

## **1.1 Qualified Opinion**

---

The audit of the financial statements of the Gampaha Wickramaarachchi Ayurveda Institute affiliated to the University of Kelaniya for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act, No. 19 of 2018. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Institute as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

## **1.2 Basis for Qualified Opinion**

---

My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

## **1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements**

---

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

In preparing the financial statements, management is responsible for assessing the Institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute's financial reporting process.

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the Institute is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Institute.

#### **1.4 Auditor's Responsibilities for the Audit of the Financial Statements**

---

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Institute to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the

Institute and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Institute has complied with applicable written law, or other general or special directions issued by the governing body of the Institute;
- Whether the Institute has performed according to its powers, functions and duties; and
- Whether the resources of the Institute had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

**1.5 Financial Statements**  
-----

**1.5.1 Internal Control over the Preparation of Financial Statements**  
-----

The Institute is required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that, transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards, and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

**1.5.2 Non-compliance with Sri Lanka Public Sector Accounting Standards**  
-----

The following observations are made.

<b>Non-compliance Reference to the relevant Standard</b>	<b>with Comments of the Management</b>	<b>Recommendation</b>
-----	-----	-----
(a) Even though the assets costing Rs.43,215,814 had been fully depreciated as the useful life of non-current assets had not been reviewed annually in terms of paragraph 65 of the Sri Lanka Public Sector Accounting Standard 7, they were being further	It is expected to account the revalued amount by identifying assets to be revalued.	Action should be taken in terms of Sri Lanka Public Sector Accounting Standards.

used. Accordingly, action had not been taken to revise the estimated error in terms of Sri Lanka Public Sector Accounting Standard 3.

- |   |   |  |
|---|---|--|
| (b) In terms of paragraph 61 of Sri Lanka Public Sector Accounting Standard 19, a reliable estimate should be made by using Actuarial Technique in computation of provisions for gratuity. However, the Institute had not computed employees' gratuity accordingly. | Action will be taken in terms of the Standard in the year 2019. | Action should be taken in terms of Sri Lanka Public Sector Accounting Standard 19. |
|---|---|--|

### 1.5.3 Accounting Deficiencies

-----

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
-----	-----	-----
Three plots of lands of 243.9 perches in extent owned by the Institute had not been valued and brought to account. As such, the accurate value of lands owned by the Institute was not represented in financial statements.	As the valuation report submitted was not appropriate to the requirement of accounting, attention has been paid for revaluation of those lands.	Those lands should be valued and brought to account.

### 1.6 Non-compliance with Laws, Rules, Regulations, Management Decisions etc.

-----

The following observations are made.

<b>Reference to Laws, Rules, Regulations etc</b>	<b>Non-compliance</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
-----	-----	-----	-----
Paragraph 5 of the Gampaha Wickramaarachchi Ayurveda Institute Ordinance published in the Gazette Extraordinary No.862/8 of 13 March 1995 of the Democratic Socialist Republic of Sri Lanka	Despite not having participated in meetings of Board of Directors in the year under review by the Dean of the Faculty of Medicine who is appointed officially and a representative appointed by	The Chairman of the University Grants Commission has been briefed thereon.	Action should be taken in terms of the Ordinance.

the University Grants Commission, action had not been taken to appoint another member in terms of paragraph 5 of the Ordinance.

**2. Financial Review**  
-----

**2.1 Financial Results**  
-----

The operations of the Institute for the year under review had been a deficit of Rs.7,898,494 as compared with the corresponding deficit of Rs.1,170,342 for the preceding year, thus indicating a deterioration of Rs.6,728,152 in the financial result. The increase in the expenditure on contractual services and expenditure incurred for self - financial programmes by Rs. 4,700,809 and Rs.2,008,713 respectively had been the main reason for the said deterioration.

**3. Operational Review**  
-----

**3.1 Management Inefficiencies**  
-----

The following observations are made.

<b>Audit Observation</b> -----	<b>Comments of the Management</b> -----	<b>Recommendation</b> -----
(a) The value of retentions repayable and sundry security deposits remained under current liabilities of the statement of financial position as at 31 December of the year under review, had been Rs.15,093,438 and out of that, balances of Rs.812,269 had elapsed over a period between 03 and 05 years.	Action is taken to release the deposits or take into income.	Action should be taken to settle lapsed deposits or take into income.
(b) Only information on purchase of assets had been entered into the computer software system which was purchased by spending Rs.824,000 in the year 2010 for entering into data on fixed assets of the Institute.	The computer software is being updated due to its failure in technology.	All transactions relating to assets should be entered into the computer software system.

- (c) Participation in lectures of a lecturer had been rejected by students. As such, the relevant lecturer had not participated in lectures, examination duties and meetings of the academic staff from August 2017 to 28 February 2019, the date of Audit. However, a sum of Rs.3,336,200 had been paid to him as salaries with all allowances for the said period. The service of a visiting lecturers had been obtained from 22 November 2017 for covering the lectures of the said lecturer and a sum of Rs.148,500 had been spent in the year 2018 as lecture fees of the visiting lecturer.
- Discussions were held at the management meeting and the vacancy has been filled by Temporary lecturers until the problem is solved. Even though the Lecturer had not participated in lectures, he was engaged in revisions of syllabuses and other activities in the Academic Division.
- Lecturers should be made to participate in lectures.

