

Sabaragamuwa University of Sri Lanka - 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 Sabaragamuwa University of Sri Lanka 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 give a true and fair view of the state of affairs of the Sabaragamuwa University of Sri Lanka as 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

- (a) Land and building complex located at Rahangala belonged to the Faculty of Agriculture of the University had been acquired by the Ministry of Defence and the block of land 50 acres in extent, belonged to the Balangoda Nonfarial Plantation had been acquired by the University in place of that land. However, the assessed value of that block of land had not been brought to accounts in the year under review.

- (b) Even though the fixed assets purchased during the year 2009 totaling Rs.757,772 should be capitalised in that year it self, those assets had been capitalised during the year under review.

- (c) The depreciation policy of the University is that the depreciation is provided in the year of purchase in full. Nevertheless, the provision for depreciation amounting to Rs.151,554 to be made in respect of assets purchased during the year 2009 as stated in (b) above had not been made due to non-capitalisation of those assets in that year and as such the provision for depreciation had been understated by that amount. Thus, the opening accumulated depreciation of the year 2010 had also been understated by that amount.
- (d) Cloaks valued at Rs.1,455,713 had been brought to accounts twice under plant and equipment and the closing stock under current assets.
- (e) A sum of Rs.250,000 in the NCAS research grant fund, included in the suppressed fund balance had been re-adjusted in the preparation of cash flow statement.
- (f) Even though the increase in the balance of the suppressed fund amounted to Rs.3,852,942 it had been taken as Rs.3,919,815 in preparing on the cash flow statement.

1.2.2 Accounts Receivable and Payable

The following matters were observed.

- (a) Loan balances totalling Rs.1,126,770 granted to the employees of the University could not be recovered even as at 31 December 2010 due to resignations, deaths, dismissals from service etc.,
- (b) Even though a sum of Rs.131,167 incurred on entertainments had been brought to accounts under the miscellaneous receivable account, it was revealed that it had not been reimbursed from the Ministry of Higher Education even by 02 May 2011.

1.2.3 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following matters were observed.

- (a) A board of survey in respect of fixed assets still retained at Buttala had not been carried out for the year 2010 in terms of Financial Regulation 756.
- (b) The fuel consumption of every vehicle should be tested once in 6 months and determined the fuel consumption in terms of Public Administration Circular No. 41/90 dated 10 October 1990. Nevertheless, it had not been complied with in respect of vehicles belonging to the University.

1.2.4 Transactions not supported by Adequate Authority

The following matters were observed.

- (a) A lecturer who had been treated as vacated his post by the University of Peradeniya due to non- payment of a security bond valued at Rs.3,778,223 had been recruited as a senior lecturer with effect from 04 January 2007 by the Sabaragamuwa University without making any inquiry and contrary to the Section 18.12.1 of Chapter III of the Universities Establishments Code without obtaining a proper approval of the University Grants Commission. Even though it was decided to obtain the approval of the University Grants Commission thereon at the 142nd meeting of the Board of Control held on 30 May 2009 such approval had not been obtained even up to 02 May 2011. A sum of Rs.2,768,635 had been paid to him as salaries and allowances up to 31 December 2010 and he is still in service.
- (b) According to the budget of the workshop held for the staff officers in the public and private sector engaged in Tourist industry, a sum of Rs.900,000 had been estimated as revenue from 60 participants and a sum of Rs.675,500 had been estimated as expenses. However, only 10 had been

participated and only a sum of Rs.89,500 had been received from them. In terms of Section 99(1)(d) of the Universities Act No.16 of 198, all the moneys collected from any source of income should be credited to the University fund. However, the senior Lecturer who was in charge of the Project had spent a sum of Rs.61,000 collected for the above project contrary to that provision.

2. Financial and Operating Review

2.1 Financial Review

2.1.1 Financial Results

The operation of the University for the year under review had resulted in a deficit of Rs.60,787,955 as compared with the deficit of Rs.78,382,603 for the preceding year thus indicating an improvement in the financial results by Rs.17,594,648. However, when the government grant is excluded the deficit for the year 2009 amounted to Rs.454,179,053 and the deficit for the year 2010 had been Rs.480,706,405 thus indicating a deterioration of Rs.26,527,352 in the financial results. Increase in employees remuneration by 7.31%, maintenance expenditure by 25.55% contractual services expenditure by 16.80% and the external workshop expenditure by 54.46% had been the main reason for this position.

2.2 Operating Review

2.2.1 Performance

- (a) The cost incurred on academic activities of 2786 students during the year under review amounted to Rs.412,744,390 and the cost per student amounted to Rs.148,149 accordingly. The cost of academic activities of 2378 students in the preceding year amounted to Rs.393,930,505 and the

cost per student amounted to Rs.165,656. The cost per student had decreased by Rs.17,507 as compared with that of the preceding year.

- (b) Even though a provision is made in the Corporate plan for the period 2006 - 2010 to commence a faculty of medicine, during the academic year 2009/2010, action had been taken to allocate only the land by the end of the year 2010.

2.2.2 Contract Administration

The following matters were observed.

- (a) A mobilisation advance of Rs.2,256,981 had been paid to the contractor relating to construction of stage III of the Faculty of Agriculture building of which the contracted value was Rs.9,812,890. As the contractor had abandoned the construction works the contract agreement had been cancelled since 19 January 2009 and legal action is being taken to recover the unsettled mobilisation advance balance of Rs.1,179,637.
- (b) Construction works of the buildings of the stage II of Faculty of Management, stage I of the Faculty of Social Sciences, and the Faculty of Agriculture had been completed and those buildings are being utilised by the University but action had not been taken to capitalize the cost of buildings as the bills had not been settled and it had been still shown in the work-in-progress account as Rs.316,995,732. Action, had not been taken to settle the mobilisation advance of Rs.2,386,971 given to construct those buildings even during the year under review.

