

Appropriation Head 171

**Report of the Auditor General for the Ministry of Higher Education and the Departments
under the Ministry - Year 2012**

This report comprises of 2 parts :

- Part 1 - Summary Report of the Accounts of the Ministry and the Department under the Ministry
- Part 2 - Detailed Report relating to each Appropriation Head

Part I

Summary report on the Accounts of the Ministry of Education and the Department under the Ministry

1. Departments under the Ministry

Head of Expenditure	Name of Department
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214	University Grants Commission

2. Accounts

2:1 Appropriation Accounts

(a) Total Provision and Expenditure

The total net provision made for the Ministry and the University Grants Commission amounted to Rs.23,844,700,000 and a sum of Rs.20,886,307,364 out of that had been utilized by the end of the year under review. Accordingly, the savings out of the net provisions of the Ministry and the University Grant Commission ranged between Rs. 1,412,737,166 and Rs. 1,545,655,470 or in the range of 42 per cent to 7.5 per cent of the total net provisions. Details appear below.

Appropriation Head	Ministry/ Department	Net Provision as at 31 December 2012		Utilization as at 31 December 2012		Savings as at 31 December 2012	
		Recurrent	Capital	Recurrent	Capital	Recurrent	Capital
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
171	Ministry of Higher Education	922,000,000	2,425,200,000	721,972,509	1,212,490,325	200,027,491	1,212,709,675
214	University Grants Commission	14,719,000,000	5,778,500,000	14,611,003,000	4,340,841,530	107,997,000	1,437,658,470
	Total	<u>15,641,000,000</u>	<u>8,203,700,000</u>	<u>15,332,975,509</u>	<u>5,553,331,855</u>	<u>308,024,491</u>	<u>2,650,368,145</u>

2:2 Advance Accounts

2:2:1 Advances to Public Officers Account Limits Authorized by Parliament

The following limits authorized by Parliament for the Ministry in respect of the Advance to Public Officers Account had been complied with. Details appear below.

Head	Item Number	Expenditure		Receipts		Debit Balance	
		Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
		Rs.	Rs.	Rs.		Rs.	Rs.
171	17101	4,500,000	3,543,610	2,300,000	2,605,076	18,000,000	13,239,901

2.3 General Deposits Account

The balance of the General Deposit Account of the Ministry as at 31 December 2012 amounted to Rs.102,915,127. The details thereon appear below.

<u>Ministry</u>	<u>Account Number</u>	<u>Balance as at 31 December 2012</u>
Ministry of Higher Education	6000/0000/00/0015/0018	Rs. 102,915,127

Part – II

Detailed Report relating to each Appropriation Head

1. Appropriation Head 171 – Ministry of Higher Education

1.1 Scope of Audit

The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Ministry of Higher Education for the year ended 31 December 2012 was carried out in pursuance of provisions of Article 154(1) of the Constitution of the Democratic Socialist Republic in Sri Lanka. The Management Audit Report for the year under review was issued to the Secretary to the Ministry on 14 August 2013. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

1:2 Responsibility of the Chief Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Account, and the Reconciliation Statements in accordance with the provisions of Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and the Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

1:3 Audit Observations on the Accounts and Reconciliation Statements

According to the Financial Records and the Books for the year ended 31 December 2012, it was observed that except for the effects of the general observations appearing at (a) to (d) and other major observations appearing in paragraphs 1:4 to 1:8 herein, the Appropriation Account, and the Reconciliation Statement of the Ministry of Higher Education had been prepared satisfactorily.

(a) Budgetary Variance

- (i) The entire net provisions amounting to Rs. 443,681,673 made under 14 Objects had been saved.
- (ii) Excess provisions had been made for 09 Objects and as such the savings after the utilization of the provisions ranged between 50 per cent to 99 per cent of the net provisions relating to those Objects.
- (iii) The original provisions of 16 Recurrent and Capital Objects had been increased in the ranges of 50 per cent to 2973 per cent of the original provisions while the original provisions of 06 Objects had been reduced in the ranges of 20 per cent to 42 per cent through the Virement Procedure.

