

Gampaha Wickramarachchi Ayurveda Institute affiliated to the University of Kelaniya - 2013

The Audit of Financial Statements of the Gampaha Wickramarachchi Ayurveda Institute affiliated to the University of Kelaniya for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, 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 Section 19 of the Gampaha Wickramarachchi Ayurveda Institute ordinance 1 of 1995 enacted under Section 16 of the Universities Act, No 16 of 1978. My comments and observations which I consider should be published with the Annual Report of the Institute in terms of Sub Section 108(1) of the Universities Act was issued to the Director of the Institute on 19 January 2014.

1.2 Management’s Responsibility for the Financial Statements

Management is Responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor’s Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risks assessments the auditor considers internal control relevant to the Institute’s preparation and fair presentation of financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of financial statements. Sub-sections (3) and (4) of the Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Gampaha Wikramarachchi Ayurveda Institute affiliated to the University of Kelaniya as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Accounting Policies

The policy on the creation of a fund for the provision for employees gratuity and investment of this money had not been disclosed in the notes to the financial statements.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) Lands, 243.9 perches in extent and a motor vehicle belonging to the Institute had not been assessed and brought to accounts.

- (b) Although the fixed assets revaluation reserve amounting to Rs.141,060,834 should be shown in the statement of financial position as reserves it had been shown under “Restricted Fund”

2.2.3 Unreconciled Control Accounts

A difference of Rs.6,296,490 was revealed as compared the Register of Fixed Assets with the schedule presented along with the financial statements for fixed assets and the register of Fixed Assets had not been up dated in respect of buildings valued at Rs.13,586,481

2.2.4 Accounts Payable

The following observations are made.

(a) **Security Deposits Payable**

Action had not been taken to settle the retention money aggregating to Rs.165,569 shown as Security Deposit Payable in the financial statements, remained for periods ranging from 3 to 5 years up to June 2014 in terms of Financial regulation 571.

(b) **Hostel Charges Receivable**

Outstanding hostel charges totaling Rs.254,865 unrecovered during the students academic period as at December 2013 had not been recovered even up to 30 May 2014.

2.2.5 Non-Compliance with Laws, Rules, Regulation and Management Decisions

The following non-compliances were observed.

Reference to Laws Rules, and Regulations

Non-compliance

(a) Section 10.1 of Chapter vii of the Establishments Code of the Democratic Socialist Republic of Sri Lanka and Public Administration Circular No.09/97 of 03 February 1997

Holiday pay had been obtained by proportionating to a day's pay in taking number of hours worked for more than 4 hours and few days for a month. This payment was contrary to the provisions in the University Grant Commission Circular No.707 dated 01 April 1997 and as a result an overpayment of Rs.19,048 had been made.

(b) Section 3(1) of Chapter XX AND Section 1.6.1 of Chapter X of the Establishments Code of the University Grant Commission and Higher Education Institutes.

Books and records to ensure the arrival and departure of the academic staff had not been maintained. Even the students attendance sheets relating to the payment of salaries totaling Rs.42,224,404 made to the academic staff were not made available for audit.

(c) Public Enterprises Circular No.95 of 14 June 1994

Various allowances and fees totaling Rs.10,315,605 had been paid for duties performed during the normal duty hours and

week ends in conducting course by charging fees approved by the management of the Institute based on its criteria without the approval of the Secretary to the Treasury and the University Grants Commission.

(d) Treasury Circular No.842 of 19 December 1978

The Register of Fixed Assets had not been updated.

3. Financial Review

3.1 Financial Results

The deficit for the year under review amounted to Rs.8,470,174 and the deficit for the preceding year amounted to Rs.5,483,665. Increase of personal emoluments and contractual services and other operating expenses by Rs.12,881,680 and Rs.5,813,230 respectively had been the Special reason for the increase of deficit by Rs.2,986,509 in the year under review as compared with the preceding year.

4. Operating Review

4.1 Academic performance

The following observations are made.

(a) The correct information in respect of academic performance was not made available for audit.

(b) Cost Per Student

Cost per student for the year under review amounted to Rs.388,771 whereas it was Rs.384,825 for the preceding year.

4.2 Management Inefficiencies

The following observations are made

(a) Approval of the University Grants Commission and the Treasury for the criteria for courses conducted by charging fees had not been obtained. Criteria for conducting courses by charging fees had been prepared by the Institute on the basis of criteria of the University of Kalaniya, and allowances had been paid for the organization of courses by superseding the criteria of the University of Kalaniya.

According to the criteria of the University of Kalaniya and the Institute, academic staff can be paid Rs.5000 a day for working public holidays and week ends. Nevertheless payments had been made at Rs.5000 per each course conducted in a day and as such an overpayment of Rs.562,500 had been made. The director had Informed that this payment had been made after being deeply considered by the Board of Management.

- (b) Eventhough the value of work in progress as at 31 December 2013 was shown in the financial statements as Rs.69,205,669 the registers had not been maintained to identify the value of work in progress of each contract, its opening balance and the capitalization .

4.3 Under- utilized Funds

The following observations are made.

(a) **Research Fund of the National council for advanced studies**

A sum of Rs.2,061,450 had been given to the Institute since the year 2006 in 3 installments to study a three year research postgraduate course by the National council for advanced studies. After incurring expenditure up to 05 October 2010 the balance of Rs.158,798 had remained unutilized and idle , by 13 May 2014. The postgraduate dissertation had not been handed over.

(b) **Postgraduate Researches**

Research grants of Rs.500,000 had been given to two lecturers by the University Grants Commission for research work of the three year postgraduate course, out of which a sum of Rs.447,214 had been utilized by lecturers. However, the balance research grants of Rs.52,786 had not been utilized and remained idle under specific funds, as the progress reports of researches were not made available.

4.4 Personnel

Out of the approved academic cadre of 48 of the Institute as at 31 December 2013, seven had been in vacant position and out of the approved non-academic staff of 118, thirteen had become vacant.

5. Accountability and Good Governance

5.1 Action Plan

According to the Action Plan of the Institute for the year 2013, 87 core activities under 15 Divisions, expected to be achieved were stated. In the examination of its progress the following matters were observed.

- (a) The same activity had been shown under several Divisions in the preparation of Action Plan and its sub – activities had been shown among those divisions without and changes.
- (b) Information about financing and financial progress had not been included in the Action Plan as well as in the progress report.
- (c) Out of the total activities expected to be achieved during the year, 20 projects existed without being commenced by the end of the year. According to the Action Plan, activities which should have been completed by the end of the year 2013, but failed to complete and delayed amounted to 57 activities.
- (d) Out of the 87 activities expected to be completed as per Action Plan, only 10 activities had been fully completed. Accordingly only 11 per cent could be able to completed by the Institute during the year under review out of expected activities.

5.2 Budgetary Control

In comparing the budgeted expenditure of the year under review with the actual expenditure, there were material variances ranging from 10 to 262 per cent and as such the budget had not been made use of as an effective instrument of financial management control.

5.3 Observations on Unresolved audit Paragraphs

The Ayurveda teaching Hospital had been under taken by the Ayurveda Department in the year 2008, and a sum of Rs. 1,940,161 had not been paid for this hospital but it had not been reimbursed even by the end of the year under review. This had been shown in the financial statements as water charges receivable under current assets. Although attention of this matter was drawn by the previous audit reports and by the Committee on Public Enterprises, the Institute had failed to recover the amount up to 24 March 2014.

6. Systems and Controls

Deficiencies in systems and controls observed during course of audit were brought to the attention 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) Control of Fixed Assets
- (c) Library Control
- (d) Vehicles Control
- (e) Contract Control