

## **Rajarata University of Sri Lanka – 2012**

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### 1 Financial Statements

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#### 1.1 Qualified Opinion

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In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the financial position of the Rajarata University of Sri Lanka as at 31 December 2012 and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### 1.2 Comments on Financial Statements

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##### 1.2.1 Accounting Deficiencies

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The following accounting deficiencies were observed.

- (a). Over two hundred and twenty acres of land including the main administrative building, maintenance division building, 33 official quarters together with the land obtained for functioning of the University at the time of commencement of the University 16 years ago and the Applied Science Faculty and the Students' Hostel Premises, Faculty of Agriculture with farm and land belonging to the Faculty of Medicine being used for more than 3years had not been acquired even during the year under review. As a result, action had not been taken to assess their value and include in the financial statements.
- (b). A sum of Rs.423,766 had been prepaid on behalf of houses obtained on rent by the Rajarata University of Sri Lanka. This had not been shown as a pre payment in the Financial Position Statement and had been treated as an expenditure of the year under review. As a result, the expenditure and

the pre payments had been overstated and understated respectively by similar amounts in the financial statements.

- (c). The Mobilization Advances totaling Rs. 2,469,500 paid for constructing the interior roads of second stage of the Agriculture Faculty Farm, Medical and Agriculture Faculties had been fully recovered by end of the year. However, this value continued to be shown under the Mobilization Advance. As a result, the said account had been overstated by a similar amount and the Work in Progress Account had been understated by a similar amount.
- (d). A sum of Rs. 7,200,000 had been deposited with the Divisional Secretary, Madyama Nuwaragam Palatha on 30 November 2011 to acquire nearly 15 acres of land for activities connected with extension of the Faculty of Agriculture. This had been shown as mobilization advance instead of being shown as a deposit made to the Divisional Secretariat for acquiring land
- (e). Mobilization advances had been paid for completing the special activities relating to the clinical building. Of this, a sum of Rs. 12,634,645 remained as balance unsettled as at end of the year under review. However, this had been shown as Rs.36,197,357 in the Mobilization Advance Account and as a result this account had been overstated by Rs. 23,562,712 and the Work in Progress Account had been understated by a similar amount.
- (f). During the year under review, bills amounting to Rs. 60,447,575 had been paid on behalf of completing the special work relating to the clinical building. However, this had been shown as Rs. 31,286,965 in the accounts understating the Work in Progress Account by Rs. 29,160,660.
- (g). A sum of Rs.7 million had been provided for research expenses for the year 2012. None of this had been utilized during the year under review. In spite of this, the entire sum of Rs. 7 million had been debited to the Income and Expedition Account (to the financial performance Statement) and credited to the Research Fund.

1.2.2 Accounts Receivable and Payable

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The following observations are made.

- (a) Unsettled advances aggregating Rs. 1,945,708 relating to sundry advances, petty cash and supplies advances given on 17 instances which had exceeded a period of 3 months to 04 years had not been settled even as at 31 December 2012.
- (b) The balance of research advance amounting to Rs. 25,000 granted to a Lecturer on 27 February 2008 had not been settled even as at 31 December of the year under review.

1.2.3. Lack of Evidence for Audit.

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Fixed assets amounting to Rs. 2,587,986 could not be satisfactorily vouched in audit due to non-remission of registers of fixed assets and detailed schedules etc.,

1.2.4 Non – compliance with Laws, Rules, Regulations and Management Decisions

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The following non – compliances were observed.

Reference to Laws, Rules, Regulations, etc.	Non – compliance
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(a). Universities Act No. 16 of 1978	
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(i).Section 99 (i) (d)	monies of the University received from whatever source should be credited to the University Fund and expenditure incurred accordingly. However, 10 percent of the surplus remaining after incurring expenditure on the External English course and the

Postgraduate Management course conducted by the University had been credited to the Vice Chancellor's Fund and the balance to the development funds of related courses.

- (b) Establishments Code of the Democratic Socialist Republic of Sri Lanka

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Chapter XIX

Section 5.8

The Rajarata University of Sri Lanka had paid the water bill of Rs.510,925 relating to the family quarters and single quarters at Rambewa and Mihintale. A sum of Rs.73,128 alone had been recovered from the occupants of those quarters. As a result, a sum of Rs.437,797 had been paid from the University Fund, for water consumed for private purposes during the year under review.

- (c). Financial Regulations of the Democratic Republic of Sri Lanka.