(b) Public Expenditure Management

According to the National Budget Circular No.155 of 30 December 2011 two per cent and nine per cent of the recurrent and capital expenditure respectively out of the provision made by Parliament for the year 2012 in the Annual Budget Estimates should have been saved. Nevertheless the Ministry had not saved provisions as required.

(c) General Deposit Account

The sum of Rs.62.8 Million saved out of the sum of Rs.204.6 Million made available by the University Grants Commission during the year under review to the Ministry in connection with the Programme on Leadership Training and Positive Thinking for the freshers had been retained in the General Deposit Account as at 31 December 2012 without the approval of the Treasury.

(d) Reconciliation Statements of the Advance to Public Officers Account

- (i) Accounting to the Reconciliation Statement as at 31 December 2012 of the Advances to Public Officers Account Item No.17101, the balances that remained outstanding as at that date amounted to Rs.323,007 and had failed to recover those outstanding balances.
- (ii) Action had not been taken for the recovery of the loan of Rs.752,434 of the Accountant who had obtained no pay leave abroad with effect from 01 October 2012. That amount had been shown under the loan balance recoverable as at the end of the year from the in-service officers.

1.4 Good Governance and Accountability

1.4.1 Corporate Plan

Even though the Ministry should have prepared a Corporate Plan at least for a period of 03 years from the year 2010 at the beginning of the year in terms of the letter No. PF/2/2/3/5(4) dated 10 March 2010 of the Director General of Public Finance addressed to all Secretaries to Ministries , Chief Secretaries of Provincial Councils, Heads of Departments, District Secretaries and the Heads of Local Authorities, that plan and not been prepared even by 31 December 2012. It had been prepared only on 03 July 2013.

1.4.2 Annual Performance Reports

Even though the Annual Performance Report that should have been prepared by the Ministry within 150 days after the close of the financial year in terms of the Public Finance Circulars No.402 of 12 September 2002 and No. 402(1) of 20 February 2004 referred to in the letter of the Director General of Public Finance referred to in Paragraph 1.4.1 above, should have been tabled in Parliament with copy to the Auditor General, a Performance Report relating 09 months of the year under review only had been tabled in Parliament.

1.4.3 Annual Procurement Plan

The Annual Procurement Plan in terms of the National Budget Circular No.128 of 24 March 2006 had not been prepared even by 31 December 2012. That Plan had been prepared only on 28 January 2013.

1.5 Assets Management

1.5.1 Conduct of Annual Boards of Survey

In terms of the Public Finance Circular No.441 of 09 December 2009 as amended by the letter No.PF/Board of Survey /01 dated 17 December 2010 of the Director General of Public Finance, the Annual Board of Survey should have been conducted before 31 March 2013 and the report should have been furnished to the Auditor General, Nevertheless, the Ministry had not furnished those reports to audit even by 31 May 2013.

1.5.2 Irregular Use of Assets not taken over

Action had not been taken to effect the transfer of a motor vehicle obtained from the Ministry of Labour and Labour Relations in February 2011, in the name of the Ministry.

1.5.3 Unsettled Liabilities

The unsettled liabilities of the Ministry less than one year old as at 31 December 2012 amounted to Rs.31,942,593.

1.6 Non – compliance with Laws, Rules , Regulation etc

Instances of non – compliance with the provisions in the laws, rules , and regulations observed at audit test checks are analyzed below.

	<u>Reference to Laws, Rules and Regulations</u>	<u>Value</u>	<u>Non- compliance</u>
(a)	<u>Financial Regulations</u>	Rs.	
	(i) Financial Regulations 94	10,206,792	No expenditure or commitment incurred by an institutions should exceed the provisions made for the financial year. Nevertheless, Commitments exceeding the provisions made under 19 Objects had been incurred.
	(ii) Financial Regulation 104	-	Losses and damage to motor vehicles had not been reported to the Auditor General.

