

Swami Vipulananda Institute of Aesthetic Studies – 2015

The audit of financial statements of the Swami Vipulananda Institute of Aesthetic Studies for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and the statement of financial performance, statement of changes in net assets 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 Sections 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 Institute in terms of Sub-section 108 (1) of the Universities Act appear in this report. A detailed report in terms of Sub-section 108 (2) of the Universities Act will be submitted in due course.

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 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 judgement, 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 Institute'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 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 the 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 extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basic 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 Swami Vipulananda Institute of Aesthetic Studies as at 31 December 2015 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 Deficiencies

The following accounting deficiencies were observed.

- (a) The Ministry of Finance and Planning had donated two vehicles valued at Rs.11,450,000 to the Institute in the year 2012 together with the transfer of ownership. However, the value of these vehicles had not been brought to the accounts.
- (b) The Ministry of Higher Education had constructed and handed over a hostel building for students of the Institute at the value of Rs. 201,300,000 during the year under review. However, the value of this building had not been brought to the accounts.
- (c) Retention money amounting to Rs. 1,793,660 deducted from the payments made to the contractors had not been brought to the accounts. As a result, the total cost of the building as well as liabilities had been understated by similar amount.

2.2.2 Lack of Evidence for Audit

Evidence indicated against the following each item of accounts had not been submitted for audit.

Item	Amount	Evidence not made available
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	Rs.	
Land and Buildings	40,983,947	} Register of Fixed Assets and Report of the Board of Survey
Plant and Machineries	21,006,476	
Furniture and Office Equipment	23,297,515	
Welfare Goods	1,767,762	

2.3 Non- compliance with Laws, Rules, Regulations and Management Decisions.

Instances of non-compliance with laws, rules and regulations observed in audit are given below.

Reference to Laws, Rules and Regulations

Non- compliance

(a) Establishments Code for the University Grants Commission and Higher Educational Institutions

(i) Section 20.6 of Chapter X

Particulars of no-pay leave obtained by academic and non-academic staff had not been reported monthly to the Auditor General in Form General 96.

(ii) Section 3:1 of Chapter XXVII

The Institute had not taken necessary measures to maintain an Attendance Register in order to record the arrival and departure of academic staff.

(b) Financial Regulations of the Government
of the Democratic Socialist Republic of Sri
Lanka

Financial Regulation 104

Three vehicles belonging to the Institute had met with accidents and repair cost totalling Rs. 1,171,872 had been paid during the year under review. However, action had not been taken to conduct inquiries to ascertain the extent and cause of losses and to fix responsibility.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the activities of the Institute during the year under review had resulted in a surplus of Rs. 4,015,938 as against the deficit of Rs.16,919,352 for the preceding year, thus indicating an improvement of Rs. 20,935,290 in the financial results. The increase of government grant by Rs. 62,900,000 as compared with the previous year had mainly attributed for this improvement.

3.2 Value Addition of the Institute

Even though the surplus for the year under review was Rs. 4,015,938, the contribution of the Institute to the Country during the year under review was Rs. 101,299,224. The contribution of the Institute to the Country during the year under review and in the previous four years is as follows.

	2015	2014	2013	2012	2011
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	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Surplus/(deficit)	4,016	(16,919)	(2,387)	3,574	(1,935)
Add:					
▪ Personnel Emoluments	88,531	56,175	42,918	32,873	28,770

▪ Taxes Paid to the Government					
· Value Added Taxes (VAT)	1,712	1,017	1,497	-	-
▪ Depreciation	7,040	6,225	4,254	3,783	2,545
Total Contribution	97,283	63,416	48,668	36,656	31,315
Value Addition	101,299	46,497	46,282	40,230	29,380

4. Operating Review

4.1 Performance

The academic performance of the Institute during the year under review is as follows.

(a) Degree Courses

The number of students enrolled for each Department during last three years is shown below.

Department	Number of Students Enrolled		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Carnatic Music	79	68	67
Dance	49	46	39
Drama and Theatre	33	25	31
Visual and Technology Arts	<u>44</u>	<u>46</u>	<u>45</u>
Total	<u>205</u>	<u>185</u>	<u>182</u>

The following observation is made in this connection.

Enrolment of students to the Department of Carnatic Music, Department of Dance and Department of Drama and Theatre during the year under review as compared with the year 2013 had increased by 18 per cent, 26 per cent and 6 per cent respectively whereas, enrolment of students to the Department of Visual and Technology Arts during the year under review as compared with the year 2013 had decreased by 2 per cent.

