

1.1 Qualified Opinion

The audit of the Financial Statements of the Swami Vipulananda Institute of Aesthetic Studies (“Institute”) 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 net assets 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 Sub-section 107(5) and section 108 of the Universities Act No. 16 Of 1978 and provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be report 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 accompanying financial statements give a true and fair view of the financial position of the Institute 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 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 determine 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 intend 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 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 auditor's 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 skepticism 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 auditor's 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 auditor's 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 Swami Vipulananda 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 of 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 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
Even though 11 asset items shown under property, plant and equipment as at 31 December of the year under review cost at Rs.14,076,266 were totally depreciated. However those assets are still being used, actions had not been taken to revalue and adjust to accounts in terms of Paragraph 42 of the Sri Lanka Public Sector Accounting Standards - 07.	Action will be taken to revalue the fully depreciated assets which are still being used and adjust to the books of accounts.	Adhere the Sri Lanka Public Sector Accounting Standards.

1.5.2 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
Other grant amounting to Rs. 2,500,000 had been received and utilized for the recurrent purpose had not been amortized and shown under other grant in the financial statements as at 31 December 2019.	Action will be taken to find out the evidence in this regard and adjust the books of accounts accordingly.	Action should be taken to find out the evidence in this regard and adjust the books of accounts accordingly.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Issue	Management Comment	Recommendation
The Loans granted to the staff totaling Rs. 679,352 due from 06 employees who had terminated,	Letters will be sent to recover those balances from their UPF balance.	Action should be taken to recover the outstanding loan balances.

deceased and retired had been remained in the accounts over 07 years without taking actions to recover from their guarantors or their Provident Fund.

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

Reference to Laws, Rules Regulations etc.	Non compliance	Management Comment	Recommendation
<p>(a) Establishments Code of the University Grants Commission and the Higher Educational Institutions Section 3(I) of Chapter XX and Circular Letters of the University Grants Commission No.10/2017 dated 10July 2017</p>	<p>Although, each and every employee of the Higher Institution had to record the arrival and departure time However without being confirmed the attendance and leave of the academic staff, a sum of Rs.125,374,799 had been paid as salaries and allowances during the year under review.</p>	<p>Attendance registers are maintained in each Department and arrivals only are marked by the Academic Staff.</p>	<p>Action should be taken to implement the circular.</p>
<p>(b) Examination manual and Procedures of the Universities Section 2,4 and 5 of Chapter XV</p>	<p>Examination of Answer Scripts of all departments of Institute revealed that marks had been entered on the answer scripts. Marks of the first and second examiners' were same and there was no deviation of marks observed. Therefore there is no Confidentiality in the marking system.</p>	<p>Institute follows the existing marking procedures. There is no necessity to maintain confidentiality between examiners, but they must mark independently.</p>	<p>Action should be taken to implement the Examination manual and Procedures of the University.</p>

(c)	Public Enterprises Circular No. PED/12 of 02 June 2003 Section 6.5.1	A copy of the draft Annual Report for the year under review had not been presented to the Auditor General	A draft Annual report was submitted to the line Ministry and National Audit Dept. with delay, without inserting the financial statements.	Action should be taken in terms of the Circular.
(d)	Treasury Circular No IAI/2002/02 dated 28 November 2002.	Register of Fixed Assets had not been maintained for Fixed assets amounting to Rs.666,355,916. Board of survey report and detailed schedule had not been submitted for audit.	Action will be taken to maintenance.	Action should be taken in terms of the Circular.
(e)	Public Administration Circular No. 18/2016 dated 10August 2016	All the officers including the officers of the Staff Grade of the State Corporations should get their leave approved by the Hon. Minister at the time of their proceeding abroad. Nevertheless, three officers had not taken steps accordingly.	All the overseas leaves of staff members are recommended at the Leave and Awards Committee and sent to the line Ministry for its approval before their departure. But, the approval letters of Line Ministry is received with little delay and those approvals were sent by the Ministry to the EUSL, Chenkalady instead of sending to SVIAS.	Action should be taken in terms of the Circular.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs. 23,344,485 and the corresponding deficit in the preceding year amounted to Rs. 1,511,914. Therefore, a deterioration amounting to Rs. 24,856,399 of the financial result was observed. The reasons for the deterioration are increase of Academic allowance by Rs. 17,850,798 and gratuity by Rs. 6,444,558.