- (iii) Financial Regulation 1645 (b) Daily Running Chart of Format 268 had not been regularly supervised by the Supervisor
- (b) Public Enterprises Circular No. 116 of - 24 January 1997 Contrary to the Public Enterprises Circular No. 116, three employees of the University Grants Commission, three casual employees of the Sri Lanka Institute of Advance Technological Education and fifteen employees of the Higher Education for the Twenty First Century Project had been deployed in the duties of the Ministry of Higher Education.
- (c) Public Finance Circular No. 449(d) of 21 414,500 February 2011. The personal approval of the Secretary to the Ministry had not been obtained for making payments to four officers recruited on the basis of payments on the supply of emergency services.

1.7 Weaknesses in the Implementation of Projects

1.7.1 Higher Education for Twenty First Century Project

According to the Loan Agreement of the Higher Education for Twenty First Century Project, the total cost estimate amounted to US \$ 40 Million. The project is financed by the International Development Association and the Project comprises 04 components. The Projects commenced its activities on 1 November 2010 and is scheduled for completion on 31 December 2015. The matters observed in audit are given below.

(a) Financial Performance

According to the financial statements, the Project expenditure for the year under review amounted to Rs. 655,634,292 and the cumulative expenditure as at 31 December 2012 amounted to Rs.906,222,843.

(b) Uneconomic Transactions

Even though hire charges amounting to Rs.1,320,000 had been paid for two motor vehicles obtained on hire basis in the year 2012, the particulars of the utilization of those motor vehicles for the purpose of the Project had not been furnished to audit.

(c) Lack of Evidence for Audit

Even though a sum of Rs.2,891,547 had been spent in the year 2012 as the cost of fuel for Project motor vehicles , the Daily Running Charts of the motor vehicles had not been furnished to audit.

(d) Non – compliance with Laws, Rules , Regulations etc.

The following observations are made.

- (i) Five cheques valued at Rs.180,000 issued but not presented for payment for more than 06 months had not been written back to revenue in terms of Financial Regulation 396(d).
- (ii) Instead of placing the salaries of 05 officers on the respective salary steps, the salaries had been paid on the maximum salary steps without the written approval of the World Bank and contrary to paragraphs 4.2.1 and 4.2.4 of the Management Services Circular No.33 of 05 April 2007 and a sum of Rs.40,000 had been overpaid per month.

(e) Utilizations of Funds

According to the financial statements, a summary of the performance of the Project for the year ended 31 December 2012 is given below.

Particulars	Approved Provision	Actual Expenditure as at 31 December 2012	Utilization as a percentage of the Approved Provisions
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	Rs.	Rs.	
Develop a National Higher Education Qualification Framework for the Higher Education Sector	6,500,000	762,288	12
Establish Quality Assurance Mechanisms for the Entire Higher Education Sector	21,000,000	9,551,965	45
Total Component - 1	<u>27,500,000</u>	<u>10,314,253</u>	38
University Development Grant UDG	200,000,000	206,152,021	103
Quality and Innovation Grant (QIG)	12,000,000	9,513,189	79
Total Component - 2	<u>212,000,000</u>	<u>215,665,210</u>	102
Modernizing Sri Lanka Institute of Advanced Technological Education Programs and Management	20,000,000	9,380,984	47
Promoting Regional Equity of Access to Advanced Technological Education	217,900,000	178,452,093	82
Total Component - 3	<u>237,900,000</u>	<u>187,833,077</u>	79
Human Resources Development of Academic, Managerial and Technical Staff	117,100,000	115,469,828	99
Policy Studies, Research, Monitoring, Evaluation, Coordination and Communication	155,500,000	126,351,924	81
Total Component - 4	<u>272,600,000</u>	<u>241,821,752</u>	89
Grand Total	<u>750,000,000</u>	<u>655,634,292</u>	<u>87</u>

(f) Physical Performance of the Project

The Component wise physical performance of the Project is given below.