(b) Results of Examinations

Details of final examinations held and number of students passed the examination during the year under review as compared with the preceding year are shown below.

Details	Department of Carnatic Music		Department of Dance		Department of Drama and Theatre		Department of Visual and Technological Arts	
	2015	2014	2015	2014	2015	2014	2015	2014
Number of students sat for final examinations during the year under review	60	36	30	30	35	42	45	46
Number of students passed the examinations	48	36	30	30	35	42	43	46
Number of students passed the examinations, as a percentage of total number of students sat for the examinations (%)	80	100	100	100	100	100	96	100

The following observation is made in this regard.

Out of 60 and 45 students of the Department of Carnatic Music and the Department of Visual and Technological Arts respectively who sat for final examination, 12 and 02 students had failed the examination which represents 20 and 04 per cent of the total number of students sat for the final examination due to failure in the subjects such as English and Information Technology.

(C) Cost per Student

The total number of students registered at the Institute and the cost per student for the year under review and previous three years are shown below.

	2015	2014	2013	2012
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Total Cost (Rs.'000)	134,412	93,807	72,022	54,285
Total Number of Students	1052	1031	997	923
Cost per Student (Rs.'000)	128	91	72	59

The cost per student of the Institute was increased by 29 per cent in the year under review as compared with the preceding year.

4.2 Transactions of Contentious Nature

The Board of Management of the Institute had granted approval to obtain a building on rental basis at the monthly rental of Rs. 50,000 for the period from August 2013 to March 2015 for providing accommodation facilities to the students. However, the Institute had obtained this building without considering the conflict of interest as the owner of this building was one of the member of the Board of Management.

4.3 Management Weaknesses

The following observations are made.

- (i) The Institute had not taken action in terms of Section 23 of Chapter X of the Establishments Code of the University Grants Commission and Higher Educational Institutions, to maintain the leave register so as to record the leave availed by the academic staff.
- (ii) The Project Director of the Re-awakening Project had donated two motor cycles to the Institute on 25 May 2015 together with the transfer of ownership. However, the institute had submitted the transfer from to the Commissioner of Motor Traffic on 21 September 2015 after a delay of 101 days. In this regard, the Institute had to pay a sum of Rs. 20,200 to the Commissioner of Motor Traffic for delay in submitting the applications.
- (iii) According to the Public Administration Circular 09/2009 dated 16 April 2009, a finger scanner should have been used to record the arrival and departure of the officers if the number of officers had exceeded 25. However, the Institute had not used the finger scanner, even though the total number of officers stood at 93.
- (iv) The Institute had computed Value Added Tax amounting to Rs. 108,031 at the rate of 12 per cent on the security payments of Rs. 900,259 for the month of December 2014 and paid during the year under review instead of computing at the rate of 11 per cent. As a result, a sum of Rs. 9,003 had been overpaid to the contractors. However, the amount overpaid to the contractor had not been recovered even up to 13 October 2016.

- (v) The Company which providing security services to the Institute had requested a sum of Rs. 1,497,568 for security services provided for the months of November 2014 and August 2015. However, the Institute had paid a sum of Rs. 1,531,618 without considering the request made by the relevant Company. In this regard, the Institute had not taken action to recover a sum of Rs. 34,050 overpaid to the contractor.
- (vi) Glass and fitting materials valued at Rs. 385,246 supplied by a supplier in the month of December 2015 for fitting the wall cupboard to the Department of Music, Dance, Drama and Theatre Arts had remained idle up to 13 October 2016 without utilizing for the intended purpose.
- (vii) The physical verification carried out at the stores of the Faculty of Dance on 11 November 2014 revealed a shortage of 38 items of stocks valued at Rs. 920,621. However, the Institute had not taken action against the officers who are responsible for the loss of those items even up to 13 October 2016.
- (viii) Staff loan balances aggregating Rs. 493,454 receivable from 03 officers who were interdicted from the service had remained outstanding for over 04 years. However, action had not been taken to recover those outstanding balances even up to 30 June 2016 from their sureties.
- (ix) Advances aggregating Rs. 14,393 paid to 04 officers had remained for more than 04 years without taking action to recover them from the officers concerned.
- (x) A sum of Rs. 650,156 due from 03 lecturers who had been terminated from the service due to non-completion of postgraduate degrees had remained outstanding without action being taken to recover it from the sureties.

