

## **University of the Visual and Performing Arts – 2019**

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### **1.1 Opinion**

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The audit of financial statements of the University of the Visual and Performing Arts for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 Sub-section 107 (5) of the Universities Act No. 16 of 1978 and 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 2019 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**

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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**

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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

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

**1.6 Accounts Receivables and Payables**  
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**1.6.1 Accounts Receivables**  
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<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
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Action had not been taken to recover the non-performing loan balances in 7 officers amounted to Rs. 980,433 comprising distress, vehicle and employee loan balances included in the employee loan and advance balance in the financial statements as at 31st December 2019.	Action will be taken to settle in the future.	Action should be taken to recover immediately.

### 1.6.2 Accounts Payables

Audit Observation	Comments of the Management	Recommendation
Total amount of 90 unpaid balance balances relevant to the year 2017 amounting to Rs.156,385 had been shown under other payables balances in the financial statements without settlement or taken in to the income by the end of the year under review and shown under current liabilities.	Action will be taken to settle in the future.	Action should be taken to recover immediately.

### 1.6.3 Advance

Audit Observation	Comments of the Management	Recommendation
Two capital advances amounting to Rs. 5,319,506 included in the financial statements had not been settled for a long time.	Action will be taken to settle in the future.	Action should be taken to recover immediately.

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

The following observations are made.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a).Financial Regulation of the Democratic Socialist Republic of Sri Lanka			
(i).Financial Regulation 571	Deposits and retentions amounting to Rs. 45,898,995 deposited in the University in 73 occasions during the	Action will be taken to settle in the future.	Action should be taken to recover immediately.

period from 2011 to 2017 for various purposes had not been taken pay to the contractors or taken in to the income even by the end of the year under review.

(ii).Financial Regulation (2)	770	According to the Annual Stock Physical Verification Report conducted during the year 2019, it was observed that 20 recurrent items total valued for Rs. 1,444,532 were not used before 2016 and remained in the stores	Action is being taken as per the recommendations of the committee.	Action should be taken as per the recommendations of the committee.
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(b).University Grants Commission Establishments Code

(i).Section 2.2.4 of Chapter xxii	of	Even though should not act with the intention of making illicit personal gain and use that official position and exercise his official duties or power for the benefit of his relatives, the audit observed that the relatives of two students who were enrolled in academic activities in the University were actively involved in their examinations and practical examinations while serving on the academic staff of the Faculty of Music of the University.	A preliminary investigation has been conducted.	Should not allowed to abuse their powers.
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(ii).Section 26/13 of Chapter iii	Even though required details such as name, subject with signature, subject and number of lectures hours should be marked in a attendance register maintained by the University, certifying the attendance of external lecturers, such register maintained by the Department of Western Music had not been so maintained. The audit also observed instances where signatures had been cut and distorted.	It has been decided to conduct a formal disciplinary inquiry.	Records should be maintained in a proper manner.
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©.University Grants Commission Circular No. 721 dated 21st November 1997	The probationary period of an Apprentice Lecturer in the Faculty of Dance and Drama was limited to one year and was permanent.	Action will be taken to recover overpaid salaries.	Circulars should be followed.
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**2. Financial Review**

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**2.1 Financial Results**

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The operations of the year under review had resulted in a deficit of Rs. 106,865,169 as compared with the corresponding deficit of Rs. 34,126,036 for the preceding year. Thus observing an deterioration of Rs. 72,739,133 in the financial result. The increase in the personal emoluments and provision for gratuity, compared to the increase of recurrent capital grants had main reasons for this deterioration.