I. Institutionalization of Regulations for the Higher Education Sector

Even though development of a National Qualifications Framework for the Higher Educations Sector of Sri Lanka and the establishments of a Quality Certificate System on the institutional frame work should have been completed by the end of the year 2012 action had not been taken even up to the end of the year 2012 to establish and implement in the institutions of Higher Education.

II. Promotions of Teaching and Teaching Conditions

(i) The Universities Development Grants

The Universities Development Grants assists in the Sectors of all Universities identified by the Project as of primary importance for the development of higher education suitable for the economy. The Project will assists for the following

- Improvement of English Language Skills of Students
- Improvement of Information Technology Skills
- Development of soft – skills of Undergraduates
- Promoting ethnic cohesion

According to the overall plan of the Project provisions had been allocated to each University to complete the above activities within 03 years. Out of the provisions made for the initial two years the utilization by the end of the year 2012 ranged between 0 per cent to 54 per cent. Even though component-wise financial progress had been indicated the physical progress had not been indicated in the reports. Details appear below.

University -----	Provision -----	Actual Expenditure -----	Percentage of Utilization -----
	RS	RS	
Colombo	73,870,000	30,194,362	41
Eastern	37,280,000	1,129,721	3
Gampaha Wichramarachchi	2,969,000	1,038,936	35
Institution of Indigenous Medicine	5,534,000	199,000	4
Jaffna	67,229,500	1,085,878	2
Sri Jayewardenapura	83,042,000	898,760	1
Kelaniya	65,130,000	31,496,587	48
Moratuwa	38,100,000	10,457,363	27
Open	31,333,000	5,583,344	18
Peradeniya	80,556,000	137,000	0.2
Rununa	56,490,000	10,447,915	18
Rajarata	46,300,000	5,733,120	12
Sabaragamuwa	27,539,500	Nil	0
South Eastern	22,405,000	10,303,367	46
Swami Vipulananda Institute	9,000,000	230,986	3
Uva Wellassa	14,075,000	3,127,347	22
Visual and Performing Arts	23,720,200	6,231,753	26
Wayamba	19,146,000	10,337,337	54

(ii) The Quality and Innovative Grants

The Quality and Innovative Grants assist the strategic studies of the Universities. Under these grants plans had been made for utilization on syllabus revisions, modernization of teaching , systems of learning and assessing innovative activities under 04 components for the strenthening of the relationship of the Universities in connection with employability of graduates, technical commercial

offices and business centres. Out of the provisions made to the Colombo , Kelaniya and Peradeniya Universities for these activities in the initial 02 years and the utilizations ranged between 01 per cent to 15 per cent, as at the end of the year 2012 Details appear below.

University	Faculty	Provisions	Actual Expenditure	Percentage of Utilization
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		Rs.	Rs.	
Colombo	Education	19,868,660	160,000	1
	Medicine	23,835,500	189,398	1
	Science	21,949,000	1,375,000	6
Kelaniya	Humanities Studies	22,728,500	576,710	3
	Science	24,592,000	1,408,535	6
Peradeniya	Postgraduate Institute of Agriculture	22,096,000	3,375,651	15
	Postgraduate Institute of Science	22,506,500	2,427,894	11

III. Modernization of Sri Lanka Institute of Advance Technological Education

A modernization programme with objective of modernization of the Institutions of Sri Lanka Institute of Advance Technological Education and the Institutions functioning under in Sri Lanka Institute of Advance Technological Education had been forwarded by the Higher Education for the Twenty First Century Project. The following observations are made in this connection.

- (i) Even though the project had planned for the establishment of a Leadership and Quality Development Centre for the development of the Sri Lanka Institute of Advance Technological Education, it had not been commenced up to 31 May 2013.
- (ii) Even though the construction of the Advance Technological Institute, Ratnapura had been planned for completion in November

2012, according to the letter of the Project Director dated 22 January 2012, the period had been extended up to 29 January 2013. Nevertheless, this Building had not been completed and handed over to up to 31 May 2013.

