

Uva Wellassa University

1. Financial Statements

1.1 Opinion

So far as appears from my examination and to the best of my information and according the explanations given to me, I am of opinion, that the Uva Wellassa University 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 state of affairs of the Uva Wellassa University 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

The following accounting deficiencies were observed in audit.

- (a) The value of drugs amounting to Rs. 538,486 in the Medical Centre as at 31 December 2010 had not been brought to the Balance Sheet as an asset.
- (b) The value of 100 Footballs purchased years of 2007- 2010 totaling to Rs.59,550 had been accounted under capital assets.
- (c) A multimedia projector valued Rs. 173,400 purchased in 2008 accounted under Laboratory and Teaching Instruments was lost in the year 2009. Although its value had been deducted from the bill payable to the private security in February 2010, accounting adjustments had not been done .
- (d) A Sum of Rs.597,500 of hostel fees receivable as at 31 December 2010 from the students resided in hostels for the years of 2006, 2007, 2008 and 2009 had not been brought to accounts.

- (e) According to the board of survey report of 28 February 2011, in respect of the year 2010 excess and shortages of stocks valued Rs. 26,740 and Rs.12,199 respectively had not been correctly adjusted to the stock account by journal entries.
- (f) Due to unsettlement of advances of Rs.36,698 as at 31 December 2010 given to three officers to meet expenses for the year, the expenditure of the year under review was under stated by similar amount.

1.2.2 Lack of Evidence for Audit

The following items in the financial statements could not be satisfactorily vouched in audit in the absence of evidence indicated against each item.

Item	Value	Evidence not made available
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	Rs.	
Acquisition of Lands	17,295,907	Title Deeds.
Office Equipment	2,474,143	} Board of survey reports for verification of value
Computers	23,281,635	
Sport Goods	1,532,828	
Library books and Periodicals	32,590,936	
Refundable deposits	1,381,220	Registers of Deposit/Schedules
Accrued Expenses	5,900,300	Subsidiary Registers /Detailed Schedules

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

The following Instances of non - compliance were observed in audit.

Reference to laws, rules, regulation etc. -----	Particulars -----
(a) Finance Act No.38 of 1971 Section 14 (i)	A copy of the Draft Annual Report had not been submitted for audit with the Financial Statements.
(b) University Act No. 16 of 1978 -----	
(i) Section 109	Annual Report 2009 of the University had not been published in the Government Gazette.
(ii) Section 110	Annual reports of the University had not been tabled in the Parliament.
(c) Section 10 of the Employees Provident Fund Act No 15 of 1958 and Amended by the Act No 01 of 1985	EPF Contributions for the period of 2006-2010 amounting to Rs.2,458,130 had not been paid in respect of Operational Assistants recruited on contract basis.
(d) Employees Trust Fund Act No 46 of 1980	ETF contributions for the period of 2006-2010 amounting to Rs.368,719 had not been paid in respect of Operational Assistants recruited on contract basis.
(e) Section 1 of Chapter xxiv of the Establishment Code for the University Grants Commission and Higher Educational Institutions	Verification of stores in irregular intervals had not been carried out during the year under review.

- (f) Section 6.3 of the University Grants Commission Circular No 63 of 13 February 1980
- A report of differences between estimated expenditure and income with actual had not been submitted with Financial Statements.
- (g) Treasury Circular No. IAI/2002/2 of 28 November 2002
- A Register of Fixed Asset for computers and accessories had not been maintained.
- (h) Public Administration Circulars

- (i) Circular No. 37/94 of 21 October 1994.
- A retired officer over 70 years of age had been appointed as a Project Operational Manager on assignments basis from 31 December 2005 for 6 months period without cabinet approval and his service was continually extended by three months up to now.
- (ii) Circular No. 21/2006(iv) Of 30 July 2008
- No action had been taken to permanent service of 17 Operational Assistants recruited in years of 2005, 2006 and 2007 on contract basis who are still in the university service.
- (i) Financial Regulations

- (i) 104
- No action had been taken regarding losses of assets according to the financial regulations.
- (ii) 110
- A separate register had not been maintained to record damage and losses.
- (iii) 756
- Annual board of survey had not been carried out regarding library books and balance stock of medicine.

