

## University Grants Commission - 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 Grants Commission 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 1.2. of this report, the financial statements have been prepared in accordance with Sri Lanka Accounting Standards and give a true and fair view of the University Grants Commission as at 31 December 2010 and the financial results of its operation 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) Even though the total income received during the year under review from the sale of handbooks for university admission amounted to Rs. 25,334,655, the income for the year under review had been shown in the Income and Expenditure Account as Rs. 15,364,013 due to the adjustment of lease installment amounting to Rs. 9,970,642 for the year under review and the preceding year. Thus, the income had been understated by Rs. 9,970,642.
- (b) Action had not been taken to make necessary adjustments and bring to account in respect of very large quantity of office equipment obtained from the Sabragamuwa and Uva Welassa Universities.

### 1.2.2 Accounts Receivable and Payable

---

The following unsettled balances were observed.

	Particulars	Period	Value
	-----	-----	-----
			Rs.
(i)	Other Advances		
	-----		
	Capital Expenditure	From 1976 to up to date	40,000
(ii)	Special Funds		
	-----		
	National Science Research Institution	From 2008 to up to date	254,490
(iii)	Trade and Other Payable Expenditure		
	-----		
	Scholarships Payable	From 2003 to up to date	9,932

### 1.2.3 Non-compliance with Laws, Rules and Regulations

---

Non-compliance with laws, rules and regulations observed are given below.

Reference to Laws, Rules, etc.	Non-compliance
-----	-----
(a) Section 89 of the Universities Act No.16 of 1978, Section 47 of the Provident Fund Act No. 15 of 1958 and Section 16(2) of the Employees Trust Fund Amended Act No. 47 of 1988.	Out of the educational allowances amounting to Rs. 2,783.70 paid by the Universities and Higher Educational Institutions for the years from 2004 to 2010, a sum of Rs. 417.55 million approximately had been overpaid to the Provident Fund and Pension Fund and a sum of Rs. 83.51 million had

been overpaid to the Employees Trust Fund. It was observed that action had not been taken so far either to recover or to settle it.

- (b) Circular Letter No. PE/1/174/11(B) dated 06 March 1998 and No. BD/PE/1/174/11 dated 25 October 2002 of the Director General of Public Enterprises
- Contrary to this circular instructions a sum of Rs.98.598 million had been paid to the officers of the University Grants Commission, Universities and Higher Educational Institutions from the year 2004 to 31 December 2010 as language proficiency allowance.
- (c) Commission Circular No. 876 dated 06 June 2006
- A Computer Operator Assistant, 03 laborers and a driver had been recruited during the year 2010 through the circular instructions deviating approved recruitment procedure.
- (d) Public Enterprises Circular No. 116 dated 24 January 1997
- Three employees recruited on contract basis and an officer of the permanent staff had been released to the service of the Ministry of Higher Education contrary to the Public Enterprises Circular No. 116 and a sum of Rs. 382,360 had been paid as salaries for the year 2010.

## 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 Grants Commission for the year ended 31 December 2010 had resulted in a deficit of Rs.570,337,259 before taking into account the Government Grant for recurrent expenditure as compared with the corresponding deficit of Rs.527,176,642 for the preceding year. After taking into account the Government Grant of Rs. 570,337,259 and Rs.527,176,642 received for recurrent expenditure of the year under review and preceding year respectively there was no deficit or surplus for those 02 years.

## 2.2 Operating Review

-----

### 2.2.1 Performance

-----

The following observations are made.

- (a) A summary of the number of students enrolled to the Universities by the University Grants Commission in the academic years 2007/2008, 2008/2009 and 2009/2010 and the recurrent expenditure is given below.

	2007/2008	2008/2009	2009/2010
	-----	-----	-----
i. No of students qualified for universities	121,421	130,236	125,284
No of students selected to enroll to the universities	20,069	20,846	21,547

No of students selected to the universities as a percentage of number of students qualified for universities	17%	16%	17%
	2008	2009	2010
	-----	-----	-----
ii. Recurrent expenditure incurred (Rs.000)	9,921,345	10,227,920	10,865,900
Total number of students	69,491	71,471	73,398
Average recurrent expenditure per student (Rs.)	142,771	143,105	148,040

Out of the students qualified for universities for the academic year 2009/2010, only 17% had been enrolled to the universities and the average recurrent expenditure per student amounted to Rs.148, 040.

## 2.2.2 Management Inefficiencies

-----

Action had not been taken to transfer the legal rights of the lands and buildings revalued at Rs. 450 million and Rs. 51.3 million respectively which are being used by the University Grants Commission.

## 2.2.3 Idle and Underutilized Assets

-----

The following observations are made.

- (a) (i) According to the Commission Circular No.763 dated 01 September 2008, a sum of Rs. 60 million had been spent for renovations and repairs of the buildings of the Buttala, Gam Udawa Premises under the Improvement of Relevance and Quality of the Undergraduate Education Project for

transferring the Management and Business Courses of the Eastern University to the Buttala Gam Udawa Premises. Subsequently, this decision had been changed and it was decided to utilize this premises as a Training Centre of Staff. When considering the quantity of resources at these premises, it was observed that utilization of this as a training centre would be underutilization of assets.

- (ii) It was further revealed that these premises had not been utilized for training activities for more than one year from the date of decision taken to utilize it as a training centre on 22 October 2009 to the date of audit inspection on 31 December 2010.
- (b) The IRQUE Project had provided 50 computers by spending Rs. 4,710,353 to the Buttala Faculty on 26 May 2010 and out of this, 02 computers had been utilized for office purpose and the balance 48 computers had remained idle without utilizing.
- (c) Out of the grants of Rs. 139 million received from the “SIDA – SAREC” Project in the year 2002, the balance amounting to Rs. 2,226,257 had remained idle at the end of the year under review.
- (d) The research grants are provided to the probationary lecturers by the University Grant Commission to follow post graduate studies. Although the estimated provision for the year 2010 amounted to Rs.10, 350,000, only a sum of Rs.8, 273,900 being 80% had been spent as at the end of the year.
- (e) The Tsunami Scholarship Fund started by the University Grants Commission for students, who had lost their parents / guardians by the Tsunami disaster, had consisted from the government and private contribution amounting to Rs. 7,902,765. Only 71 Tsunami scholarships had been awarded at the end of the year 2010 and a balance of Rs. 4,421,338 had remained idle in the Fund. The progress of awarding this scholarship was 44%.

- (f) There were 86 accounts of the Private Scholarship Funds and the balance of the above accounts as at end of the year under review amounted to Rs. 16,092,577. Out of the above Funds, only 16 accounts had existed in operation and 51 scholarships valued at Rs. 1,613,810 had been awarded from this Fund. The balance amounting to Rs. 7,058,205 (70 accounts) relating to the entire Funds had existed in inactive position. Action had not been taken either to discuss with the relevant party or come to an agreement in respect of utilization of this several years old Scholarship Fund or to resolve it.

3. Systems and Controls

-----

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Corporate Plan
- (c) Payment of Allowances