

University of Moratuwa - 2010

1. Financial Statements

1.1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the University of Moratuwa had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 2.1 of this report the financial statements have been prepared in accordance with Generally Accepted Accounting Principles, give a true and fair view of the state of affairs of the University of Moratuwa at 31 December 2010 and the financial results of its operations and cash flows for the year then ended.

1.2 Comments on Financial Statements

1.2.1 Accounting Deficiencies

The following observations are made.

- (a) The surplus of Rs.1,820,610 after being adjusted the income and expenditure of the aptitude tests had been brought to accounts as diferred income instead of showing as an income of the year under review.
- (b) Eventhough the surplus of Rs.10,307,523 arisen at the end of 50 courses, 04 projects and 07 workshops should have been brought to accounts as income of each year, it had been shown in the accounts as diferred income.

- (c) Action had not been taken settle or to take into account the unclaimed wages of Rs.272,524 relating to 06 years from 2003 to 2008 which had not been claimed by the officers concerned.
- (d) A sum of Rs.528,246 recovered from the students in the year under review in respects of losses and damages caused to the University had been shown as a liability in the Balance Sheet instead of accounting as income.
- (e) Interest income of Rs.360,835 receivable from investments of Rs.6,000,000 in fixed deposits made during the year 2010 had not been brought to accounts.
- (f) Direct credit of Rs.3,666,664 and the direct debit of Rs.5,150 in the Current Account of the Bank of Ceylon as at the end of the year under review had not been identified and brough to accounts.
- (g) The amount of Rs.2,391,311 received from sale of scraps during the period 2006 to 2010 had not been adjusted to the cost of those goods and its profit or loss had not been adjusted to the income and expenditure accounts annually. Instead it had been shown under current liabilities in the balance sheet.
- (h) The balance of the students bank deposits suspense account as at the end of the year under review amounted to Rs.170,651 and it had not been identified and adjusted. Instead, it had been shown as current liability in the financial statements.

1.2.2 Non-reconciliations

According to the Generated Fund Capital Account in the main ledger the balance as at 31 December 2010 amounted to Rs.226,529,338 but accordingly to the Balance Sheet such balance had been shown as Rs.226,719,100, thus indicating a difference of Rs.189,762 between those balances.

1.2.3 Accounts Receivable and Payable

The following observations are made.

- (a) Distress loans of Rs.468,030 due from 09 officers, staff loans of Rs.40,086 due from 08 officers, vehicles loans of Rs.37,400 due from 02 officers and computer loans of Rs.25,500 due from 02 officers had remained outstanding for 6 years and action had not been taken to recover same.
- (b) Action had not been taken to recover a sum of Rs.4,433,752 for violation of bonds agreements and loan balances Rs.95,850 had been due from 04 officers who had not balance in the Universities Provident Fund .
- (c) Action had not been taken to recover compensations of Rs.29,083,664 due from 28 officers who had breached agreements and bonds, loan balances of Rs.796,339 from their Universities Provident Funds and the balance personally. Eventhough the approval had been given by 14 officers of them to recover a sum of Rs.2,652,112 from their Universities Provided Fund , this money had not been recovered even by 31 December 2010.
- (d) The debtor balance of Rs.4,435,700 receivable from the Department of Sports Development before the year 2006 in respect of the construction of indoor stadium of the University of Moratuwa had not been recovered up to date.
- (e) A balance of Rs.1,051,647 given to the nine researches for which the National Science Foundation had sponsored had remained under current liabilities of the University for the period of 02 to 06 years without being changed and action had not been taken settle it.

- (f) A balance of Rs.2,253,144 given to the eight researches for which the other institutions had sponsored had remained unchanged under current liabilities for the period of 03 years and action had not been taken to recover same.

1.2.4 Lack of Evidence for Audit

The following amounts shown in the accounts in the year under review could not be satisfactorily verified in audit due to non-availability of detailed schedules for audit to establish those values.

Item	Value
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	Rs.
(a) Income receivable	14,125,829
(b) Refundable deposits	13,642,118

Total	27,767,947
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1.2.5 Transactions not Supported by Adequate Authority

The following instances were observed.

- (a) Conducting post graduate courses is one of the activities of a University in terms of Section 29 (d) and 29 (e) of the Universities Act, No. 16 of 1978. Eventhough the approval of the Treasury should be obtained for the payment of allowances according to the Letter No. PE/1/174/1 - 2003 dated 29 January 2003 of the Secreary to the Ministry of Finance, a sum of Rs.3,762,405 from the income of

post graduate courses and a sum of Rs.264,624 from the income of short term courses had been paid to the officers during the year under review by using the Public Finance Circular No. 380, contrary to the above provisions.