- (iii) Even though the construction of the Advance Technological Institute, Vavuniya had been planned for completion in January 2013, the period of construction had been extended up to 31 March 2013 on a request made by the constructor. But work had not been completed and handed over to the Sri Lanka Institute of Advance Technological Education up to 31 May 2013.

IV. Human Recourses Development , Monitoring and Evaluation Studies and Communications

- (i) Provision of Rs.143,839,576 had been made for the target of this Component which comprised the strengthening of the Organizational Capacity and the Human Resources and Supervision and Evaluation, Policy Analysis and Extension Promotion of the Higher Education Sector . A sum of Rs.90,549,493 only had been utilized as at 31 December 2012.
- (ii) The Progress of the Universities up to 31 December 2012 in relation to the grant provider by the Project for Postgraduate Degrees had been 88 per cent and 22 per cent respectively.

Institution	Estimated Number of Beneficiaries	Number Beneficiaries Provided with Grants	Percentage
Universities	149	131	88
Sri Lanka Institute of Advance Technological Education	100	22	22

1.7.2 Enhancement and Up-Grading of Technical Education Project

According to the Loan Agreement of the Technical Education Improvement and Upgrading Project, the Ministry of Higher Education is the Implementing Agency, The objective of this Project is the Improvement and upgrading the technical education of the Mattakkuluya and Labuduwa Institutes of Advance Technological Institute. The Government of Austria and the Government of the Netherlands had agreed to provide EURO 11,000,000 and EURO 8,175,022 respectively. In addition to that, the Government of Netherlands had agreed to provide EURO 2,724,978 as a grant. Accordingly the total loans and grants of the Project amounted to EURO 21.9 Million.

Even though the Project commenced in December 2008 had been completed by 31 December 2011, the financial statements for the year 2011 and the Project Completion Reports had not been furnished to the Auditor General even by July 2013.

1.8 Human Resources Management

(a) Approved Cadre and Actual Cadre

The position of the Cadre as at 31 December 2012 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i) Senior Level	24	16	08
(ii) Tertiary Level	02	-	02
(iii) Secondary Level	99	78	21
(iv) Primary Level	40	37	03
Other (Casual / Temporary/Contract Basis)	07	05	02
Total	172	136	36

2. Appropriation Head 214 – Universities Grants Commission

2.1 Scope of Audit

The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Universities Grants Commission for the year ended 31 December 2012 was carried out in pursuance of provisions of Article

154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

2:2 Responsibility of the Chief Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Account, and the Reconciliation Statements in accordance with the provisions of Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and the Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

2:3 Audit Observation

According to the Financial Records and the Books for the year ended 31 December 2012, it was observed that except for the effects of the general observations appearing at (a) and other major observations appearing in paragraphs 2:4 and 2.5 herein, the Appropriation Account, and the Reconciliation Statement of the University Grants Commission had been prepared satisfactorily.

(a) Budgetary Variation

Out of the provisions made for capital expenditure in the year 2012, provisions amounting to 25 per cent had been saved.

2.4 Good Governance and Accountability

2.4.1 Corporate Plan

Even though the University Grants Commission should have prepared a Corporate Plan at least for a period of 03 year from the beginning of the year 2010 at the beginning of the year 2010 in terms of the letter No.PF/R/2/2/3/5(4) of 10 March 2010 addressed to all Secretaries of Ministries, Chief Secretaries of Provincial Councils, Heads of Departments, District Secretaries and the Heads of Local Authorities , that Plan for the years 2012 to 2015 had not been prepared in the updated manner.

2.4.2 Annual Reports

Even though the University Grants Commission should have tabled the Annual Report for the year in Parliament within 150 days after the close of the financial year in terms of the Public Enterprises Circular No. PED/12 of 02 June 2003, the Annual Report for the year under review had not been tabled in Parliament even by 08 November 2013.

2.5 Human Resources Management

(a) Approved Cadre and Actual Cadre

The position of the Cadre as at 31 December 2012 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i) Senior Level	49	41	08
(iii) Secondary Level	156	121	35
(iv) Primary Level	51	48	03
Total	256	210	46