

Swami Vipulananda Institute of Aesthetic Studies - 2021

1. Financial Statements

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 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance, statement of changes in net asset 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 and Finance Act, No. 38 of 1971. 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 2021, 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 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 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 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 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 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 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non-Compliance with the reference to particular Standard	Management Comment	Recommendation
(a) The cost of computer & accessories, building & improvements and other assets of Rs.2,232,364 had been shown under Machinery without grouping of assets of a similar nature or function in an entity's operations according to Paragraph 50 of the Sri Lanka Public Sector Accounting Standard 7. As a result, the accumulated depreciation as at 31 December 2021 had been understated by Rs.524,029.	That the all these classification errors will be rectified.	Should be comply with the Sri Lanka Public Sector Accounting Standards.
(b) The useful lifetime of fixed assets had not been reviewed annually in terms of paragraph 65 of the Sri Lanka Public Sector Accounting Standard 7. Property, Plant and Equipment costing Rs.24,866,889 had been fully depreciated but still being used by the end of the year under review. No action had been taken to rectify the above estimated error in accordance with Sri Lanka Public Sector Accounting Standard 3.	That the revaluation of the fully depreciated assets will be performed after finalizing the fixed asset register.	-do-

1.5.2 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
(a) Capital grants amounting Rs.1,500,000 received for the acquisition of non-current assets from treasury during the period from 2007 to 2009 had not been amortized.	That the action will be taken to amortize the grant after tracing the relevant source documents.	Action should be taken to amortize the grant.
(b) Although the building of Maintenance Section had been demolished in the year 2018, the cost of the	That it is unable to trace the amount of	Cost should be identified and

building had not been identified and written-off from the financial statements.

items to be removed from the books of accounts. written off from the financial statements.

1.5.3 Unreconciled Control Accounts or Records

Audit Issue	Management Comment	Recommendation
(a) According to the financial statements submitted for audit, the cost of sports goods as at 31 December 2021 was Rs.1,940,681, but according to the reports of the board of survey conducted on that date, the cost was Rs.629,699. The reasons for the difference of Rs.1,310,982 had not been submitted for audit.	That the difference will be reconciled after preparation of fixed asset register.	Action should be taken to reconcile the differences.
(b) According to the financial statements submitted for the audit, the cost of library books and periodicals as at 31 December 2021 was Rs.6,507,291, but according to the accession register the cost was Rs.9,811,895. The reasons for the difference of Rs.3,249,988 had not been submitted for audit.	That the action will be taken to reconcile the differences in year 2022.	Action should be taken to reconcile the differences.

1.5.4 Documentary Evidences not made available for Audit

Audit Issue	Management Comment	Recommendation
The Relevant documents of the building cost of Rs.74,380,017 which brought forwarded from 01 January 2016 had not been made available for audit.	That the breakup for the building balance is being prepared.	Action should be taken to submit the relevant documents for audit.

1.6 Accounts Receivable

Audit Issue	Management Comment	Recommendation
(a) Bond receivables Rs.2,128,637 from a lecturer who breached the agreements had not been recovered for 08 years.	That the University will proceed to recover from the University Provident Fund.	Action should be taken to recover the bond receivables.
(b) The loan outstanding from 03 officers and other receivables amounting Rs.464,891 had failed to be recovered by 31 December 2021 and remained in arrears for a period of 02 to 09 years.	That the action will be taken to recover the loans.	Action should be taken to recover the receivables.

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

Reference to Laws, Rules Regulations etc.	Non- Compliance	Management Comment	Recommendation
(a) Financial Regulation 571 of the Financial Regulations of the Government of the Democratic Socialist Republic of Sri Lanka.	Action had not been taken to settle or credit to the government revenue in respect of retention money of Rs.724,975 remained for over 02 years.	That it will be settled once the defects are rectified.	Financial Regulations should be followed.
(b) Sub-section 3.1 of Chapter XX of Establishments Code of the University Grant Commission and the Higher Educational Institutions and Circular Letters of the University Grants Commission No.10/2017 dated 10 July 2017.	Although all staff should be proven their attendance through the finger print machine, the academic staff had not complied with that requirement.	That the academic staff members do not register their arrival/ departure in the finger scanner.	Circular instructions should be followed.
(c) University Grant Commission Circular Letter No. 04/2013 dated 10 April 2013.	The Annual Board of Survey for the year under review should be conducted and the report thereon should have been furnished to the Auditor General on or before 17 March 2022. However, such report had not been furnished to audit even up to 25 July 2022.	That the actions will be taken to finalize the Board of Survey 2021.	-do-

