

University of Sri Jayewardenepura - 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 Sri Jayewardenepura 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 University of Sri Jayewardenepura 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 Sri Lanka Accounting Standards

The following non – compliances were observed.

- (a) The fully depreciated fixed assets costing Rs.1,044,812,358 had not been revalued and brought to account in terms of Sri Lanka Accounting Standard 18.
- (b) The information on expenditure relating to the preceding years amounting to Rs.21,564,581 adjusted to the General Reserve in terms of Sri Lanka Accounting Standard 10 had not been disclosed by way of Notes to the balance sheet.

1:2:2 Accounting Deficiencies

The following observations are made.

- (a) Accounting deficiencies totalling Rs.19,181,893 revealed at the test check of the financial statements were brought to the notice of the Vice-chancellor of the University of Sri Jayewardenepura by the Management Report dated 30 April 2011. The revised financial statements after the rectification of deficiencies amounting to Rs.953,560 had been presented to audit on 13 May 2011. Nevertheless, the capital grants amounting to Rs.18,228,333 received as donations to the Faculty of Postgraduate Studies had not been brought to account.

(b) Omissions in the Accounts and Understatements of Accounts

- (i) The value of the swimming pool constructed from a donation in the year under review had not been assessed and brought to account in the financial statements.
- (ii) The value of the stock of publications of the External Examinations Division as at the end of the year under review amounting to Rs.1,014,385 had been omitted in the accounts, thus resulting in the understatement of the value of the balance stock by that amount. Action had been taken to write off that amount from the General Reserve without carrying out an investigation.

(c) Inappropriate Disclosures

- (i) The stock excesses amounting to Rs.1,755,173 and Rs.1,136,297 observed at the physical verification of stocks of the Main Stores at the end of the preceding year and the year under review respectively totalling Rs.2,891,470 had been transferred to a Stock Adjustment Account. Nevertheless, action had not been taken to identify the reasons for the difference and settle the accounts.
- (ii) A sum of Rs.11,189,683 spent in excess of the estimated amounts had been deducted from the unexpended capital grants as at the end of the year amounting to Rs.21,584,275 and the sum of Rs.10,394,592 had been shown as the balance of the unexpended capital grants.
- (iii) The sum of Rs.161,530,617 shown in the balance sheet as at the end of the year under review as the Extension Programmes included the sum of Rs.4,964,255 relating to 30 completed programmes. Action had not been taken account for that amount under the income of the University.

1:2:3 Unreconciled Control Accounts

A difference of Rs.26,497,409 was observed between 09 accounts appearing in the financial statements furnished and the schedules relating thereto. Action had not been taken to investigate the reasons therefore and rectify the difference.

1:2:4 Accounts Receivable and Payable

The following observations are made.

- (a) The sundry debtors balances existing in the financial statements over several years totalled Rs.1,002,733.
- (b) Balances of staff loans, motor vehicle loans and computer loans amounting to Rs.2,153,056 shown in the financial statements as at the end of the year under review remained without being recovered over a number of years.
- (c) Even though the balances of 03 items of Advance Accounts shown in the financial statements amounting to Rs.5,260,552 had been outstanding over a long period, attention had not been paid for the speedy settlement of those advances.
- (d) Action had not been taken for the recovery of a sum of Rs.2,053,649 receivable in respect of the period from the year 2008 to October 2010 on account of the consumption of water and electricity by the private institutions maintaining various services (canteens, book shops, photocopy services) inside the University premises.
- (e) Out of the lease rental of Rs.1,405,000 agreed between the two parties in connection with the building constructed by the People's Bank on a block of land released to the People's Bank on 02 November 1998 on the condition that it would be reverted to the University on the completion of a lease period of 25 years, only a sum of Rs.40,000 had been received up to date. The two parties had not entered into an agreement even by the date of audit, that is, 17 January 2011.
- (f) The temporary site office constructed by the Central Engineering Consultancy Bureau which was engaged in the construction of a hostel of the University had not been removed even after the completion of construction in May 2008. A sum of Rs.903,739 was receivable by the University in connection with the electricity and water consumed during the period January 2008 to September 2010.

- (g) The contractor maintaining the photocopy service in the University premises had been awarded the contract again from September 2010 without the recovery the arrears of Rs.79,806 receivable from him for the period September 2008 to August 2010.
- (h) Students Hand Books had been issued on credit basis to the National Youth Services Council and the Co-operative Book Shop of the University of Sri Jayewardenepura and action had not been taken to recover the sum of Rs.203,680 receivable for the 848 Students Hand Books issued in the years 2009 and 2010 even by 12 July 2010, the date of audit.

1:2:5 Lack of Evidence for Audit

The schedules with age analysis had not been presented for audit for the accounts receivable and payable amounting to Rs.17,460,684 and Rs.66,873,123 respectively The confirmation of balances had also not been called for.

