

# Gampaha Wickramarachchi Ayurveda Institute - 2010

## 1. Financial Statements

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### 1.1 Opinion

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So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Gampaha Wickramarachchi Ayurveda Institute, had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 1.2 of this report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles, give a true and fair view of the state of affairs of the Gampaha Wickramarachchi Ayurveda Institute, as at 31 December 2010 and the financial results of its operation and cash flows for the year then ended.

### 1.2 Comments on Financial Statements

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#### 1.2.1 Sri Lanka Accounting Standards

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Although the assets fully depreciated, but continued to be used should be revalued and taken into accounts in terms of Sri Lanka Accounting Standard No. 18, 07 vehicles use as such had not been revalued and brought to account.

#### 1.2.2 Accounting Deficiencies

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The following accounting deficiencies were observed.

- (a) Accounting deficiencies aggregating Rs. 148,199,683 revealed at sample audit examinations were referred to the Director of the Institute by the draft report dated 30 March 2011. Of this, accounting deficiencies to the value of Rs. 6,379,688 had been rectified and the revised financial statements have been presented to audit on 31 March 2011. Accounting deficiencies to the value of Rs. 141,819,995 had not been rectified and the possibility of existence of further such deficiencies cannot be ruled out in audit.

- (b) Jayasekara Scholarship fund and the interest thereon aggregating Rs. 268,250 had been shown in the final accounts as a balance payable instead of being accounted under funds.
- (c) The sum of Rs. 126,000 paid to the consultants for the preparation of 22 tender documents in respect of the contract for construction of the students centre had been debited to the sundry income account.
- (d) The value of timber sawn from the trees in the premises of the Institute had not been assessed and brought to account.
- (e) Fixed assets of the Ayurveda Hospital which had been acquired by the Department of Ayurveda of the Central Government had continued to be shown as fixed assets of the Institute.

### 1.2.3 Unreconciled Differences

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A difference of Rs. 141,425,745 was observed between eight categories of fixed assets aggregating Rs. 220,795,990 as at 31 December 2009 shown in the Register of Fixed Assets and the schedule of Fixed Assets attached to the financial statements for the year under review.

### 1.2.4 Lack of Evidence for Audit

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An advance of Rs. 30,000 had been paid on voucher No. 1692 dated 28 December 2010 for accommodation and dinner for the members of the Review Committee of the Institute. Although this advance had been settled on 30 December 2010, the receipts regarding the expenditure had not been made available.

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

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The following non- compliances with laws, rules, regulations were observed.

<u>Reference to Laws, Rules, Regulations and Management Decisions</u>	<u>Non-compliance</u>
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka  F.R. 165	Money orders amounting to Rs. 78,555 which were old more than 5 years had remained unrealized even as at the end of the year under review and necessary action had not been taken to recover the money.
(b) Public Enterprises Circular No. PED/12 dated 02 June 2003	Although the budget should be prepared 3 months prior to the beginning of the financial year, the budget for the year under review had been prepared after a lapse of 10 months of the financial year. Thus the Institute had deviated from the budgetary control.

## **2. Financial and Operating Review**

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### 2.1 Financial Review

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#### 2.1.1 Financial Results

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According to the financial statements presented, the operations of the Institute for the year ended 31 December 2010 had resulted in a deficit of Rs. 100,753,823 before taking into account the Government grant as compared with the corresponding deficit of Rs. 93,077,141 for the preceding year. After taking into account the Government grant of Rs. 89,525,000 for recurrent expenditure received for the year under review, this deficit had been reduced to Rs. 11,228,823 whilst after taking into account the Government grant of Rs. 86,000,000 for recurrent expenditure for the preceding year, the deficit for that year had been reduced to Rs. 7,077,141.

### 2.2 Operating Review

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#### 2.2.1 Performance

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The following observations are made.

##### (a) Academic Performance

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The total number of students registered in the Institute during the year 2009/2010 under review was 151 and of this, 08 students had been transferred to other Universities and 25 students had left the course. Accordingly, 118 students were being studied in the Institute as at the end of the year and it represents 78% of the students registered for the year. Therefore it was observed that the resources of the Institute had remained underutilized.

