

## **University of Visual and Performing Arts - 2014**

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The audit of financial statements of the University of Visual and Performing Arts for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014 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 13(1) of the Finance Act, No. 38 of 1971 and Sub-section 107 (5) of the Universities Act, No. 16 of 1978. My comments and observations which I consider should be published with the Annual Report of the University in terms of Sub-section 108(1) of the Universities Act appear in this report.

### **1.2 Management’s Responsibility for the Financial Statements**

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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**

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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 Auditing 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 the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University’s preparation and fair presentation of the 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 University’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 Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and the 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**

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

## **2. Financial Statements**

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### **2.1 Qualified Opinion**

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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 University of Visual and Performing Arts as at 31 December 2014 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.**

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#### **2.2.1 Accounting Deficiencies**

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The following observations are made.

- (a) The interest income amounting to Rs.91,147 receivable as at the end of the year under review, had not been brought to account.
- (b) Even though constructions of hostels and the administrative building costing Rs.385,518,203 had been completed and handed over for the use in the year under review, those values had been shown under the work-in-progress without capitalizing whereas action had not been taken to make provisions for depreciation for the year under review as well.

#### **2.2.2 Un-reconciled Control Accounts**

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A difference of Rs.348,749 was observed between the values mentioned in the schedule submitted along with the financial statements in respect of additions to office equipment, furniture and fittings and laboratory and teaching equipments and the Register of Fixed Assets.

### **2.3 Accounts Receivable and Payable**

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The following observations are made.

- (a) The outstanding hostel fees amounting to Rs.82,280 recoverable from students in hostels as at 31 December of the year under review had not been recovered even by 15 July 2015.
- (b) Out of the sum of Rs.594,145 shown as payable in the statement of financial position as at 31 December of the year under review, a sum of Rs.153,338 had not been settled from a period of 01 year to 02 years.
- (c) A sum of Rs.31,708 excessively remitted to the Employees Trust Fund had not been recovered even in the year under review as well and a sum of Rs.67,259 recoverable from a female officer who served as a Storekeeper since the year 2006 had not been recovered over a period of 09 years.

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

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

<b>Reference to Laws, Rules and Regulations</b>	<b>Non – compliance</b>
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(a) Section 5.8 of Chapter XIX of the Establishments Code of the Democratic Socialist Republic of Sri Lanka.	Even though an officer who is entitled to an official quarter should pay the bills relating to it, in occupying the quarter by the relevant officer, the Vice Chancellor had occupied his own house and a total of Rs.273,408 had been paid by the University for water and electricity bills of the house from January to October of the year under review.
(b) Section 3(1) of Chapter XX and Section 1.6.1 of Chapter X of the Establishments Code of the University Grants Commission and Institutions of Higher Education.	Salaries and allowances amounting to Rs.211,838,951 had been paid during the year under review without ensuring the arrival and departure through the Attendance Registers and Leave Registers pertaining to the academic staff.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	
(i) Financial Regulation 394(c)	Action in terms of Financial Regulations had not been taken in respect of cancelled cheques valued at Rs.47,579 shown under non-current liabilities in the financial statements as at 31 December of the year under review.
(ii) Financial Regulation 395(c)	Even though a bank reconciliation statement should be prepared before 15 <sup>th</sup> day of the following month in respect of the position of the transactions given at the end of each month by every institution which has a bank current account, it was observed that the reconciliation statement last prepared by 19 June 2015, the date of audit, was the statement relating to 30 April 2015.

- (iii) Financial Regulation 396 (d) No action in terms of the Financial Regulations had been taken in respect of 35 cheques valued at Rs.257,439 issued but not presented for payments.
- (d) Public Enterprises Circular No.95 of 14 June 1994.
- (i) A sum of Rs.895,234 had been paid as allowances on the Finance recommendations of the Committee and the approval of the Council without obtaining the approval of the Treasury based on a budget estimate prepared by the Distance and Continuing Education Centre.
- (ii) According to the Establishments circular letters of institutions of the University Grant Commissions No.06/2014(i) of 26 March 2014 and No. 06/2014 of 24 July 2014 and without the Treasury approval, it had been decided to pay a percentage from 8 per cent to 20 per cent of the basic salary of officers as a monthly allowance instead of reimbursement of expenditure relating to the payments of entertainment expenses. A sum of Rs.769,985 had been paid as allowances for entertainment expenses in the year under review and it was observed that it had affected salary anomalies as well due to failure in obtaining the approval of the Treasury to pay an allowance based on the salary.
- (e) Public Enterprises Circular No. 95 dated 14 June 1994 and the Public Administration Circular No. 14/2008 dated 26 June 2008. Even though transport facilities could be provided for officers who are entitled to transport facilities of the University of Visual and Performing Arts from the office to their residences, transport allowances totalling Rs.1,669,193 had been paid to 05 officers at the rate of Rs.30,000 for each officer per month during the year under review deviating from the circulars.

- (f) University Grants Commission Circular No.737 of 18 August 1998 Even though all receipts received as a result of breach of agreements and bonds should be invested, a sum of Rs.1,494,871 received 02 years ago by breach of agreements, had not been invested.

