

Gampaha Wickramarachchi Ayurveda Institute – 2017

The audit of financial statements of the Gampaha Wickramarachchi Ayurveda Institute affiliated to the University of Kelaniya for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 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 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 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 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.16 of 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.

2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of Gampaha Wickramarachchi Ayurveda Institute as at 31 December 2017 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

In terms of Sri Lanka Public Sector Accounting Standard 7, the residual value and the useful life of non-current assets had not been reviewed annually. Even though, classes of fixed assets costing Rs.59,224,507 had been fully depreciated they had been further used. Accordingly, the estimated error had not been revised in accordance with Sri Lanka Public Sector Accounting Standard 3.

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

The following non-compliance were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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(a) Financial Regulation 756 of the Democratic Socialist Republic of Sri Lanka and paragraph 3.1 of the Circular No.2014/ 336/1/2016 (amended) dated 22 December 2016 of the National Library and Documentation Services Board	A Board of Survey had not been conducted in respect of Library books valued at Rs.14,784,158 after the year 2012.
(b) Paragraph 6.5.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003.	A copy of the draft annual report had not been presented to the Auditor General along with the annual financial statements.

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 2017 had been a deficit of Rs.1,170,342 as against the surplus of Rs.13,478,657 for the preceding year. Accordingly, a deterioration of Rs.14,648,999 in the financial result of the year under review had indicated as compared with the preceding year. Even though, the government contribution for recurrent expenditure and other income had increased by Rs.8,273,000 and Rs.9,569,976 respectively, increase of employees remuneration and other expenditure by Rs.22,561,648 and Rs.9,968,831 respectively had mainly attributed to this deterioration.

In analyzing the financial results of the year under review and the 4 preceding years, deficit had indicated in the years 2013, 2014, 2015 and 2017 and a surplus had indicated in the year 2016. After re-adjusting employees remunerations to the financial results, the contribution of Rs.108,316,019 in the year 2013 had increased up to Rs.199,002,157 in the year 2017.

4. Operating Review

4.1 Performance

4.1.1 Planning

The following observations are made.

- (a) In the Strategic Management Plan prepared by indicating 44 activities under 10 main anticipated targets to be achieved during the period from 2017 – 2021 by the Institute, an action plan, clearly indicating the anticipated activities to be achieved each year had not been prepared.
- (b) That action plan had not been prepared in accordance with priorities based on the annual budget of the relevant year in terms of paragraph (c) of the Public Finance Circular No.01/2014 of 17 February 2014 and the estimated amount of each function had not been indicated.

4.1.2 Functions and Review

The following observations are made.

- (a) As the progress of each function in the action plan had not been clearly indicated in the annual progress report, activities completed, in progress and not performed could not be separately identified.
- (b) Even though, the Institute could be able to facilitate 120 students, only 110 students had been enrolled in the academic year 2011/ 2012. Thereafter enrollment of students had been gradually decreased annually and only 78 students had been enrolled in the academic year 2015/ 2016, out of which 10 students had dropped out from the course. As such the cost per student had been as high value as Rs.662,460.

4.2 Management Activities

The following observations are made.

- (a) A sum of Rs.7,072,733 had been paid to 36 lecturers and officers in the academic and non-academic staff during the year under review as research allowances. However, for what researches these allowances had been obtained was not explained to audit. Similarly, the research Committees required for the approval of researches, to check their progress and to submit research reports had not been set up even up to the end of the year 2017.
- (b) The monthly average balance of two bank current accounts of the Institute ranged from Rs.19,277,097 to Rs.52,316,563 and attention of the management had not been paid to utilize those excess funds for the achievement of objectives of the Institute or any other effective purpose.
- (c) Even though, a land 2.35 hectares in extent had been given by a freebie in the year 2013 situated at Wathupitiwala to establish a herbal garden, it had not been developed, comprising with medicinal herbs according to a proper plan for the use of educational activities of the practitioners.
- (d) Even though, the cadre of the College had been approved in October 2017, a sum of Rs.282,555 had been spent for the publication of a newspaper advertisement on 23 August 2017 for filling the vacancies, prior to the approval. However, number of vacancies had been changed in accordance with the approved cadre and as such this expenditure had become an uneconomic transaction.

4.3 Under utilization of Funds

The following observations are made.

- (a) Of the capital grants given to the Institute, an unspent balance of Rs.204,868,277 had existed at the beginning of the year under review. Despite sufficient funds were available at the beginning of the year, capital grants of Rs.15,550,000 had been obtained in the year under review and the capital expenditure incurred in the year amounted to Rs.28,668,492 and as a result, the capital grants of Rs.191,749,785 had remained under utilized at the end of the year under review.
- (b) A sum of Rs.3 million had been granted by the University Grants Commission in the year 2010 for the training activities on Panchakarma of the Ayurvedic under graduates and to develop Computer skills. A balance of Rs.1,214,142 had existed by 31 December 2017. Even though, the Institute had stated that this provision would be utilized in the year 2017, it had not been utilized during the year under review.

5. Sustainable Development

According to the Circular No.NP/SP/SDG/17 dated 14 August 2017 issued by the Secretary to the Ministry of National Policies and Economic Affairs and the United Nations year 2030 on Sustainable Development, every public entity should act in accordance with that 'agenda'. However, the Gampaha Wickramarachchi Ayurvedic Institute was not aware how it would perform its functions within the scope of the Institute.

6. Accountability and Good Governance

6.1 Budgetary Control

As variations ranging from 45 per cent to 223 per cent between the budgeted values prepared for the year 2017 and the actual values were observed, the budget had not been made use of as an effective instrument of management control.

6.2 Contract Administration

The amount paid for the academic building, the contract value of which amounted to Rs.98.2 million up to 31 December 2017 was Rs.21,993,862. The progress of the construction of building had been 65 per cent and the contract period had been extended up to 31 May 2018 by the Secretary to the Ministry of Higher Education, on 16 January 2018 but the contractor had abandoned its construction works since 25 February 2018.

7. **Systems and Controls**

Weaknesses in Systems and Control observed in 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 Systems and Controls.

	Area of Systems and Control	Observations
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(a)	Budgetary Control	Year's income and expenditure under forecasted.
(b)	Contract Administration	Delays in construction works.
(c)	Conducting Courses	Enrollment of students dropped annually and a system not formulated to retain students who dropped out courses.