- (b) In terms of Public Enterprises Circular No. 38/89 (III) dated 10 October 1995, the Language Proficiency allowance could not be paid to the officers of the Statutory Boards and it was informed to the Chairman of the Universities Grant Commission by the letter No. PE/1/174/11(b) dated 10 March 1998 of the Director General of Public Enterprises. Accordingly, the Secretary to the Ministry of Tertiary Education and Training had requested from the Universities Grant Commission to stop the payment of language proficiency allowance to all categories of officer in the University system by his letter No. 7/12/1/UGC/2 dated 01 July 2003. Nevertheless, a sum of Rs.953,600 had been paid to the officers during the year under review as proficiency allowances contrary to that provision.
- (c) Even though the Director General of Budget had informed by his letter No.B/D/INS/CLUS - G/078 dated 18 July 2003 that the academic allowance should not be considered in paying contributions to the EPF of the Universities and ETF, a contribution of Rs.2,854,929 to the Universities Provident Fund and a contribution of Rs.570,986 to the ETF had been over paid during the year 2010, contrary to that provision.

2. **Financial and Operating Review**

2.1 **Financial Review**

2.1.1 **Financial Results**

According to the financial statements presented, the operation of the University, including the students hostel had resulted in a deficit of Rs.946,766,058 before taking into accounts the government grants for recurrent expenditure and amortization for the year ended as at 31 December 2010 as compared with the deficit of Rs. 934,282,325 for the preceding year. The deficit for the year under review had decreased to Rs.39,435,204 after taking into accounts the government grants of Rs.773,200,000 received for recurrent expenditure and the amortization of Rs.134,130,854. The deficit for the preceding year had decreased to Rs.93,465,117 after the receipt of government grants amounting to Rs.717,900,000 for recurrent expenditure and the amortization of Rs.112,917,212.

2.1.2 **Financial Management Inefficiencies**

The following observations are made.

- (a) A sum of Rs.24,289,080 in the Consultancy Services Reserve Fund had been retained in a Current Account and attention had not been paid to earn an interest income by investing this money.
- (b) Due to delay in banking the cheques valued at Rs.35,000,000 issued in respect of investment in fixed deposits as at 31 December 2010 an interest income of Rs.300,000 had been deprived of.

2.2 **Operating Review**

2.2.1 **Management Inefficiencies**

The following observations are made.

- (a) Even though the new ownership of a property should be informed to the relevant local authority within 08 weeks after the change of the property in respect of payment of rates, the ownership of 07 buildings and properties purchased a few years ago had not been transferred to the University and rates had been paid in the name of the previous owner.
- (b) Even though the period of completion of 77 researches recommended by the Senate Research Committee for which a provision of Rs.22,924,500 had been made had elapsed, the relevant researches had not been completed up to date.

2.2.2 **Performance**

- (a) A number of permanent lectures who were in the service during the year under review are given below as faculties and number of students.

	Faculty of Engineering	Faculty of Information Technology	Faculty of Architecture
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Number of permanent lecturers	218	21	70
Number of Students in the faculty	3105	395	1202
Number of students per lecturer	14	18	17

- (i) The number of permanent lecturers in the Department of Chemical and Process Engineering during the year under review amounted to 12 and the number of visiting lecturers amounted to 23. Thus 65% of lecturers represented visiting lecturers.
- (ii) The number of permanent lecturers and visiting lecturers during the year under review in the Department of Computer Science and Engineering amounted to 16 and 52 respectively, thus representing 76% of visiting lecturers.
- (iii) The number of permanent lecturers and visiting lecturers in the Department of Mechanical Engineering amounted to 22 and 31 respectively. Thus representing 58% of visiting lecturers.
- (b) Students particulars in the year under review are given below.

	Faculty of Engineering	Faculty of Information Technology	Faculty of Architecture
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Number of undergraduates enrolled	812	135	297
Number of graduates passed out	697	28	268
Number of students retained	3105	395	1202

- (i) The number of permanent lecturers in services during the year under review amounted to 309 and the students per lecturer were 15.

- (ii) A sum of Rs.7,939,600 had been paid as Mahapola Scholarships aids to 2365 students during the year under review and a sum of Rs.9,392,700 had been paid to 1466 students as student bursseries.
- (iii) Except depreciations, the recurrent expenditure for the year under review amounted to Rs.810,625,738 and as such, per student cost stood at Rs.172,400.
- (iv) Hostel facilities had been provided to 881 male students and 240 female students during the year under review and the hostel expenditure amounted to Rs.628,371.
- (v) Students who failed the examinations in the Faculty of Information Technology during the year under review had represented 21%.

2.2.3 Budgetary Control

Significant variances were observed between the budgeted and actual revenue and expenditure thus indicating that the budget had not been made use as an effective instrument of management control.

3. **Systems and Controls**

Weaknesses in systems and controls were brought to the attention of Vice Chancellor of the University from time to time. Special attention is needed in respect of the following areas of control.

- (a) Payment and Settlement of Advances
- (b) Income on Post Graduate Diploma Courses
- (c) Debt Recovery
- (d) Maintenance of Ledgers
- (e) Budgetary Control
- (f) Breach of Agreements
- (g) Researches
- (h) Subsidiary Registers