

1.1 Opinion

The audit of financial statements of the University of the Visual and Performing Arts 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 the provisions in 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, the financial statements give a true and fair view of the financial position of the University as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Opinion

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 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 University'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 University or to cease operations, or has no realistic alternative but to do so.

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

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the University 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 University.

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 University'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 University'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 University 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 University, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the University has complied with applicable written law, or other general or special directions issued by the governing body of the University;
- Whether the University has performed according to its powers, functions and duties; and
- Whether the resources of the University 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 University 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 Transactions not supported by adequate Authority

Description on Transactions not supported by adequate Authority	Comments of the Management	Recommendation
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In terms of Letter No. HE/UD/09/DF/VPA/201 of 08 November 2018 of the Secretary to the Ministry of Higher Education, despite not granting approval for using local currency for foreign travel, 19 officers had been sent for foreign training by spending local funds of Rs.9,293,409 for 02 short term foreign training programmes.	Payment of relevant Course fees and casual allowances by obtaining approval of the Leave and Grants Committee is the methodology followed by the University. By the time the Ministry of Higher Education informed that local funds cannot be used for this programme, participation had taken place.	Payments should be made on regular approval.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation	Comments of the Management	Recommendation
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Employees' loan balance amounting to Rs.56,929,162 as at 31 December 2018 comprised loan balances totalling Rs.1,015,893 unrecoverable for a period from 02 to 09 years from 10 officers and adequate measures had not been taken to recover 6 loan balances totalling Rs.535,039 out of that.	Action will be taken in future to settle.	Action should be taken to expedite the recovery of loans.

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

The following observations are made.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
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(a) Management Services Circular No.2014/2 of 11 February 2014 Paragraph 04 – Section (iii)	In the payment of research allowances for academic and non-academic staff, an inter research report should be submitted to the Committee for Research Management within 06 months after the commencement of the research. Moreover, research allowances can be paid only if the Committee is satisfied with its progress. However, contrary to that, research allowances totalling Rs.27,999,162 had been paid in the year 2018 to members of the academic and non-academic staff.	The staff had been briefed to submit inter research reports.	Action should be taken in terms of circular instructions.

Section (ii)	The duration of a research should be a maximum of 03 years based on the nature and scope of the research. Nevertheless, during the audit test check carried out, there had been 04 instances in which 04 to 07 years had been taken by lecturers to complete the same research.	A decision has been made to recover overpayments.	Action should be taken in terms of circular instructions.
(b) University Internal Circular No.UVPA/AE/2014/01 of 03 September 2014	The academic assistant staff should mark their arrival and departure from 01 October 2014 in the finger print scanner. However, it had been recorded only in an Attendance Register and even in that, in many instances either the arrival or departure had been recorded.	Action is being taken to use finger print scanners.	Action should be taken in terms of circular.

2. Financial Review

2.1 Financial Results

The operations of the year under review had resulted in a deficit of Rs.34,126,036 as compared with the corresponding deficit of Rs.38,211,346 for the preceding year. Thus observing an improvement of Rs.4,085,310 in the financial result. The increase in the income for the year by Rs.77,091,142 and the increase in the expenditure by Rs.73,005,834 had mainly resulted for this improvement.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation

According to the Report on Leave submitted by the University, 08 officers of the academic assistant staff had taken leave from 11 to 67 days in the year 2018, exceeding the 45 days of leave entitled to them. However, no methodology had been prepared for the recovery of those leave from the salary.

Comments of the Management

A decision has been taken to recover money for no pay leave.

Recommendation

In terms of the Universities Establishments Code, no pay leave shall be recovered from the salary.

3.2 Operating Inefficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
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(a) Fifty three and 102 persons in the permanent and temporary academic staff and external academic staff had been deployed respectively in service for covering lectures of the Faculty of Music in the academic year 2015/2016. The number of total lectures due to be taught and practical hours according to the syllabus, stood at 40,015 hours and 16,680 hours and 22,060 hours out of that had been allocated for the permanent and temporary academic staff and external academic staff respectively. However, the remaining 1,275 hours had not been allocated.	The number of hours not allocated had been used for practical exercises and self-studies.	Total lectures due to be taught and practical hours according to the syllabus, should be allocated among the academic staff.
(b) During the course of Audit test check carried out on conducting lectures in the Faculty of Dance and Drama for the academic year 2015/2016, the total number of hours that should be allocated by work norms relating to 10 persons in the permanent staff stood at 4,415. However, the number of hours allocated by the Faculty was 3,254. As such, lecture hours had been allocated less by 1,161 hours for lecturers and there had been 7 lecturers who had not covered 571 hours out of the number of hours allocated.	Instructions had been given to lecturers to cover the number of hours due in future.	Lecturers should cover the number of lecture hours due to them for improving the quality of education of students.