**2.5 Transactions not supported by Adequate Authority**

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A sum of Rs.335,883 had been overpaid for 2085.70 liters of fuel in the year under review due to supplying fuel to the official vehicle without a limit, instead of the monthly fuel allowance entitled to the Vice Chancellor, deviating from the provisions of the Public Administration Circular No. 13/2008 (iv) of 09 February 2011.

**3. Financial Review**

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**3.1 Financial Results**

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According to the financial statements presented, the financial result of the University for the year ended 31 December 2014 had been a deficit of Rs.6,414,730 as compared with the corresponding deficit of Rs.18,668,242 for the preceding year. The increase in the Government grants by Rs.45,999,444 and the income of the Distance and Continuing Academic Centre by Rs.25,656,869 had mainly attributed to the decrease of the deficit by Rs.12,253,512 for the year under review as compared with the preceding year .

**4. Operating Review**

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**4.1 Performance**

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The following observations are made.

**(a) Utilization of Research Grants and Payment of Research Allowances**

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Out of the research grants amounting to Rs.1,000,000 received for the year under review, only a sum of Rs.302,857 had been utilized. The provisions made for research allowances amounted to Rs.19,700,000 whereas an expenditure of Rs.17,679,206 had been incurred for the officers of the academic and non-academic staff. Out of 110 Lecturers who received research allowances in the year under review, 43 Lecturers had not presented progress reports on their researches.

**(b) Research Symposium**

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The Research Symposium for the year 2014 had been conducted on 18 and 19 November 2014 and expenses amounting to Rs.279,119 had been incurred for the same. Only 18 reports had been submitted by 10 Lecturers and officers of the Faculty of Visual Arts, 02 of the Faculty of Music and 06 of the Faculty of Dance and Drama.

- (b) In accordance with the criteria pertaining to the world ranking of Universities, the criteria on the researches are of importance. However, it was observed according to the world ranking of the year under review that the University of Visual and Performing Arts occupied the position of 14,524 of the world ranking as the involvement and the dedication for the researches were at a lower level.

#### **4.2 Management Inefficiencies**

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The following observations are made.

- (a) The legal ownership of 06 lands valued at Rs.2,117,041,000 shown in the financial statements as at the end of the year under review had not been vested with the University up to 15 July 2015, the date of audit.
- (b) A sum of Rs.1,617,048 had to be recovered from two Lecturers who breached agreements as at 31 December 2014 and disclosures thereon had not been made in the financial statements. Moreover, despite having given the consent to recover a portion of this recoverable amount existing from a period of 3 years to 7 years from the Provident Fund, it had not been recovered from the Provident Fund up to 15 July 2015.
- (c) The University Grants Commission had granted a sum of Rs.1,000,000 to two senior female Lecturers for Postgraduate researches. Even though these researches should be commenced on 01 March 2010 and completed in three years, a sum of Rs.500,000 had been retained in the Research Fund without releasing the final installment at Rs.250,000 due to non-submission of progress reports as at due date.
- (d) A number of 37,710 library books had been lent as at 31 December 2014 and out of that, 96 books valued at Rs.61,237 had not been returned up to 15 July 2015.

#### **4.3 personnel Administration**

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The following observations are made in respect of the staff of the University of Visual and Performing Arts as at 31 December 2014.

- (a) In comparison of the approved cadre with the actual cadre of the academic staff of the University of Visual and Performing Arts as at 31 December in the year under review, 27 vacancies and 35 excess staff existed and 39 vacancies existed in the non-academic staff.
- (b) Thirty five temporary Lecturers and instructors appointed in the year under review were serving as at the end of the year and an excess of 15 temporary Lecturers and 05 instructors of the Faculty of Visual Arts was observed. Accordingly, an effective measure had not been followed to revise the approved cadre and recruit to the permanent staff.
- (c) Sixteen per cent vacancies existed as compared with the approved cadre of the non-academic staff and it was observed that out of 06 vacancies of the Executive Staff, 04 posts had been vacant from a long period.

- (d) Even though newspaper advertisements had been published by incurring an expenditure of Rs.99,522 in January and February 2013 for the post of Chief Marshall that was required to be filled promptly, it was observed that the above post had remained vacant over a period of 02 years.

## **5. Accountability and Good Governance**

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### **5.1 Action Plan**

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The following observations are made.

- (a) According to the Action Plan prepared by the University, there were 07 objectives / targets intended to be implemented during the year. However, it had not been represented clearly in respect of financing of expenditure and the officer responsible for activities within the expected time frame.
- (b) Action had not been taken to evaluate the physical and financial performance relating to the Annual Action Plan quarterly, half yearly and annually and to prepare the progress reports.

### **5.2 Budgetary Control**

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Significant variances ranging from 38 per cent to 117 per cent were observed between the budgeted and the actual expenditure for the year under review, thus indicating that the budget had not been made use of as an effective instrument of management control.

## **6. Systems and Controls**

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

- (a) Fixed Assets Control
- (b) Contract Administration
- (c) Financial Control
- (d) Library Control
- (e) Motor Vehicles Control
- (f) Procurement