(b) Examination Results

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It was observed that out of the 170 students sat for the examinations held during the year under review, 107 students had succeeded and it represents 63% 56 students representing 33 % had referred.

(c) Revision of syllabus

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A committee had been appointed in the year 2005 to revise the syllabus and examination criterion of the of Bachelor of Ayurvedic Medicine and Surgery course which is conducted since the year 2001 towards an qualitative and structural improvement. However, this had not been completed even as at 30 March 2011.

2.2.2 Operating Inefficiencies

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An internet connection with a capacity of 128 kbps is being used by incurring a monthly cost of Rs. 31,000. But, it was observed that the students have to face difficulties by waiting for a longtime in logging on to the internet as the capacity is inadequate for the Institute.

2.2.3 Management Inefficiencies

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The following observations are made.

- (a) A Register of Fixed assets prepared and computerized by an external party at a cost Rs. 824,000 had been handed over to the Institute during the year under review. Nevertheless, the register had not been updated by including the capital assets acquired during the year, after receiving the register. Both reading data in the register and inputting data to the register can be done by one confidential pass

word and as such, internal control over the safety and the correctness of the data in this register is poor. It is unable to access to the assets account through code numbers and the change of location of the assets are not entered and therefore, the new location of assets cannot be identified. As such, the internal control over the assets had become weak.

Library books had not been physically verified in the preparation of the Register of Fixed Assets and the books had been included in the Register of Fixed Assets as appear in the Accession Register. A sample check in respect of inclusion of library books in the register of Fixed Assets revealed differences ranging from Rs. 3,460 to Rs. 43,000 between the prices shown in the Accession Register and the prices shown in the Register of Fixed Assets.

- (b) Two labour post required for handlings and preservations of death bodies to assemble the discarded body parts and activities in the Anatomy Section had been vacant for over 02 years.

#### 2.2.4 Contract Administration

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The following observations are made.

- (a) The approval of the works Engineer and the Board of Management had not been obtained for the total cost estimate amounting to Rs. 1,986,650 prepared for the construction of a wire fence around the Herbal Garden at Wathupitiwala. The material required for this had been purchased by calling for quotations several times and the recommendation of the Procurement Committee and the Technical Evaluation Committee had not been obtained for these purchases. The approval of the Finance Committee had also not been obtained for the amount of Rs. 1,129,491 spent for this purpose.
- (b) Materials costing Rs. 223,608 had been purchased for the renovation of employees quarters at Pahala Weediyawatta. These materials had been purchased

on (shopping) market prices and the materials purchased included concrete products valued at Rs. 158,118 and these products had been purchased from another institution without being purchased from the relevant manufacturer institution.

- (c) Quotations had been called for, fixing racks to the drugs store of the Rasa Bhaishajja Unit two years after making the requisition and the prices offered had not been referred to the Technical Evaluation Committee for obtaining its recommendations. The supplier selected on the recommendation of the Works Superintendent based on the lowest prices was not a timber saw miller or a timber seller and the timber supplied were not up to the specifications as he was unable to obtain license for transporting Jack timber. No alternative action had been taken to get the work done even up to date.

#### 2.2.5 Cost per Student

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The total expenditure incurred for academic, administrative and financial activities during the year under review was Rs. 107,379,657 and the total number of students carried out studies during the year under review was 334. Accordingly, the average cost per student for the year was Rs. 321,496.

#### 2.2.6 Underutilized Assets

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The lowest balance prevailed in the Bank current account during the year under review was Rs. 18,082,243 and therefore, it was observed that surplus money had been retained in the current account without being invested.

### 2.2.7 Library Administration

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The following observations are made.

- (a) The last verification of library books of the Institute had been carried out only in the year 1993 and as 17 years have lapsed as at the end of the year under review, the accuracy of the library books shown in the Accession Register had not been ensured.
  
- (b) Out of the books lent to the students and staff, 229 books valued at Rs. 123,674 and 35 books valued at Rs. 20,915 respectively had not been returned for over a long period.

### 3. Systems and Control

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Deficiencies in systems and controls observed in 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) Contract Administration
- (b) Control over vehicles
- (c) Control over stores
- (d) Library administration
- (e) Fixed assets