterprises, the Institute had failed to recover the money even by 28 June 2013.

5. Systems and Controls

Deficiencies 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 control.

- a. Accounting
- b. Financial Control
- c. Contract Administration
- d. Assets Control