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Financial Regulations 104

(1),104(3) and 104(4)

Vehicles of the University had met with accidents on 06 occasions during 2010 and 2011 and the loss caused was Rs.872,927, Of this, Rs.783,950, had been compensated by the insurance and Rs.88,977, had been incurred from the University Fund. But, investigations had not been conducted to identify those who were responsible for the accidents.

(d) Circulars

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- (i) Public Administration Circulars No. 26/92 of 19 August 1992, No 26/92 of 03 August 1994 and No. 2002/01 of 25 February 2002 State emblem and the name of the institution should be stenciled on government vehicles of the Pool. However, state emblem or the University emblem and the name of the institution had not been stenciled on 25 vehicles belonging to the Pool.
- (ii) Public Administration Circular No. 13/2008 (ii) dated 09 February 2011 Officers entitled for official vehicles should perform their duties within the monthly fuel limit applicable to them. Additional fuel could only be given with the personal approval of the Secretary to the Ministry concerned. However, fuel valued at Rs. 97,671 had been given to the Vice Chancellor during the year under review without approval.
- (iii) Public Administration Circular No. 09/2009 of 16 April 2009 and No. 09/2009 (i) of 17 June 2009 Finger print machines should be used for marking the times of arrival and departure, However, necessary action had not been taken by the Rajarata University of Sri Lanka in this connection during the year under review.
- (iv) Public Finance Circular No. 364(3) of 30 July 2002 While paying the Value Added Tax along with the contract payments, the details of tax paid should be informed to the Commissioner General of Inland Revenue with a copy to the Auditor General, before 15<sup>th</sup> of the ensuing month. However, this had not been

done while paying the Value Added Tax of Rs931,976 on value of on behalf of park maintenance services.

- (v) Sections 3 (i) and (ii) of the University Grants Commission Circular. The period of acting should not exceed 03 months. However, 10 officers had been appointed on acting basis from 2 to over 05 years and acting salaries aggregating Rs.228,804 had been paid to those officers during the year under review. The posts of Chief Security Officer and the post of Librarian remained vacant even as at 11 October 2013

#### 1.2.5 Transactions without Adequate Authority

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The Treasury had granted Rs.18 million in 2006 to acquire the Police Quarters at the Mihintale University premises in order to use it as a hostel. But, it had not been acquired even as at 31 December 2012. The money received on this behalf had been invested in a fixed deposit and the interest of Rs.9,243,577 received had been used to settle the contact bills without the approval of the Treasury.

### 2. Financial Review

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#### 2.1 Financial Results

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According to the financial statements presented, the operating activities of the University during the year ended 31 December 2012 had resulted in a deficit of Rs.24,064,637 as compared with the deficit of Rs.150,923,949 of the previous year showing an improvement of Rs.126,859,312 and in financial results. The increase in amortization of capital grant by Rs.176,257,079 and the increase in recurrent grant by Rs.99,416,556 had mainly attributed to the improvement in financial results.

### 3. Operating Review

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#### 3.1 Performance

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The academic performances of the University during the year under review appear below.

##### (a) Results of Examinations

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(i). Details of passes relating to final year to examinations and degrees of 2012 are shown below.

Details	Faculty of Applied Science	Faculty of Agriculture	Faculty of Management Studies	Faculty of Social Science and Humanities	Faculty of Medicine and Allied Science	Total
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No. of students who sat for the final examinations during the year under review	201	83	178	220	164	846
No. of passes with classes	78	52	05	139	67	341
No. of ordinary passes	77	05	134	28	73	317
Total no. of passes	155	57	139	167	140	658
No of failures	46	26	39	53	24	188
Percentage of students failed degree examinations, as a percentage of students who sat for the examinations	22.8%	31%	21.9%	24%	14.6%	22%

\* The total number of students who sat for the final year examinations in all faculties during the year under review was 846. Of them, 188 had failed and it was 22 per cent of those who appeared for examinations.

(ii) The details of enrolments and successes in degree examinations from 2007/2008 to 2011/2012 appear below.

	No. of Students Enrolled					No. of Students who left after obtaining degrees				
	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
Faculty of Medicine and Allied science	180	181	184	180	180	-	-	-	-	140
Faculty of Agriculture	113	107	108	95	72	54	91	55	64	57
Faculty of Applied Science	160	216	173	196	207	89	92	69	115	155
Faculty of Social Science and Humanities	225	275	337	330	302	154	114	181	188	167
Faculty of Management Studies	211	279	307	276	355	162	201	163	137	139
<b>Total</b>	<b>889</b>	<b>1058</b>	<b>1109</b>	<b>1077</b>	<b>1116</b>	<b>459</b>	<b>498</b>	<b>468</b>	<b>504</b>	<b>658</b>

A continuous declining trend was observed in the number of students enrolled for the Faculty of Agriculture from 2007/2008 to 2011/2012

## (b) Cost per Student.

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The total cost of each faculty of the Rajarata University and the cost per student during the year under review appear below.