2. Financial Review

2.1 Financial Result

The operating result of the year under review was a surplus of Rs. 1,169,824 as compared with the corresponding surplus of Rs.2,489,736 in the preceding year, thus observing a deterioration of Rs. 1,319,912 in the financial result. The increase in expenditure on personal emoluments by 8 per cent as against the preceding year had mainly attributed to this improvement.

2.2 Trend Analysis of Major Expenditure items

The expenditure of the University such as personal emoluments for the year under review had been increased by Rs. 16,879,507 and 8 per cent as compared with preceding year.

3. Operational Review

3.1 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
(a) According to the Ethics and Academic Accountability for the Academic Staff issued by the University Grant Commission in the year 2015, the minimum student contact hours per year by the Head, Chair Professor, Professor, Senior Lecturer, Lecturer, Instructor Grade I and Instructor Grade II should reflect in the personal time table as 180, 380, 450 and 510 hours respectively. As per the information made available for audit, only an average of 56 per cent of work norms had been allocated for students teaching whereas the records to prove the work norm allocation for the participation and supervision of research, preparation and guidance of students to the practical sessions to reflect in the personal time table had not been made available to audit.	That the student contact hours spent on participation and supervision of research, preparation and guidance of students to the indoor and outdoor aesthetic events and notional hours relating to the practical sessions have not been considered when calculating the work norms.	Action should be taken to develop a guideline based on the work norms to reflect the total student contact hours and total workload of the academic staff.
(b) A Lecturer had been recruited under Probation period in the Folklore and Cultural Studies on 03 September 2018 in the Department of Visual Technological Arts. However, the particular lecturer had not been allocated the workload due to the non-availability of the above subject in the Department of Visual Technological Arts since 04 September 2019 to end of the year under review. During such period, an amount of Rs.5,087,571 was paid as salaries and allowances without receiving any services from the lecturer.	That the effort was made to obtain her service at the Faculty of Arts and Culture, EUSL	Arrangements should be made to obtain the service.
(c) The existing subjects and syllabus of the Institute should be updated to suit the job market and the national economy of the country and also the curriculum should also include technical subjects and language skills to adapt to the ever-changing job market. However, the revised curriculum for Bachelor of Fine Arts in Music, Dance, Drama & Theatre and Visual & Technological Arts had not been approved by the Senate even up to 25 July 2022.	That the curriculum of the institute has been revised and waiting for the approval of the Senate.	Action should be taken to implement the revised curriculum.

3.2 Underutilization of Funds

Audit Issue

The Fund of Rs.10,000,000 which was given by the University Grant Commission for the Infrastructure development of Information Technology of the institute for online teaching, learning and assessment during the year under review had not been utilized for the intended purposes even by the end of the year under review.

Management Comment

That the due to the price escalation in the market, lowest bidder didn't agree to supply the items and estimate is being prepared for Rs.10 Million.

Recommendation

Action should be taken to use the provision for the intended purpose.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Issue

According to the action plan for the year under review, 76 activities were planned to be implemented under five targets. Nevertheless, an average progress of 41 per cent of activities had not been completed. The progresses of activities such as creating management information system throughout the Institute, conducting training program to employees, purchasing teaching and office equipment, improvement of auditorium and renovation works were at a low level below 30 per cent.

Management Comment

That the annual action plan could not be completed up to the expected level due to the COVID 19 pandemic situation.

Recommendation

Action should be taken to complete the actives within the time frame.

4.2 Sustainable Development Goals

Audit Issue

Although the Institute was aware of the United Nations' Agenda for Sustainable Development 2030, actions had not been taken to identify the milestones to achieve the Sustainable Development Goals and objectives that could be applied to the organization and the indicators for measuring achievements on those goals.

Management Comment

That the action will be taken to identify the sustainable development goals in the Action Plan and Strategic Plan of the Institute.

Recommendation

Action should be taken to identify the sustainable development goals.