

# University of Visual and Performance Arts

## 1. Financial Statements

### 1.1 Opinion

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 University of Visual and Performance Arts 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 Sri Lanka Accounting Standards, give a true and fair view of the state of affairs of the University of Visual and Performance Arts as at 31 December 2010 and the financial results of its operations and cash flows for the year then ended.

### 1.2 Comments on Financial Statements

#### 1.2.1 Accounting Deficiencies

The following deficiencies were observed.

- (a) A draft report including the accounting deficiencies aggregating Rs.17,781,048 observed at the sample audit check was referred to the Vice Chancellor of the University on 08 July 2011. The revised financial statements after rectifying all the deficiencies were submitted to audit on 31 July 2011; but, the possibility of existing further such deficiencies cannot be ruled out in audit.
- (b) Foreign travel expenses amounting to Rs.1,930,522 not relating to the Postgraduate Programme has been included in the expenditure of that programme. Nevertheless, it had not been included in the income and expenditure account as an expenditure. This expenditure represents 55% of the Programme expenditure.

### 1.2.2 Unreconciled Control Accounts

The following observations are made.

- (a) The total of the loan balances of 04 employees loan accounts as at the end of the year under review amounted to Rs.19,369,533 but according to the schedules and loan registers the balance as at that date amounted to Rs.19,375,702 and Rs.19,399,859 respectively thus indicating non – reconciliations of control accounts with schedules.
- (b) A difference of Rs.3,508 was observed between the balances as per accounts and schedules in respect of 03 items of employees loans and advances, thus indicating non – reconciliation with schedules.

### 1.2.3 Lack of Evidence for Audit

A detailed schedule was not made available for supplies advances unsettled up to now amounting to Rs.141,378 shown in the financial statements which had been granted prior to the year under review.

### 1.2.4 Non – compliance with Laws, Rules, Regulations and Management Decisions

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

Reference to Laws, Rules and Regulations -----	Non - compliance -----
(a) Financial Regulations of the Democratic, Socialist Republic of Sri Lanka  F.R. 371	(i) Even though the advances obtained should be settled immediately after the completion of the job, the settlement of purchase advances amounting to Rs.38,900 obtained in 10 instances during the year under review had been delayed for 44 to 120 days and miscellaneous advances amounting to

Rs.534,735 obtained in 20 instances had been delayed for 07 to 206 days. Advances amounting to Rs.18,200 obtained in 02 instances prior to the year 2009 had not been settled even by the end of the year under review.

- (ii) Advances amounting to Rs.25,732 granted in the year 2004, a sum of Rs.1,500 granted in the year 2006, a sum of Rs.150,600 granted in October of the year under review which had included in the unsettled miscellaneous advances had not been settled even by the date of audit.

- (b) Section 4.2.1 of the National Procurement Guidelines dated 01 March 2006

Although the Master Procurement Plan for 03 years and Annual Procurement Plans should be prepared, purchases valued at Rs.52,908,686 had been made during the year under review, contrary to the above provision.

- (c) Section 9:1 of Chapter II of the Establishments Code of the Democratic Socialist Republic of Sri Lanka, Section 18.16.6 (b) of the Establishments Code for the University Grants Commission and Higher Educational Institutions and the Public Administration Circular No. 09/2007 (1) dated 24 August 2007.

An officer over 60 years of age had been employed for over 05 years since December 2005 by assigning various duties without the prior approval of the Cabinet of Ministers.

### 1.2.5 Transitions Not Supported by Adequate Authority

Language proficiency allowances amounting to Rs.165,475 had been paid to the staff of the institution during the year under review, contrary to the provisions of the Public Enterprises Department Circular No. 95 dated 14 June 1994

## 2. Financial and Operating Review

### 2.1 Financial Review

#### 2.1.1 Financial Results

According to the financial statements presented, the operation of the Institution for the year ended 31 December 2010 had resulted in a deficit of Rs.283,040,641 before taking into account the Government grant for recurrent expenditure and the corresponding deficit for the preceding year amounted to Rs.243,233,010. The deficit for the year under review had converted into a surplus of Rs.1,559,359 after taking into account the Government grant of Rs.284,600,000 received for recurrent expenditure. The deficit for the preceding year had decreased to Rs.11,133,010 due to the Government grant of Rs.232,100,000 received for recurrent expenditure.