	Faculty of Agriculture	Faculty of Applied Science	Faculty of Social Science and Humanities	Faculty of Management	Faculty of Medical and Allied Science	Total
Total Cost (Rs)	64,782,503	69,847,426	47,179,677	49,035,443	113,659,617	344,504,666
Total Number of Students	402	816	1234	1189	1074	4715
Cost per Student	161,551	85,597	38,233	41,241	105,828	73,066

The cost per student of the Faculty of Agriculture had increased compared with the very low cost per student of the Faculty of Social Science and Humanities.

## (c) Payment of Research Expenses and Research Allowances

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- (i) The amount provided for research expenses of 2012 was Rs.7 million. Research letters had been presented in 2013 in respect of researches of 2012. Accordingly, progress was not observed in relation to the approved researches in 2012.
- (ii) Twenty six research presentation letters had been given to Lectures for the year 2011, Of them 22 persons had obtained Rs.1,254,550 as advances in 2012. Progress reports to be furnished once in 06 months during the research period had been furnished by 2 lecturers alone. None of the final reports relating to the approved research of 2011 had been furnished even by the month of May 2013, the month of inspection.

- (iii) Research advances amounting to Rs.25,000 and Rs.90,000 had been given to 2 Lecturers on 27 February 2008 and 06 October 2010 respectively. But, the researches concerned had not been completed even as at 31 December of the year under review. Also, action had not been taken to Settle the advances Obtained .
  
- (iv) According to Paragraph 4(1) of the Management Services circular No.45 of 07 April 2011 with regard to payment of research advances, continuous payment of research allowances depend on publication of research reports internationally or at a national level or in a recognized scientific publication or by presenting it at a symposium for satisfaction of the Research Committee. But, none of the final reports of researches pertaining to 2011 and 2012 had been furnished. As such, the Senate Research Publication and Higher Degrees Committee had not decided about suspension or payment of research allowances. During the year under review, research allowances aggregating Rs.12,093,477 had been paid.

### 3.2 Operating Inefficiencies

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The monthly rent of 32 houses obtained on lease houses for students' hostels during the year under review had not been assessed by the Department of Valuation. The rent assessed by the Department of Valuation with regard to 19 houses was Rs.3,786,000. But, the lease rent exceeded this amount ranging from 150 to 200 per cent, that is, a total sum of Rs.5,826,000. As such, a sum of Rs.2,040,000 had been paid in excess of the approved assessed rent.

### 3.3 Management Inefficiencies

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Section 09 of the agreement used by Rajarata University Sri Lanka for obtaining full pay study leave requires an individual to report for duty on completion of his study leave failing which the value shown in the agreement should be paid within one year from that date. Failure to pay it within a year would require a payment with an annual interest of 12 per cent. A probationary Lecturer of the Faculty of Applied Science who had breached the agreement had exceeded 02 years by 31 December 2012. However, no legal action had been taken to recover the value shown in the agreement, that is, Rs.1,631,991 and the interest thereon amounting to Rs.405,118.

### 3.4 Transactions of a Contentious Nature

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The following conditions that could not be achieved by any one who furnish bids for maintenance of the University park exceeding an annual cost of Rs.13 million had been included in the document calling for bids.

"To be an institution with an experience of 03 years during the period 2005-2011 which had satisfactorily maintained a garden exceeding 25 acres in a government department, corporation or a statutory board or private organization "

- (a) The above condition included in the bid document were unattainable. As a result, no one who suffice the related condition had forwarded their bids during the year under review and the previous years.
- (b) While evaluating the bids, the lowest bid had been rejected on the grounds of not having more than 25 years of experience in maintenance of garden, although he had fulfilled all other requirements. Meanwhile, the second lowest bid had been selected stating that he had previous experience in maintenance of garden at this University and the contract had been awarded accordingly As a result of rejecting the lowest bid, a loss of

Rs.1,708,064 had incurred to the University funds while making payments from May 2012 to January 2013.