2.2.3 Delayed Projects

The approval of the Cabinet of Ministers had been given for the construction of an Information Technology building two students hostels and the administrative building in the years 2005, 2006 and 2007 respectively. Nevertheless, such

constructions had not been commenced even as at the end of the year under review due to lack of financial provisions, problems in awarding tenders and giving priority to emergency constructions etc.

2.2.4 Management Inefficiencies

The following matters were observed.

- (a) At a test check carried out respect of selected items in the sub-stores of the maintenance section, the physical balances had not been tallied with Bin Card balances and the instances of non- maintenance of bin cards daily and issuing goods without approval were revealed. Similarly, even though it was stated in the issue orders that the goods were issued there were 38 instances that issues were not posted to the relevant bin cards. The test check also revealed that there were 52 instances where issue orders were not made available even though it was stated in the bin cards that issues were made.

- (b) Quotations had been called for the purchase of a gutting machine on 29 July 2009 for gutting badminton and tennis rackets to the physical Education Department and a manually operated gutting machine had been purchased for a sum of Rs.386,400 on the approval of the minor procurement committee of 15 December 2009 with the recommendation of the Technical Evaluation Committee met on 10 December 2009. In stating the specifications of the machine proposed to be purchased it was not stated whether it would be operated manually or electrically. As the required thread had not been purchased 4 rackets had been gutted in 2 instances from a private institution by incurring a sum of Rs.3000. Even though it was stated in the invoice that the country of manufacture of gutting machine as Taiwan, the country of manufacture had not been indicated in any place of the gutting machine.

- (c) The required goods had been purchased by paying a sum of Rs.484,174 during the year under review for making two vehicle parks for private vehicles of academic and non-academic staff. However, only one vehicle park had been constructed on 24 March 2011 without being approved a specific plan. It was revealed that vehicles were not parked in that place and the amano sheets purchased for it at Rs.10,560 had not been used for the vehicle park.
- (d) In the examination of the operation of the printing press of the Sabaragamuwa University installed by incurring an expenditure of Rs.3,996,250 under the IRQUE project, a sum of Rs.284,250 out of the estimated amount of Rs.568,500 allocated for the staff training had been paid to the relevant institution. Even though the training period was 15 days, it was not revealed that how many days had been trained and action had not been taken to fulfill the order given by the Uva-Wellassa University on 10 December 2010 even by 8 April 2011. Thus, even after the establishment of this press a sum of Rs.219,426 had been paid to side parties in three instances for printing purposes of the University. Further, action had not been taken to obtain the binding set required for the press even by 8 April 2011 and action had also not been taken to rectify the defect caused to the printing machine even by 8 April 2011.
- (e) Even though four work supervisors had been employed permanent within the University staff a store keeper had been deployed for the supervision of the auditorium film showing, repair of door and windows of the official quarters, setting examination halls and maintaining street lamps etc, and the overtime allowance of Rs.29,061 had been paid to him for the period of 03 months.

2.2.5 Idle and Underutilised Assets

Even though 3 one inch water motors had been requested on 31 March 2005 for the use of the rented hostels and purchased at Rs.51,000, they had not been utilised for that purpose even by 25 January 2011. Two water motors had been kept unused in the sub-warden's quarters and it was not explained to audit to which section the other water motor had been issued.

2.2.6 Identified Losses

The following matters were observed.

- (a) Action had not been taken in terms of Financial Regulations in respect of stock shortages of Rs.15,594 and the stock excesses of Rs.29,715 observed at the stock verification carried out as at 31 December 2010 even up to the date of audit.
- (b) Due to non-payment of 8% contributions amounting to Rs.18,405 to the Employees Provident Fund deducted from salaries of three employees and non-payment of contributions of 11 employees for the period September 2005 to December 2006 to the Employees Provident Fund, a surcharge of Rs.106,474 totalling Rs.124,879 had to be paid by the University Fund.

2.2.7 Transactions of Contentious Nature

The following matters were observed.

- (a) Even though a sum of Rs.38,500 had been paid for the repair of two water motors in the Sinharaja Hostel which was inoperative, the sub-warden of the hostel was unaware about the said repair, and gate passes, relevant

running charts and the working papers thereon were not made available for audit.

- (b) A person who had no even the minimum qualifications had been recruited to the Faculty of Social Sciences and Languages as a probation lecturer in German Language and a sum of Rs.2,729,695 had been paid as salaries and allowances for the period 01 July 2005 to 31 December 2010. However, the vice Chancellor had informed that the University grants Commission had stated that he had the required qualifications for the above post.
- (c) In ascertaining 3 buses on hire basis from the private sector for the transport of employees to participate in the 52nd Annual General Meeting - 2010 of the Clerical and Technical Services Union of the University, the service had been obtained by paying Rs.181,275 contrary to the instructions of the Circular No. 789 dated 24 September 2001 of the University grant Commission.

2.2.8 Transactions in Suspense

The responsible persons for causing damages estimated at Rs.347,300 to the internet cable system of the Faculty of Geomatics pointed out by audit in the year 2008 had not been determined. This amount had been shown in the final accounts of the year 2010 as receivable from the Ceylon Electricity Board.

2.2.9 Budgetary Control

The variances ranging from 11% to 286% had been observed between the estimated income and expenditure with the actual income and expenditure thus indicating that the budget had not been made use of as an effective instrument of management control.

3. Systems and Controls

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

- (a) Budgetary Control
- (b) Maintenance of Books of Accounts and Records
- (c) Utilisation of Assets
- (d) Contract Administration
- (e) Stores Control
- (f) Payment of Overtime