#### 2.1.2 Deficit of Capital Provisions Received

Although an amount equivalent to the balance of the unspent capital grants account should be available in the related bank current account, the balance of the ledger account for unspent capital grants as at the end of the year under review amounted Rs.31,455,664 where as the balance of the related current account in the bank was Rs.3,937,122.

## 2.2 Operating Review

### 2.2.1 Academic Performance

The following observations are made.

#### (a) Academic Activities

Both group of students who had passed Advanced Level examinations held in the year 2008 and 2009 had been registered during the year under review. Details are shown below.

Faculty	Year of Passing Advanced Level	Academic Year	No. of Students Registered for First Year in 2010	Total No. of Students who studied
Visual Arts	2008 2009	2008 / 2009 2009 / 2010	59 } 61 }	120 286
Music	2008 2009	2008 / 2009 2009 / 2010	138 } 139 }	277 685
Dance and Drama	2008 2009	2008 / 2009 2009 / 2010	195 } 188 }	383 935
Total			780	1,906

- (i) As 392 students who had passed Advanced Level examination in the year 2008 had not been registered in the year 2009, there was a delay of one year for the registration of those students.
- (ii) The No. of students registered had doubled as compared with that of the preceding year due to enrolling students relating to two academic years.

- (iii) It had to spend a longer period to follow the degree course due to non – registration of students who had passed the G.C.E. (A/L) examination in the year 2008 during the following year.

(b) Examination Results

The results of the final year examinations held in the year 2010 in relation to the academic years 2002 / 2003, 2003 / 2004, 2004 / 2005 and 2005 / 2006 had been released during the year 2011. The details of such examination results are shown below.

Faculty	Course	Total No. of Students Sat for the Examination	First Class Passes	Second Upper Class Passes	Second Lower Class Passes	General Passes	Referred / Failed
Music	Performance Arts (Special)	268	15	69	62	52	70
Dance and Drama	Performance Arts (Special)	365	04	62	125	153	21
	Performance Arts (Special)	340	18	96	108	88	30
Visual Arts	Fine Arts (Special)	112	08	22	20	56	06

- (i) Examinations of the Faculty of Music and the Faculty of Dance and Drama which should have been held in the academic year 2008 / 2009 had been held in August and November 2010 after a delay and the results had been released in February and April 2011
- (ii) Performance Arts Special Degree examinations of the Faculty of Dance and Drama which should have been held in the academic year 2007 / 2008 had been held in November 2009 after a delay and the Fine Arts Special Degree Examination of the Faculty of Visual Arts which should have been

held in the academic year 2007 / 2008 had been held in the year 2010 after delay of more than one year. The degree examinations of which Faculty that should have been held in the academic year 2008 / 2009 had not been held even as at the end of June 2011.

(c) Annual Research Symposium

Although a sum of Rs.170,000 had been allocated in the budget for the research and publications, only a sum of Rs.34,500 had been, spent on that purpose. During the year 2010, 39 Abstracts of Presentations had been received out of 25 which had been referred again to the Rectification Committee. But, no symposium had been carried out yet. Accordingly, there was no adequate contribution towards the research activities, though it is a main objective of the University.

2.2.2 Contract Administration

The following observations are made.

- (a) The contract for the reconstruction of the Arts Theatre of the Faculty of Visual Arts had been commenced in the year 2004 and was scheduled to be completed in June 2007. But, there was a delay of one year up to May 2008 for the completion of work. Although the defects in the reconstruction works had been identified, they had not been rectified even as at the end of the year under review though 2 ½ years had lapsed. The final bill of this contract had been misplaced and payments had been made based on a copy of the bill.
- (b) According to the contract agreement for the 2<sup>nd</sup> stage of the project for construction of buildings of the Faculty of Music and the Faculty of Dance the estimated cost of which was Rs.95,233,365, the construction works should have been completed within 02 years. Nevertheless, the works had not been completed even though 03 years had lapsed as at end of the year under review, and liquidated damages amounting to Rs.2,380,834 also had not been recovered.

