

Gampaha Wickramaarachchi Ayurveda Institute - 2020

1. Financial Statements

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 2020 comprising the statement of financial position as at 31 December 2020 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 Section 19 of the Gampaha Wickramarachchi Ayurvedic Institute Regulations No. 1 of 1995 enacted in terms of Section 18 of the Universities Act No. 16 of 1978 and the 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 2020, 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 Audit Observations on the Preparation of 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

Non-compliance with Reference to the relevant Standard	Comments of the Management	Recommendation
Since useful life time of the non-current assets had not been reviewed annually in terms of Paragraph 65 of the Sri Lanka Public Sector Accounting Standard 07, fixed assets costed for Rs. 108,343,085 were further in use despite being fully depreciated. As such, action had not been taken to revise the said estimated error in the financial statements in terms of Sri Lanka Public Sector Accounting Standard 03.	It was informed that the assets will be properly assessed and accounted for on the date of starting of the new university.	Sri Lanka Public sector accounting standards should be complied.

1.5.3 Accounting Policies

Audit Observation	Comments of the Management	Recommendation
Machinery and equipment included in property, plant and equipment was depreciated at 10 percent annually without disclose.	It was informed that will be clearly stated in the final accounts separately in the future.	The accounting policies followed should be accurately disclosed.

1.6 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
Public Finance Circular No. 01/2020 of 28 August 2020	(a) The advance of Rs. 190,650 given on 08 occasions without proper planning had been retained in hand and repaid without spending for the relevant work after 06 to 80 days delay.	It was reported that this was due to the fact that works had to be postponed from time to time due to the epidemic situation.	Circular provisions should be followed.
	(b) Even though the advance should be settled soon after the intended work is completed, the advance of Rs. 128,700 given in 04 occasions had been settled between 8 days to 98 days delay.	Delays in obtaining vehicle licenses, non-holding of retirement ceremonies, disruption of parcel postage and restrictions on travel to the area where the institution is located were reported for the delay in settlement of advances.	Circular provisions should be followed.

2. Financial Review

2.1 Financial Results

The operations result of the Institute for the year under review had been a deficit of Rs. 45,350,417 as compared with the corresponding deficit of Rs. 80,540,075 for the preceding year, thus indicating an improvement of Rs.125,890,492 in the financial result. The increase in the recurrent income and self-financing course income and decrease in expenditure on personal emoluments in the year under review had been the main reasons for the said improvement.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
During the physical inspection carried out on 07 April 2021 at the Mathalana Herbal Park in Wathupitiwala with an land extent of 2.3533 hectares which was acquired as a free acquisition in the year 2013, shortcomings such as failure to introduce a suitable methodology to easily identify the relevant vegetation, failure to conduct a census of existing vegetation, lack of reporting on vegetation location and unavailability of constant plan for running the park were observed.	Occasional management changes in the organization during the past period have caused some difficulties in planning, implementing and maintaining the development activities of the park.	The activities of the herbal park should be carried out with a proper planning and management.

3.2 Operation Inefficiencies

Audit Observation	Comments of the Management	Recommendation
The number of non-covered practical training and clinical training lecture hours during the year under review was 2981 and 70 respectively and information on how to cover those uncovered hours was not submitted to the audit.	Practical training was disrupted due to the travel restrictions imposed on the spread of the Covid-19 epidemic.	Action should be taken to cover the non-covered training lecture hours.

3.3 Underutilization of Funds

Audit Observation	Comments of the Management	Recommendation
The total sum of Rs. 2,400,358 in 19 funds and grants as at 31 December of the year under review had not been utilized for the intended purposes.	Funds will be utilized in the future.	Funds and grants should be utilized for the intended purposes.

3.4 Deficiencies in Contract Administration

Audit Observation	Comments of the Management	Recommendation
The construction work of the ladies hostel was commenced in 2017 and the construction was suspended after incurred a cost of Rs. 572,000 due to lack of proper approval.	It was also stated that this amount would be further retained for the purpose of capitalization if the suspended project is resumed in the future.	Necessary approvals should be obtained immediately and action should be taken to complete the relevant work.

3.5 Human Resources Management

Audit Observation	Comments of the Management	Recommendation
Even though the approved academic cadre was 200, the actual cadre was 156 and there were 44 vacancies as on 31 December of the year under review and action had not been taken to fill the vacancies during the year under review.	It was informed that the filling of vacancies was temporarily suspended as it was advantageous to fill the vacancies after the commencement of the new University.	Action should be taken to fill the vacancies in the cadre as required.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comments of the Management	Recommendation
The budget had not been used as an effective management control tool as variances ranged from 37 percent to 431 percent were observed when comparing the actual figures with the budget prepared for the year 2020.	It was stated that due to the epidemic situation in the country in the year 2020, it was difficult to carry out the targeted expenditure due to problems in carrying out the activities of the institution as planned.	The budget should be used as an effective management control tool.