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| <p>(c) The University had deployed visiting lecturers for covering of lectures and an expenditure of Rs.38,223,324 had been incurred therefor in the year under review. During the course of Audit test check carried out, of the visiting academic staff appointed to cover 810 hours of lectures in the Faculty of Music, 08 lecturers had not conducted even a single lecture and 25 of them had covered a number of hours less than 50 per cent of the allocated number of hours.</p> | <p>Payments of visiting lecturers can be reduced in future.</p> | <p>Before making payments to visiting lecturers, it should be confirmed that they had covered the number of lecture hours specific to them.</p> |
| <p>(d) A period between 1 and 2 years had been taken to release results of 12 out of 24 postgraduate dissertations handed over to the University during the period from the year 2014 to the year 2017. Matters such as delay in appointing examiners, taking a long period for correction of dissertations by examiners had been the main reason therefore.</p> | <p>A proper arrangement has been made relating to release of examination results, by now.</p> | <p>Examination results should be released speedily.</p> |
| <p>(e) Twenty one out of 65 graduands registered from the year 2008 up to the year 2014 representing only 32 per cent had completed the course in Doctor of Philosophy with a maximum period of 4 years. Moreover, 41 graduands representing 63 per cent had dropped out of the course. Dissertations of 3 graduands had been handed over to the Examination Unit.</p> | <p>Only 18 graduands have completed the Postgraduate Diploma.</p> | <p>Action should be taken to minimize students dropping out of courses.</p> |
| <p>(f) Even though 239 students had registered for one year and two year Diploma Courses in Dancing for the years 2008, 2009 and 2011, only 60 representing 25 per cent had completed the Course.</p> | <p>A Diploma Certificate had been awarded to students who had completed the one year course and the remaining students had been considered as abandoned the Course.</p> | <p>Action should be taken to release examination results speedily and to minimize abandoning of Courses.</p> |

Dissertations of 64 graduands were being examined and 115 graduands representing 48 per cent had not handed over dissertations on the due date and as such, they had been considered as abandoned the Course.

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| <p>(g) Students who had qualified for University entrance through the Advanced Level Examination in August 2016, had been admitted to the University for the academic year 2016/2017 in June 2018 with a delay of 1 ½ years. Despite a lapse of 17 months, students who were qualified for University entrance for the academic year of 2017/2018, who had passed the Advanced Level Examination in August 2017, had not been admitted to University even by 15 May 2019.</p> | <p>Recruitments were delayed due to the strike of the staff.</p> | <p>Enrollment of qualified students should be speedily carried out after release of results.</p> |
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3.3 Procurement Management

Audit Observation	Comments of the Management	Recommendation
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<p>Approval had been granted by the Finance Committee for spending a sum of Rs.1,792,500 for a festival of performing arts in the year under review and a sum of Rs.900,000 had been spent for lighting and sound systems thereof by selecting a supplier contrary to the procurement procedure.</p>	<p>Quotations had been taken by the student society and they have been submitted to the University one day after the commencement of the art festival.</p>	<p>Action should be taken in terms of the Procurement Guidelines.</p>

4. Accountability and Good Governance

4.1 Annual Action Plan

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
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(a) Functions relating to the quality, employment and improvement of entrepreneurship skills and excelling in the field of postgraduate studies and research of the graduands, included in the Action Plan of the year under review had not been completed even by the end of the year.	Various challenges had to be faced in the achievement of targets.	Action should be taken to achieve targets in terms of the strategic plan.
(b) Functions such as Introduction of new External Degree Courses, Certificate Courses in Tamil, Hindi, Japanese and Korean languages and introduction of Diploma Courses for Advanced Level teachers in collaboration with the National Institute of Education for the advancement of the distant education mechanism of the University indicated under targets of the strategic plan, had not been performed.	Action has been taken to commence a postgraduate diploma as an alternative for the failure in enrollment due to objections of internal students and deciding in future whether to commence the new language courses.	The strategic plan should be realistic and action should be taken to achieve the targets thereof.

4.2 Budgetary Control

Audit Observation	Comments of the Management	Recommendation
Five Items of Capital Expenditure and 05 Items of Recurrent Expenditure totalling Rs.37,000,000 and Rs.1,505,000 respectively had not been utilized. Moreover, the variances between the budgeted and actual expenditure of 11 Items of Expenditure had exceeded 50 per cent, thus observing that the budget had not been made use of as an effective instrument of management control.	Variances between estimated and actual expenditure occurred due to unavoidable reasons.	Action should be taken to minimize budgetary variances as much as possible and provisions should be effectively utilized.

4.3 Sustainable Development Goals

Audit Observation	Comments of the Management	Recommendation
Every Government Institution should act in terms of Circular No.NP/SP/SDG/17 of 14 August 2017 issued by the Secretary to the Ministry of National Policies and Economic Affairs and the “Agenda 2030” of the United Nations on Sustainable Development. Even though the University of the Visual and Performing Arts had identified targets relating to functions that come under its scope, including goals and targets required for regulation of relevant functions in achieving those targets in the plans of the University, preparation of indices, maintaining data and identifying focal points had not been carried out.	Implementation of Sustainable Development Goals had been included in the Strategic Plan 2019/2021	In terms of the Circular, action should be taken to include goals and targets required for regulation of relevant functions in the plans of the University, for preparation of indices, maintaining data and identifying focal points in achievement of targets coming under the scope of the University.