1:2:6 Non – compliance with Laws, Rules, Regulations and Management Decisions

Non – compliances with the following laws, rules, regulations and management decisions were observed.

Reference to Laws, Rules Regulations, etc.	Non - compliance
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(a) Universities Act, No. 16 of 1978	
(i) Sub - section (I) of Section 29	The University is authorized to confer honorary degrees or other academic distinctions on persons recommended by the Senate of the University and approved by the Council of the University. Nevertheless, outside that procedure, the Hema Ellawala Foundation of the Faculty

of History and Archaeology had conferred a Doctorate Degree on a foreigner.

(ii) Section 29 (g)

The University is authorized to grant and to confer, with the concurrence of the Commission, degrees, diplomas and other academic distinctions to and on persons who, not being students of the University or any recognized institution, shall have passed the external examinations of the University. Nevertheless, the approval of the Commission had not been obtained for the 07 self financing courses of one year duration commenced for external students by the Faculty of Management Studies and Commerce.

(iii) Section 99 Sub – section
(d)

Money received from whatever source of an institution of higher education should be credited to the University Fund and the administration of such money is the responsibility of the Bursar. Nevertheless, 10 Bank Accounts not related to the University Fund had been opened and the balances of those accounts as at 31 December 2010 amounted to Rs.89 million.

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka – 396 (d)

Action in terms of the Financial Regulation had not been taken on 105 cheques valued at Rs.2,338,314 relating to 05 Bank Current Accounts, issued but

- remaining without being presented for payment for over 06 months as at 31 December 2010.
- (c) Establishments Code of the Democratic Socialist Republic of Sri Lanka Chapter XIX Section 8 Even though Inventory Registers should be maintained, such Inventory Registers had not been maintained in respect of 11 out of the 25 official quarters and rented houses of the University.
- (d) Establishments Code of the University Grants Commission
- i) Chapter 10 Section 1:6:1 Lecturers had not followed the specified procedure in obtaining leave and such leave obtained had not been recorded.
- ii) Chapter 20 Section 3:1 Even though the Lecturers also should sign an Attendance Register in support of their arrival for duty, they had not taken such action.
- iii) Chapter 26 Section 2:1 A Board of Survey should conduct an annual verification of all the goods and fixed assets of institutions of higher education. Nevertheless, such a survey had not been conducted in respect of the fixed assets valued at Rs.1,127,236,848, sub – stores valued at Rs.3,273,492 and the library books. The Board of Survey Reports in respect of the inventory goods valued at Rs.1,512,454,184 for which Boards of Survey had been appointed were not furnished to audit.

2:1:2 Transactions of Contentious Nature

The following matters were observed.

(a) Procurement of Hostels on Rent

- (i) According to the decisions of the Cabinet of Ministers No. 2004/ED/HE/63 dated 23 December 2004 hostel rent should be paid at the rate of Rs.1,050 per head per mensem. Nevertheless, the payment of hostel rent contrary to such decision had resulted in the overpayment of hostel rent amounting to Rs.6,079,414 during the period September 2008 to August 2011.
- (ii) In connection with the renting of those hostels for the years 2010 / 2011 the Technical Evaluation Committee relating thereto had recommended the retention of a sum of Rs.1,000,000 from the rent payable, as the amount required to carry out the essential repairs to the hostel premises to prevent the environmental damage. Instead, the total amount payable had been paid to the Controlling Authority of Hostels without carrying out those repairs even up to February 2011.
- (iii) The Certificate of Conformity for Living Purposes of the hostels procured on rent basis by the University, had not been obtained from the respective Local Authorities.
- (iv) Assessment Reports in terms of Financial Regulation 835 (2)(c) had not been obtained from the Department of Valuation for the increase of the rent on private houses taken on rent for use as students hostels. In addition, the payment of rents exceeding the assessed rent of the Department of Estate and Valuation Management Studies had resulted in overpayments amounting to Rs.627,500 during the years 2001 to 2010.
- (v) Even though a written agreement covering the lease period should be entered into in terms of Financial Regulation 835 (3), six instances of failure to enter into such agreements were observed. Even the agreements entered into had been signed after a delay of 08 months.

(b) Recovery of Registration Fees for External Examinations and other Payments

In connection with the recovery of registration fees and the payment of other charges relating to the External Examinations Division the Council had approved the recovery of new charges as well as the upward revision of the existing charges in the range of 25 per cent to 860 per cent deviating from the provisions of the Circular No.861 dated 26 April 2005 of the University Grants Commission.

The following observations are made in connection with the above matters.