(c) The total cost estimate prepared for procurement of services for maintenance of garden had been based on the following erroneous values. As such, it was observed it was not useful to make use of it for calculating bids.

(i) The District Pricing Committee is the base for obtaining prices for preparation of estimates, which determines that rate for the entire district. But, various prices at various places had been made use of, for identical work shown in the estimate.

Place Referred to in the Estimate -----	Amount paid for Grass Cutting per Hectare -----
	Rs.
Mihinthale premises	8,029
Mihinthale playground	18,927
Faculty of Agriculture	65,833
Faculty of Medicine	29,200

(ii) According to the rate analysis prepared for the total cost estimate, the profit and overhead costs ratio to be added to all items was 20 per cent. However, the profit and overhead ratio included in this estimate was 35 per cent.

### 3.5 Staff Administration

- (a) There were 117 vacancies in the academic staff during the year under review as shown below

#### Academic staff

Description	Approved	Actual	Vacancies
(i) Professors	28	04	24
(ii) Lecturers / Probationary Lecturers	253	160	93
	281	164	117

- (a) Apart from the 117 vacancies in the academic staff, 23 lecturers had left the University by obtaining study leave for foreign and local scholarships. Accordingly, the number of academic staff that could not be utilized for academic activities during the year under review was 139 and it was 49 per cent of the approved cadre. Due to more vacancies existing in the academic staff during the year under review, a sum of Rs.7,412,798 had been paid to external Lecturers to attain such services.

Non academic staff

Designation	Approved	Actual	Vacancies
(i) Executives	28	20	08
(ii) Non executives	394	330	64
	422	350	72

- (c) During the year under review, 11 Computer Application Assistant of Grade III had been recruited to the non academic staff. The recruitments had been made out of 53 applicants appearing in the list of names furnished by the Ministry of Higher Education contravening the approved scheme of recruitment of the Ministry applicable for the above post and the University Grant Commission circular No.854 of 14 December 2004. The basis of selection of 53 applicants had not been furnished to audit.

3.6 Idle and Under-utilized Assets

- (a) The cost incurred on construction of a Day Care Centre was Rs.8,226,250 and the work had been completed in July of the year under review. It remained unused even as at 11 September 2013 without being used for the expected purpose.
- (b) A balance of Rs.113,061 remained idle for about 02 years in an account maintained at a state bank at Mihinthale.

3.7 Under Utilization of Vehicle

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Three vehicles of the University fleet of vehicle remained parked without being repaired and 04 vehicles of the pool had only been used for duties of Deans of faculties. Maximum efficiency of those vehicles had not been obtained and as such 02 vehicles had been hired during the year under review by paying Rs.846,177 from the funds of the University.

3.8 Uneconomic Transactions.

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The specimen form for agreements had been approved by the Procurement Agency Institution and published by ICTAD while entering into proper contract agreements. But, these had not been used for agreements and a sum of Rs.30,500 had been paid to a private Attorney at Law for preparing agreements for 2 services supplied to the University

4. Accountability and Good Governance

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4.1 Internal Audit

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The management had not taken action regarding 03 out of 09 audit queries issued during the year 2012. The Internal Audit Unit consisted of 03 persons including the Assistant Internal Auditor and the post of Audit Clerk remained vacant during the year under review.

4.2 Tabling of Annual Report

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The annual report of 2011 had been sent for tabling in Parliament on 29 April 2013.

#### 4.3 Observations Regarding Unsettled Audit Paragraphs

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Instances of non implementation of Order of the Committee of Public Enterprises held on 04 January 2011 appear below.

Order No. -----	Order given -----	Present position -----
07	Money obtained from various courses to be credited to the University Fund	The sum of Rs.27,970,984 received from various courses had not been credited to the University Fund as per financial statements published on 31 December 2012
08	The sum of 18 Million obtained from the Treasury to be deposit in a fixed deposit with Treasury approval and such until time the police quarters at Mihintale in University premises are acquired for the University hostel.	Approval of the Treasury had not been obtained even by October 2012. The funds had been used for sundry payments.
14	It was ordered to recover house rents and electricity charges from occupants.	During the years 2011 and 2012, the University Fund had incurred Rs.896,613 and Rs.437,797 respectively for water consumed by single and family quarters belonging to the University.

5. Systems and Controls

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Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Vice Chancellor from time to time. Special attention is drawn with regard to the following areas of control.

- (a) Fixed Assets Control
- (b) Contract Administration
- (c) Budgetary Control
- (d) Human Resources Management
- (e) Control over Vehicles.