### 2.2.3 Management Inefficiencies

The following matters were observed.

- (a) A sum of Rs.135,613 in respect of 05 specific funds had not been invested in the names of those funds.
- (b) The lands on which the University of Visual and Performance Arts and the hostels were located had been assessed at Rs.2,117,041,000 and these lands had been brought to account during the year under review in the balance sheet under fixed assets. But, legal ownership had not been obtained for these lands.
- (c) According to the Paragraph 2:8:4 of the Procurement Guidelines dated 01 March 2006, an outside member should be appointed to the Technical Evaluation Committee. Nevertheless, the bids received for providing security services had been evaluated by a Committee without such outside member and 09 out of 12 bids received had not been considered for evaluation stating various reasons. The procurement Committee had rejected the recommendations made by the Technical Evaluation Committee and the contract had been awarded at a monthly service charge of Rs.1,348,500 without tax at a higher cost.

### 2.2.4 Idle and Underutilized Assets

Stocks items, valued at Rs.265,096 non moving for over a long period had continued to be shown as a balance stock, without taking appropriate action.

### 2.2.5 Library Administration

The following observations are made

- (a) Eventhough a lecturer is allowed to issue books subject to a maximum of 10 books. It was observed that 36 books had been issued to lecturers. Of them, 79 had not been returned by December 2010, even though the due date for returning books had lapsed.



- (b) Out of the books issued to the students from the Borrowing Section of the Library during the period from the year 2000 to 2006, 350 books had not been returned and of the books issued from the year 2007 to 2010, 150 books had not been returned.

#### 2.2.6 Hostel Administration

The following observations are made.

- (a) Despite provisions amounting to Rs.165,400,000 had been made for the construction of proposed hostels at Rajagiriya and Dehiwala as per the Cabinet Decision dated 17 October 2007, the construction works had not been commenced even as at the end of the year under review. Meanwhile, hostel facilities had been provided by paying an annual rent of Rs.12,300,000 for 16 hostels taken on rent.
- (b) A sum of Rs.95,000 is being paid for 07 hostels taken on rent more than the rent assessed by the Government. As such the sum of Rs.165,399 paid for the valuation of those hostels observed as an uneconomic cost.

#### 2.2.7 Control Over Vehicles

The following observations are made.

- (a) Seven vans had been obtained on hire basis and 03 of them were petrol vehicles indicating an adverse fuel cost. There was no control over fuel and the vehicles had been underutilized and as such the university had failed to perform such activities economically.
- (b) The maximum No. of kilometers performed per litre of fuel is stated in the vehicle rent agreements, and if the distance travelled is less than that, the cost of fuel over – consumed should be recovered from the vehicle hire charge, in terms of the agreement. Such costs amounting to Rs.255,141 included in the sample of 07 months examined, had not been deducted accordingly.

- (c) Overtime amounting to Rs.342,625 had been paid to 04 drivers within 08 months, in excess of the approved No. of overtime hours without the approval of the University Grants Commission.

#### 2.2.8 Corporate Plan

Eventhough a corporate plan covering the period 2008 – 2012 had been prepared by paying a sum of Rs.959,445 to an outside institution, it had not been updated in terms of the Public Enterprises Circular No. PED/12 dated 02 June 2003 and it had not been made use of as an instrument of control as well.

#### 2.2.9 Budgetary Control

The budget prepared for the year under review had not been approved by the Council of even as at the end of the year under review. Significant variances were observed between the budgeted and actual income and expenditure thus indicating that, the budget had not been made use of as an effective instrument of management control.

### 3. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Vice Chancellor from time to time. Special attention is needed in respect of the following areas of control.

- (a) Miscellaneous Advances
- (b) Contract Administration
- (c) Hostel Administration
- (d) Control Over Vehicles
- (e) Stores Control