2. **Financial and Operating Review**

2.1 **Financial Review**

Financial Result

According to the financial statements presented, the working of the University for the year ended 31 December 2010 had resulted in a surplus of Rs.2,450,399 after taking into account the Government Grants of Rs.152,800,000 received for recurrent expenditure as compared with the corresponding deficit of Rs.10,441,719 for the preceding year after taking into account the Government Grant of Rs.108,870,000 received for recurrent expenditure. Thus indicated a improvement of Rs.12,892,118 in the financial result mainly due to increase of recurrent grants, self finance programmed income and other income.

2.2 **Operating Review**

2.2.1 **Educational Performance**

Following Observations are made.

- (a) The enrolment of students for the year 2010 had decreased by 45 students or 8.5% as compared with the year 2009.
- (b) Sixty Eight registered students had left their courses in the university from 2006 to 2010.
- (c) Hundred and Forty Eight students passed and 03 students referred of 151 students sat for the final year examination held in the year under review.

2.2.2 **Cost per student**

Average expenditure per student calculated on the basis of recurrent expenditure and number of students registered in the years of 2006- 2010 is given below.

Year	No. of students registered	Total recurrent expenditure	Expenditure per student
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		Rs.	Rs.
2006	167	39,282,684	235,226
2007	370	74,375,733	201,015
2008	741	118,634,901	160,101
2009	1,257	152,982,159	121,704
2010	1,715	200,874,819	117,128

Recurrent expenditure per student was gradually decreased due to increase of number of students.

2.2.3 Management Inefficiencies

Following Observations are made.

(a) Computer Systems

- (i) The University had entered into an agreement of Rs.3,680,000 with a private company to develop a computer system to use for the General Administration of the University in 2006 and paid a sum of Rs.736,000 as an 20% advance out of the agreed amount. However, the contractor had not supplied the computer system as required and the performance bond of Rs.368,000 was expired on 20 February 2007. Action had not been taken to recover the losses incurred to the university due to non supplying of computer system according to the agreement from the company.
- (ii) A sum of Rs.22,870,727 had been paid to a private company for hiring of 110 computers for computer studies of the students during 04 years from 2007 to 2010. When considering market prices it was observed in audit that the university could have been purchased 280 computers in new versions by spending the paid for hiring of computers for past four years.

(b) **Residential Facilities**

- (i) Thirty Eight houses had been leased out on the monthly rental basis for providing residential facilities for 59 staff in the university and paid a sum of Rs.3,654,496 in the year 2010 to the house owners as rent. However only Rs.521,762 had been recovered as rent from the staff. Accordingly the university has to incur an excess expenditure Rs.3,132,734 approximately for a year to meet rental expenditure for residents.
- (ii) Although the university had paid monthly electricity and water bills of the bachelors quarters in addition to the rent, no money had been charged to the residential staff of these quarters.

2.2.4 Asset Management

Following Observations are made.

- (a) Five hundred and fifty seven students hand books at a cost of Rs.172,825 had remained idle due to printing of students hand books for the years 2006,2007 and 2009 without considering the requirements.
- (b) Hundred and Forty five library books valued Rs.76,422 had been misplaced according to internal audit report of 29 June 2010.
- (c) Stock of 29 items of medicine in the medical centre was expired.
- (d) Seven six beds and 198 mattress purchased in were being stored in the stores and block F building at 31 December2010.
- (e) Five fire resistant safes valued Rs.322,560 purchased on 30 June 2010 were lying in the stores up to 31 May 2011 unutilized.

2.2.5 Human Resource Management

Following Observations are made.

- (a) According to the approved cadre of the University, 07 professor posts and 03 Grade I senior lectures in the academic staff had not been filled from 2006 to 04 August 2011. 32 posts out of 129 posts in the academic staff were vacant at 31 December 2010.

- (b) Fifty Eight posts were vacant out of 82 posts in the approved non - academic staff.
- (c) An acting Course Director had been appointed for faculty of Management from 2006 November to 04 August 2011 without the UGC approval and paid an allowance of Rs.378,000 plus transport allowance of Rs.154,419 during the year under review for a service of 37 days.

2.2.6 **Budgetary Control**

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

3. **Systems and Controls**

Weaknesses in the 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) Accounting
- (b) Budget
- (c) Fixed Assets
- (d) Stores