2.2 Trend Analysis of major Income and Expenditure items

Major Income and Expenditure were identified as Recurrent grant and Personal Emoluments of Rs. 237,275,000 and Rs. 208,168,823 respectively during the year under review which had been increased by 22% and 45% as compared with the preceding year.

2.3 Ratio Analysis

Current Asset ratio of Quick ratio had been revealed as 1.54 of 1.43 respectively during the year under review which had been decreased by 0.55 as compared with the Preceding year, as a result of increases in Accounts Payable by Rs. 9,847,141.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendations
(a) Even though 15 years had elapsed from the commencement of the Institution, external degree or diploma courses had not been initiated by the Institute as self-financing source of income	Since our course of study are practical oriented and we are in lack of infrastructure facilities, those fee levying courses were not started. Anyhow extra mural courses were commenced from 2019.	Action should be taken to initiate the external degree or diploma courses.
(b) The Capital grant Rs.15, 000,000 had been received for capital expenditure during the year under review and out of this amount Rs.5,872,155 had remained unspent which represent 39 percent had not been utilized for the intended purposes which included in the master procurement plan and annual budget of 2019.	Commitments are available for this comments	Action should be taken to utilize the capital grant for the intended purpose with in the stipulated time period.
(c) According to the action plan 2019 introduction of four new Degree programs and specialization, establishment of new departments or units should be established. Nevertheless, it had not been established up to the date of this report.	Preliminary steps had been taken to introduce new Degree programs. We are going to introduce four new degree programs. Submitted proposal for initiating degree programs under Department of Teaching Languages, which will be placed to the forth coming academic syndicate meeting for its recommendation.	Action should be taken to introduce the Degree programs and specialization, establish new departments or units.

- (d) According to the Establishment Circular No. 15/2015 dated 17 November 2015 of the University Grants Commission, the results of the examinations conducted for the internal students should be released within 03 months. However, the results for the final examinations conducted for the academic year 2017/2018 of the Institute had been released with the delay period ranging from 04 to 06 months. This practice had affected the student's employment opportunities after passing out.
- The second marking of most of the papers are done by external examiners. Due to unfortunate situation we are unable to obtain marks from second markers on time, which lead to delay in releasing results. Proper mechanism has been reached to expedite the process of marking and releasing results on time.
- Action should be taken to follow the circular.

3.2 Human Resources Management

Audit Issue	Management Comment	Recommendations
According to the information made available to Audit, 11 vacancies in the post of the Academic Staff including the post of Director and 36 vacancies of Non Academic Staff of the Institute as at 31 December of the year under review had not been filled up to the date of this report.	Under the Commission circular no.876 most of the Non-Academic are filled as per the list of names obtained from the line Ministry. In 2019 a list of names obtain from the Ministry and actions were taken for recruitments	Action should be taken to fill the vacancies based on the Approved permanent cadre.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Issue	Management Comment	Recommendation
Progress Report of the Annual Action Plan for the year 2018 and 2019 had not been prepared and furnished to audit. In the absence of the progress report, it is not possible to ascertain whether the goals and objective of Annual Action Plan had been achieved by the Institute. Therefore, utilization of Annual Action plan to achieve the effectiveness and efficiencies of the Institution could not have been measured and quantified in audit.	There is considerable delay in submitting annual action plan for the year 2018 and 2019. Actions has been taken to prepare annual action plan for the year 2021.	Progress Report should be furnished with in the specific time frame to evaluate and measure the Annual Action plan.

4.2 Sustainable Development Goals

Audit Issue	Management Comment	Recommendation
In terms of the Letter No.NP/SP/SDG/17 of 14 August 2017 on sustainable development issued by the Secretary to the Ministry of National Policies and Economic Affairs and the “2030 Agenda” for Sustainable Development of the United Nations, the University was aware of the manner in implementing the functions that come under its scope. However, action had not been taken by the Institute to implement the functions which related with the circular.	Accordingly, actions would be taken immediately for sustainable development	Action should be taken to implement the circular.