

Gampaha Wickramarachchi Ayurveda Institute – 2016

The audit of financial statements of the Gampaha Wickramarachchi Ayurveda Institute affiliated to the University of Kelaniya for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of financial performance, statement of changes in funds 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 Gampaha Wickramarachchi Ayurveda Institute Ordinance No.1 of 1995 enacted under Section 18 of the Universities Act 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 Institute in terms of Section 108(1) of the Universities Act appear in this report.

1.2 Management's Responsibility for the Financial Statements

The 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 misstatements 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 financial statements. Sections III of the Universities Act No.1978 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 this report, the financial statements give a true and fair view of the financial position of the Gampaha Wickramarachchi Ayurveda Institute affiliated to the University of Kelaniya as at 31 December 2016 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 Sri Lanka Public Sector Accounting Standards (SLPSAS)

Sri Lanka Public Sector Accounting Standard 01

In terms of paragraph 48 of Sri Lank Public Sector Accounting Standard 01, assets and liabilities and revenue and expenses shall not be offset unless required or permitted by a SLPSAS. Nevertheless, the receipt and payments of Mahapola and bursaries of the Institute had been offset each other and shown only the balance in the financial statements.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) Expenditure of capital nature amounting to Rs.6,250,000 incurred for the improvement of Laboratory of the Institute under the “Higher Education for the 21st Century Project” had been completely omitted from accounts.
- (b) A sum of Rs.590,198 spent for staff training in the year 2014 which was an expenditure of recurrent nature, out of the Treasury capital grants received had been continuously shown as a non-current asset in the accounts without being written off from the relevant provision.

2.4 Non-compliances with Laws, Rules, Regulations, and Management Decisions

The following non-compliances were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 756	Although a proper survey on Library books costing Rs.14,209,200 should be conducted, a survey had not been conducted after the year 2013.
(b) Paragraph 03 of the National Budget Circular No.87 (i) dated 14 June 2000.	It was stated that the payment for overtime work should be limited to 20 hours per month and the specific authority of the Secretary to the Ministry should be obtained to exceed that Limit. However, at a test check carried out in respect of overtime payment of 5 months of the year 2016 it was observed that payment of Rs.461,125 had been made for overtime work of 6498 hours in excess of the Limits only on the approved of the Board of Management.
(c) Paragraph 9.3.1 (vii) of the Public Enterprises Circular No.PED/12 of June 2003.	Even though the Director post of the Institute should be a fulltime post, a professor who served in the Kothalawala Defence University on contract basis had covered up the duties of the Director as the competent Authority in the Institute and appointed from 25 May 2015 for a monthly honorarium of Rs.180,000. The service of this officer had been extended once in 3 months. Furthermore it was revealed at a test check made in October 2016 that this Competent Authority had not served fulltime in this Institute.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial results of the Institute for the year ended 31 December 2016 had been a surplus of Rs.13,478,657 as against the deficit of Rs.13,524,703 for the preceding year, thus indicating an improvement of financial results by Rs.27,003,360 as compared with the preceding year. Although the expenditure of the year had increased by Rs.5,004,066 the increase of receipt of recurrent grants by Rs.36,000,000 had mainly attributed to this improvement.

In considering the financial results for the 4 preceding years and the year under review a deficit had been shown from the year 2012 to 2015 but it was observed that a continuous contribution was received after making adjustments for the employee remuneration of operating activities and other adjustments. The value addition as at 31 December 2016 amounted to Rs.191,089,508 and the value addition in the year 2016 as compared with the year 2015 had increased by Rs.8 million or 4.8 per cent.

4. Operating Review

4.1 Academic Performance

The main objective of the Institute is to accord, improve and develop higher Education in the Educational fields. Observations made at test checks carried out in respect of operating activities are given below.

(a) Enrollment of Students

- (i) According to the resources available in the Institute, there are facilities to enroll 120 students per year but lesser number of students such as 85, 72, and 67 students had been enrolled in the academic years 2013/2014, 2014/2015 and 2015/2016 respectively.
- (ii) As the Institute enrolls lesser number of students annually, the cost per student had been as higher value as Rs.575,413 in the year 2016.

(b) Utilization of research assistance

It is important as a nation that the Institute has to become a high level and high quality and standards institution by publishing researches conducted by the University Lecturers and to utilize those researchers for the economic Development. The following observations are made in respect of researches conducted by the Institute.

- (i) Out of the research grants given by the University Grants Commission and the National Institute for Higher Education on PhD programme, there was a balance of Rs.594,046 as at the end of the year under review. Even though a sum of Rs.3,311,450 had been allocated for the implementation of 4 researches in the years 2009/2010, those 4 researches had not been completed up to now though a period of 6 years had elapsed.
- (ii) According to the annual report of the Institute, 73 research publications had been completed in the year under review but the number of publications submitted for symposium was 46.
- (c) The Institute could not be able to reach the target of increasing enrollment of students by 25 per cent and to upgrade the Institute to a university level.