### 3. Operating 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 board of examiners had given marks to a student who was not participated for the practical test for the subject of Computer Applications in the Department of Drama, Ballet and New Dance and committed an irregularity by stating that she has participated in the examination in 2016, and, later on, was recruited to the same faculty in 2019 as an Apprentice Lecturer.	Arrangements have been made to conduct a preliminary investigation.	Examination irregularities should be formally investigated and necessary action should be taken.
(b).Action had not been taken to recover Rs. 5,663,792 from 02 officers who had violated the bond agreement for a period of 4 to 8 years made by the academic staff of the university while going for foreign scholarships	It has been stated that action will be taken to recover.	Action should be taken to recover immediately.
©.The management was unable to legally take over three plots of land valued at Rs. 1,022,650,000 by December 31 of the year under review.	It has been mentioned that will be disclosed in the financial statement in the future.	Action should be taken to acquire lands immediately.

#### 3.2 Operating Inefficiencies

The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) (i).Even though the minimum number of hours recommended in the Quality Assurance Framework	Lecture hours are mandatorily allocated for the Lecturers according to the Quality Assurance Framework and	According to the syllabus, the total number of lectures and practical hours to

issued by the University Grants Commission should be allocated for lecturers, 796 hours were allocated less for the 2016/2017 academic year and out of the total number of allocated lectures hours, 2,859.5 hours were not covered.

Lecturers are advised to cover the prescribed number of hours.

be taught should be divided among the academic staff. Lecturers should cover the number of hours allocated to them.

(ii). In terms of Article 6.1 of By-Law No. 20 on Conducting Written / Practical Examinations in By-Law Procedures in the Examination Division, even though the chief examiner should prepare the final marks sheet at the end of the scheduled examination date, there were 16 delays from 01 days to 367 days in submitting the results of the practical examinations of the 2016/2017 academic year to the Examinations Division of the Drama, Ballet and Modern Dance Studies Division.

A preliminary investigation had been conducted.

Arrangements should be made to hand over the mark sheets to the Examinations Division without delay.

(iii). It was observed that practical examinations had been conducted for more than 127 days delays after the end of the relevant academic year on 18th June 2019 in 3 subjects belonging to the 2016/2017 academic year in the Division of Drama, Ballet and Modern Dance Studies.

A preliminary investigation had been conducted

Practical tests should be conducted without delay.



### 3.3 Underutilization of Funds

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<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
The amount of Rs. 403,500 received in 2017 for improving Extra Curricular Activities of the officers remained underutilized until the end of the year under review.	The opening of the fitness center has been delayed due to frequent changes of Vice Chancellors.	Funds should be spent to accomplish the relevant task.

### 3.4 Human Resource Management

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<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
As on 31st December of the year under review, the approved staff was 590 and the actual staff was 465 and there were 125 vacancies. Due to 90 vacancies in the academic staff, Rs. 44,059,344 had been paid for external lecturer allowances during the year under review.	Recruitment has been delayed due to non-academic strikes, elections, dissolution of Governing Bodies and suspension of all recruitments by the Ministry of Higher Education.	Action should be taken to fill the vacancies immediately.

## 4. Accountability and Good Governance

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### 4.1 Annual Action Plan

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<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Even though the action plan for the year under review included 153 activities related to 08 targets, 54 percent of the activities had not been completed by December 31 of the year under review.	There were various challenges in achieving the goals.	Action should be taken to achieve the goals according to the action plan

## 4.2 Budgetary Control

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
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(a).Total allocation of Two Recurrent Items Amounting to Rs. 750,000 had not been fully utilized.	Expenditure has been curtailed as planned due to the Easter attack and non-academic staff strikes.	Measures should be taken to minimize budget variances and utilize the provisions effectively.
(b).Compared with the budgeted expenditure and actual expenditure of the University, expenditure of 07 capital expenditure items and 06 recurrent expenditure items varied between 25% and 95%, thus observing that the budget had not been made use of as an effective instrument of management control.	The value of expenditure has been reduced due to the Easter attack and non-release of funds, and some expenditure has been exceeded due to the change the priorities of the needs due to the crisis situations.	Measures should be taken to minimize budget variances and utilize the provisions effectively.