

## **Gampaha Wickramarachchi University of Indigenous Medicine - 2021**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Gampaha Wickramarachchi University of Indigenous Medicine 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 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 and National Audit Act, No. 19 of 2018 read in conjunction with Sub section 107(5) of the Universities Act No. 16 of 1978. 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 University as at 31 December 2021, 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**

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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**

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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 Institute.

#### **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 Audit Observations on the Preparation of 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.

### **1.5.2 Non-compliance with Sri Lanka Public Sector Accounting Standards**

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<b>Non-compliance with Reference to the relevant Standard</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) 379 items in 15 types of capital goods costed for Rs. 8,510,955 procured in the year under review remained in the stores without being issued were recognized as current assets instead of recognized as property, plant and equipment as per paragraph 14 of the Sri Lanka Public Sector	It was informed that the goods procured for the university will be done through the stock advance account and will be recognized as fixed assets only after the relevant capital goods are issued and	Assets should be properly identified and accounted for.

Accounting Standard 7. As such, provision for the cost of current assets and the depreciation cannot be made until then. the cost of non-current assets shown in the statement of financial position were over stated and under stated by same value respectively.

- (b) The capital grants received during the year under review amounted to Rs. 118,800,000 had not been recognized and measured in the financial statements in accordance with Sri Lanka Public Sector Accounting 11. It was informed that, Sri Lanka Public Sector Accounting Standard should be followed. relevant in the future.

### 1.5.3 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
Due to capitalization of Rs.1,150,500 spent on repairing a vehicle during the year under review, the cost of vehicles was over stated by that amount and the depreciation of vehicles for the year was over stated by Rs. 247,752 as on 31 December 2021. As such, the surplus of the year under reviewed was also over stated by Rs.902,748.	It was also informed that the car received from the Ministry of Higher Education was not in running condition and was referred to the relevant agent and the necessary repairs were carried out to make it in running condition. The initial expenses incurred to bring the vehicle into running condition were capitalized accordingly.	Capital and recurrent expenditure should be accurately identified and accounted for.

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
Financial Regulation 570(c) of the Financial	Action had not been taken regarding retention of money	An amount of Rs.101,500 had been released from this	Financial Regulations should be complied.

Regulations of the Democratic Socialist Republic of Sri Lanka. Rs.1,240,057 retained over 2 years as on 31 December 2021, in terms of the Financial Regulations. amount so far and was also informed that the remaining balance will be released or taken to the income in the year 2022.

**1.7 Financial Management**  
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Audit Observation -----	Comments of the Management -----	Recommendation -----
A sum of Rs. 10,000,000 provided by the University Grants Commission on 16 February 2021 for the procurement of IT Infrastructure for Online Teaching, Learning and Assessment had been invested in a fixed deposit as on 31 December 2021, without being utilized for the relevant purpose.	The related funds had been invested in short term investment until the procurement activities of infrastructure facilities are done in establishment of the university and the related procurement activities are already being carried out.	The funds given should be used for achieving relevant objectives.

**2. Financial Review**  
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**2.1 Financial Results**  
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The operations result of the University for the year under review had been a surplus of Rs.57,234,604 as compared with the corresponding surplus of Rs.45,350,417 for the preceding year, thus indicating an improvement of Rs.11,884,187 in the financial result. The increase in the recurrent grant had been the main reason for the said improvement.

**3. Operational Review**  
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**3.1 Management Inefficiencies**  
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Audit Observation -----	Comments of the Management -----	Recommendation -----
Although it was planned to operate 03 faculties in the university which had been upgraded to the university	It was informed that the recruitment of academic and non-academic staff approved by the Department of	Arrangements should be made to start the academic activities of the faculties promptly to make

status from 01 March 2021, only the previous Indigenous Medicine Faculty was in operation as of 31 December 2021. Although the two new faculties had not been started, 48 people had been recruited for the academic and non-academic staff for those faculties by August 2021 and a total sum of Rs.41,423,070 was paid as salaries and allowances from that date to 31 December of the year under review.

Management Services for the 4 Faculties of the University had been completed and the recruitment had been done as many activities had to be completed before the commencement of teaching, since online teaching had been started from 21 March 2022.

effectiveness in the payment of salaries and allowances.

### 3.2 Funds Under Utilization

<p style="text-align: center;">-----</p> <p style="text-align: center;"><b>Audit Observation</b></p> <p style="text-align: center;">-----</p>	<p style="text-align: center;"><b>Comments of the Management</b></p> <p style="text-align: center;">-----</p>	<p style="text-align: center;"><b>Recommendation</b></p> <p style="text-align: center;">-----</p>
<p>A total sum of Rs.6,457,008 remained in 14 funds was not utilized for the respective purposes during the year under review.</p>	<p>It was unable to carry out the activities properly due to the Covid epidemic situation in the country and related measures are being taken in 2022.</p>	<p>Funds should be utilized to achieve the objectives.</p>

### 3.3 Delays in Execution of Projects and Capital Works

Audit Observation	Comments of the Management	Recommendation
<p>The construction of the four-storied academic building was awarded on 18 September 2014 for a contract value of Rs. 134.5 million, but due to a dispute, the contract was terminated on 03 July 2019, and the amount spent on that date was Rs. 114.15 million. The remaining construction work of the building was restarted on 24 December 2020 as Phase II, but the construction works could not be completed even by 31 December 2021 and a sum of Rs. 4,247,209 had also been paid to a company providing consultancy services for this construction work.</p>	<p>The contractor was terminated from the construction on the agreement of both parties due to his failure to carry out the construction work properly and, after that, the balance of the construction works were carried out by two other contractors. The construction work could not be completed at the end of 2021 due to the crisis situation in the country due to the Covid epidemic situation and the shortage of raw materials.</p>	<p>Action should be taken to complete the construction of the building immediately and put it into use.</p>