(d) **Utilization of Funds**

Provisions had been given by the Government to perform the activities of the university efficiently and effectively. The following observations are made in respect of the utilization of those provisions.

- (i) A considerable amount of capital grants given to the Institute had not been utilized for the intended purposes and the value of capital grants not so utilized as at 31 December of the year under review amounted to Rs.204,868,277.

The following table shows that this position had been continued during the previous periods as well.

	2013	2014	2015	2016
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	Rs.	Rs.	Rs.	Rs.
Unspent capital grants balance brought forward	17,981,951	36,479,414	77,637,499	104,747,888
Receipts during the year	50,650,000	114,400,000	97,095,500	145,245,000
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	68,631,951	150,879,414	174,732,999	249,992,888
Expenditure incurred during the year	32,152,537	73,241,915	69,985,111	45,124,6111
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Unspent capital grants balance by the end of the year	36,479,414	77,637,499	104,747,888	204,868,277
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- (ii) Capital grants during the past 4 years had been given by the Government in respect of each expenditure Head. The following table shows that certain activities had not been performed and underutilized. As such the capital projects commenced could not be completed or it was unable to convert the relevant assets in to usable condition by indicating that the government money had been used for idle assets.

Expenditure Head	Receipt of capital grants during the past 4 years	Expenditure for the last 4 years	Unspent capital grants
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	Rs.	Rs.	Rs.
Capital grant balance brought forward	-	-	17,981,951
Rehabilitation and improvement of capital asset	42,650,000	55,690,377	(13,040,377)
Teaching equipment furniture and newspapers and periodicals	106,845,000	55,963,171	50,881,829
Building constructions	256,395,500	108,260,427	148,135,073
Others	1,500,000	590,198	909,802
Unspent Capital Grant money as at 31 December 2016.			204,868,277 =====

* Instead of utilizing the money so obtained from the Government for the relevant purposes, it had been retained in current accounts or invested in short term investments.

* Eventhough, a sum of Rs.1,000,000 had been obtained from the Treasury for staff training only a sum of Rs.590,198 had been spent. The Institute had not taken action to conduct the balance training programs or to return the balance money to the Treasury.

* Out of the capital provisions received from the Treasury in the years 2014, 2015 and 2016 for the construction of academic building, a sum of Rs.126,476,734 had been saved due to delays in construction works on weaknesses in contract administration. Its construction progress by the end of the year under review was 35 per cent.

- (e) Sports Fund and the Research Fund amounting to Rs.279,780 and Rs.779,825 respectively had not been utilized for any purposes throughout the year.

4.2 Management Activities

The following observations are made.

- (a) During the period from September to December 2016, 384 books valued at Rs.212,730 had been purchased, but action had not been taken to give them for the students use. All these books had not been entered to the accession register as well.
- (b) A sum of Rs.3,000,000 had been allocated by the University Grants Commission on 18 October 2010 for the Skills Development on computers for the Panchakarma Training of Ayurvedic undergraduates under the undergraduate Development Program. A balance of Rs.1,214,142 was available by 31 December 2016 and money had not been spent for punchakarma training during the year under review.

4.3 Underutilisation of Funds

The following observations are made.

- (a) In the examination of the balance of the funds earned account it was observed that a minimum monthly balance of Rs.13,266,549 had been maintained throughout the year.
- (b) Even though a sum of Rs.475,000 given on 12 December 2011 by the Ministry of Higher Education to implement the official language policy among officers, it had not been utilized for the relevant purpose and a balance of Rs.436,200 had been underutilized by the end of the year under review.

4.4 Personnel Administration

The following observations are made.

- (a) The approved and actual academic staff of the Institute in the year under review had been 46 and 34 respectively. As 5 lecturers had gone on sabbatical leave, 14 temporary lecturers had been deployed for the vacancies of the academic staff.
- (b) The Institute takes the service of temporary works Engineers since several years for various activities such as the preparation of estimates, and Bill of quantities and recommendation of bills etc. in the new construction works and maintenance work of the Institute. Nevertheless, action had not been taken to fill the vacancy of works Engineer which was in the approved cadre schedule, even by the end of the year under review.

5. Accountability and Good Governance

5.1 Action Plan

In the strategic Management Plan prepared, including 188 major activities and 19 special objectives under 4 main targets, expected to be achieved during the period from 2016 to 2020 by the Institute, an action plan by indicating the objectives and activities to be achieved during the year under review had not been prepared.

5.2 Budgetary Control

In the examination of the predicated income and the actual income of the year under review, it was observed that income had decreased by Rs.3,749,437. Not conducting the PhD course in Physiotherapy in the year under review had mainly attributed to this decrease.

6. Systems and Controls

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

Areas of System and Control	Observations
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(a) Assets Control	(i) All assets had not been documented. (ii) Library books had not been physically verified and action had not been taken to enter all the books in the Accession Register immediately after the receipt of books.
(b) Budgetary Control	Income and expenditure had not been correctly forecasted.