4.4. Payment of Lease for Houses

 The Institute had obtained 10 houses located around the institute on a lease basis for the period from 2008 to 2015 in order to provide accommodation facilities to the students of the Institute. The following observations are made in this regard.

- (i) The Institute had entered into agreements with 02 house owners in the year 2008 and 2011 to obtain buildings on a monthly lease of Rs. 20,000 and Rs. 30,000 respectively without obtaining valuation report from the Chief Valuer of the Department of Valuation in terms of Financial Regulation 835.
- (ii) Even though the above mentioned lease agreements had been signed between the Director of the Institute and respective owner of the property, these lease

agreements had not been registered in the Registrar of Land Registry in terms of Section 17 of the Ordinance of Documents Registration.

4.5 Academic Activities

The Institute had allocated 690 lecture hours for 07 subjects for the first Semester of final year students of the Department of Carnatic Music during the year under review. However, out of the total allocated hours, only 297 hours had been completed by permanent and visiting lecturers. Accordingly, the relevant students had to sit for the final examination without completing 57 per cent of the total lecture hours and this practice had allowed obtaining the degree certificates without adequate knowledge in the relevant subjects. Details are given below.

Subject	Total Hours Allocated	Total Hours Completed	Lecture Hours Not Completed
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Vocal - Forms in Manotharma Music	180	73	107
Veena - Forms in Manotharma Music	180	122	58
Mirudhangam - Forms in Manotharma Music	180	55	125
History of Music and Laya 7	45	18	27
Mirudhangam – Theory -7	45	16	29
Research Methodology	30	07	23
Sanskrit Language to Music Students	<u>30</u>	<u>06</u>	<u>24</u>
	<u>690</u>	<u>297</u>	<u>393</u>

4.6 Underutilization of Funds

The following observations are made.

- (a) Funds totaling Rs. 10.83 million allocated under the capital grant in the year 2013 to carry out 07 capital works had been kept in the bank current account up to 13 October 2016 without utilizing for the relevant purposes.
- (b) Funds amounting to Rs. 37.75 million allocated for implementation of projects such as information and communication development project, students centered learning project and strengthening research project had been lying in the bank current account since 2014 without being utilized for the intended purposes.

4.7 Construction of 03 Semi-Permanent Lecture Halls

The Eastern University had awarded a contract for construction of semi-permanent lecture halls at the SVIAS at the contract value of Rs. 10,708,750 in the year 2013 without carrying out proper feasibility studies. However, these lecture halls had been underutilized from the date of construction as the students had refused to use these lecture halls due to lack of ventilation.

4.8 Human Resource Management

The following observations are made.

- (a) The post of store keeper had remained vacant from 02 July 2012. However, store keeper of the Eastern University had performed duties for the above post on acting basis without taking action to appoint a permanent officer for this post.
- (b) The post of Lecturer Probationary and Audio Visual Technical Officer had remained vacant since 01 January 2013. However, action had not been taken to fill these vacancies.
- (c) The Institute had recruited 13 temporary lecturers exceeding the number of approved cadre.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

According to Section 6.5.1 of Public Enterprises Circular No. PED/02 of 02 June 2003, the financial statements for the year under review should have been rendered for audit within 60 days after the end of financial year. However, the financial statements of the Institute for the year under review had been rendered for audit only on 10 June 2016 after a delay of 04 months.

5.2 Procurement Plan

A Master Procurement Plan including activities expected to be fulfilled at least within a period of three years in terms of the Section 4.2.1 (a) and 4.2.3 of the Procurement Guidelines had not been prepared.

5.3 Internal Audit

Even though an Internal Audit Unit should have been established to improve and evaluate the risk management, good governance and control activities by using a regular and subject oriented approach, the Internal Audit Unit had not been established at the Institute since 2005. However, acting allowance of Rs. 143,110 had been paid during the year under review for the Internal Auditor of the Eastern University to look after the duty of vacant post of Internal Auditor at the Institute.

5.4 Conduct of the Annual Boards of Survey

According to the Establishments Circular Letter No. 04/2013 dated 10 April 2013 of the University Grants Commission, the Annual Boards of Survey for the year under review should be conducted and the report thereon should have been furnished to the Auditor General on or before 17 March 2016. However, the Institute had not conducted the Board of Survey even up to 30 June 2016.

6. Systems and Controls

Deficiencies in systems and controls 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 systems and controls.

- (a) Control over Assets : Preparation of Fixed Assets Register and Conduct of Board of Survey.
- (b) Contract Administration: Recovery of liquidated damages, compliance with the conditions of contract agreements.