### 3.2 Operational Inefficiencies

-----

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
-----	-----	-----
(a) Action had not been taken even by the end of the year under review to develop the Herbal Garden under a proper plan, located at Wathupitiwala, with an extent of 2.3533 hectares which was vested with the Institute by a Grant on 12 September 2013, so as to use for educational purposes of graduands.	Due measures will be taken in ensuing years.	Assets should be effectively utilized.
(b) The indigenous medicine should be improved by making revisions to fields of subjects so as to suit the health sector of Sri Lanka and through modern systems and new innovations and new teaching methods. Awareness programmes should be implemented for developing	Action will be taken to establish research committees and encourage lecturers to engage in researches.	Action should be taken to encourage lecturers for researches and thereby to improve the indigenous medicine.

positive attitude towards people with the importance of indigenous medicine and the confidence thereof at present. Moreover, it was observed that engaging in research activities by lecturers of the Institute is very important therefor. Even though 34 lecturers have been attached to the Institute at present, they had not engaged in researches in the years 2017 and 2018.

(c) Even though 09 Master of Science (MSc) Courses, Diploma Courses and Certificate Courses had been planned to be implemented in the academic year of 2017/2018, only 04 Postgraduate Diploma Courses and 02 MSc Courses had been conducted. Students had not been enrolled due to revisions made to the Course Syllabus. Action should be taken to enroll students as planned.

(d) The Postgraduate Diploma in Management and Administration of Ayurveda Institutions and MSc Courses after the academic year of 2013/2014 and MSc in Panchakarma and Postgraduate Diploma in Shalyathantra had not been implemented after the academic year of 2016/2017. Interviews for enrollment of students have been completed and future action is being taken. Enrollment of students should be carried out without delay.

### 3.3 Idle or underutilized Property, Plant and Equipment

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) Even though equipment valued at Rs.1,118,750 had been purchased for the body fitness centre in the year 2017, students are unable to use these equipment effectively due to lack of an instructor therein.	This vacancy is due to be filled in future.	Equipment should be utilized for achieving the relevant objective and action should be taken to fill the vacancy.

- (b) Even though education facilities have been provided for 600 students in the Institute, the number of students who are following courses as at 31 December 2018 stood at 398, thus resulting in utilization of resources of 66 per cent. Even though the one of the main objectives of the Institute is to promote the indigenous medical science, the purpose of producing indigenous medical officers required for the country is not at expected level. As such, resources of the Institute had remained underutilized.
- More students will be provided the opportunity for using resources in the future due to action taken by the Institute during the past period.
- Action should be taken to enroll more students so as to use available resources effectively.

### 3.4 Deficiencies in Contract Administration

-----

Audit Observation	Comments of the Management	Recommendation
-----	-----	-----
(a) Even though the estimate valued at Rs.79 million for the construction of 04 storeyed administrative building with an extent of 990 square metres had been approved by the Cabinet of Ministers in the year 2011, in the commencement of works, it had been increased up to 1,475 square metres without the approval.	Action will be taken to obtain the approval in future.	Action should be taken in accordance with the approval of the Cabinet of Ministers.
(b) According to the reports of the Progress Review meetings, it was revealed that the construction activities of the building for academic purposes, at an estimated cost of Rs.134.4 million, had been slow even from the commencement of works. The construction period of the building had been extended to about two years from 31 August 2016 to 31 May 2018 from time to time. The sum paid for the contract was Rs.13,332,311. However, the construction activities had been discontinued from 25 February 2018 and a case had been filed at the Commercial High Court of Colombo by the contractor.	Action is taken to estimate the cost to be incurred additionally and recover them from the relevant company legally.	Action should be taken to recover the additional cost.



### 3.5 Human Resources Management

-----

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Two and nine lecturers had obtained sabbatical leave and study leave respectively in the year under review and 15 vacancies existed in the academic staff, thus resulting in a dearth of 53 per cent in the approved academic staff.	Action is being taken to fill vacancies.	Action should be taken to fill vacancies.

## 4. Accountability and Good Governance

-----

### 4.1 Annual Action Plan

-----

The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) Even though 90 functions had been planned to be implemented under 09 targets according to the progress of the Action Plan submitted by the Institute, out of that, 36 functions had not been performed and the progress of 07 functions performed, was at a low level as 50 per cent.	Resignation of the Director and discontinuation of studies by students have been attributed to the said progress.	Targets of the Action Plan should be reached.
(b) Even though the implementation of programmes of exchanging lecturers and students for teaching, trainings and researches with universities and institutions in Sri Lanka or abroad is one of the functions of the Institute, action had not been taken to implement it by including in the Action Plan.	Budgetary provisions have been made for the implementation of such programmes and it has been included in the annual Action Plan.	Action Plans should be prepared as per the requirement for achieving objectives.