- (i) The decision No.364:09 (1) taken by the Council for taking action outside the confines of circulars of the University Grants Commission and its Establishments Code is observed as action ultra vires of the authority of the Council.
- (ii) Accounting to the books and records furnished to audit a sum of Rs.6,847,815 had been overpaid during the period October 2009 to May 2010 due to making payments on the basis of the Finance Committee Paper No. 242/22 approved by the Council without following a formal methodology.
- (iii) Even though it had been decided to send the decisions taken by the Council of Governors for the information of the University Grants Commission, that decision had not been implemented.

2:2 Operating Review2:2:1 Performance

The following observations are made.

- (a) A sum of Rs.1,429,973,872 had been spent as the recurrent expenditure on 10,465 students of 04 Faculties of the University who had received education in the year under review. As such the cost per student amounted to Rs.136,643.

- (b) Even though the academic staff of the University comprised 464 Lecturers 61 out of them had availed of the sabbatical or other leave during the year under review.

2:2:2 Delayed Projects

The approval of the Cabinet of Ministers for the Waste Water Exclusion Project of the University costing Rs.70 million had been received on 06 August 2003. Nevertheless the construction work thereon had not been connected even by 30 June 2011.

2:2:3 Management Inefficiencies

The following observations are made.

- (a) The University had paid a sum of Rs.1,147,412 in the year 2005 for the preparation of the Register of Fixed Assets in terms of the Treasury Circular No. 842 of 19 December 1978 through a private company. That register could not be used for the purposes of the University as it had not been prepared in accordance with a standard computer programme.
- (b) Quotations had been called for on 31 March 2010 for the procurement of 04 machines for 20 days (80 machine days) for the reconstruction of the playground without preparing total cost estimates in terms of Sections 4:3:1 and 4:3:2 of the Procurement Guidelines 2006 (Nation Procurement Agency Circular No. 08 of 25 January 2006) and without following the bid procedure in terms of Section 2:14:1 of the Procurement Manual. A sum of Rs.4,218,961 had been paid by 06 January 2011 for the deployment of machinery for 249 machine days. Even though the reconstruction of the playground had been commenced with a view to holding the Inter – University netball, tennis and volley ball tournaments in September and October 2010, that objective could not be achieved due to the failure to carry out the work according to a proper plan.
- (c) Sales Income from Students Hand Book of External Examinations Unit
- (i) Registers conforming to the Financial Regulation 751 had not been maintained for the receipt and issue of Students Hand Books. The registers maintained were incomplete.

- (ii) Even though 12,000 copies of Students Hand Books had been printed for the external examination courses for the year 2010 (excluding the Business Administration Degree Course) the registration of students ranged between 6,000 to 7,000. Due to the failure to print books according to the requirements, 6,023 books valued at Rs.509,737 remained in stock. The expenditure incurred on the books that cannot be reused had become an uneconomic expenditure.

2:2:4 Operating Inefficiencies

The following observations are made.

- (a) Forty five lecture hours at the rate of 03 hours per week should be covered within 15 weeks for each subject in respect of each semester. Nevertheless, an examination of the Attendance Registers of students and Records of Lectures conducted on 26 subjects of the second semester from 22 February 2010 to 11 June 2010 of the Pali and Buddhist Studies Department revealed that the specified number of lectures had not been completed for any of the subjects. The hours relating to the lectures not conducted ranged between 7 ½ to 43 ½ hours.
- (b) Non – reconciliations between the number of hours in the Attendance Register of the External Lectures of the Languages and Cultural Studies Department of the Faculty of Arts and the number of hours in the Payment Register existed. Evidence needed for ensuring the accuracy of the payments such as Attendance Registers of Students or other documentary evidence was not available with the Academic Department.
- (c) Even though the examination for the first semester according to the Academic Calendar of the Faculty of Arts 2008 / 2009 had been held on the due dates the results had not been released by the due date and the delays ranged from 44 to 120 days.

- (d) An Academic Calendar had not been prepared for the English Language Teaching Unit of the University and according to the approved cadre plan the staff stood at 27 and comprised 05 lecturers and 22 Instructors of English. Nevertheless, a staff of 07 comprising 04 lecturers and 03 Instructors of English had been deployed in service.
- (e) Even though the University has as English Language Teaching Unit (ELTU), the Faculty of Management Studies and Commerce had recruited a separate cadre comprising 02 teachers and 01 instructor for teaching of English to the students of that Faculty. The approval and authority for that was not made available to audit.

2:2:5 Budgetary Control

Expenditure exceeding the provisions approved in the budget by a sum of Rs.11,286,059 had been incurred on books and periodicals and laboratory equipment.

3. Systems and Controls

Deficiencies in systems and controls revealed 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) Fixed Assets
- (b) Control Accounts
- (c) Motor Vehicles Control
- (d) Petty Cash
- (e) Introduction of a Costing System to the Maintenance Division
- (f) Administration of Hostels