

## **Rajarata University of Sri Lanka**

### 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 Rajarata 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 Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Rajarata 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 Sri Lanka Accounting Standards

Fifteen classes of fixed assets costing Rs.167,142,573 fully depreciated but continued to be in use had not been revalued and brought to account in terms of Sri Lanka Accounting Standard No. 18.

##### 1:2:2 Accounting Deficiencies

The following accounting deficiencies were observed.

###### (a) Omissions

The Maintenance Unit Building of the Main Administration Building made available for maintaining the University at the establishment of the University and the 33 official quarters and the land on which they are situated had not been vested in the University even during the year under review. As such the value of those had not been included in the financial statements over a period of 11 years.

(b) Understatements and Overstatements

The sum of Rs.10,000,000 payable for the acquisition of a block of land belonging to the Anuradhapura Hospital had been credited to the Cash in Hand Account instead of debiting the Assets Account and crediting the Creditors Account. As such that account had been overstated by a sum of Rs.10,000,000.

1:2:3 Unreconciled Control Accounts

The following observations are made.

(a) According to the financial statements as at 31 December 2010, the Withholding Tax retained amounted to Rs.918,960 whereas according to the ledger and the schedules, that amounted to Rs.870,019, thus indicating a difference of Rs.48,941.

(b) Even though the amount refundable to the Mahapola Trust Fund according to the Ledger Account amounted to Rs.2,397,534, according to the relevant schedules that amounted to Rs.2,450,823, thus indicating a difference of Rs.53,290.

1:2:4 Accounts Receivable and Payable

The following matters were observed.

(a) Balances of sundry loans and advances totalling Rs.668,154 recoverable from 35 officers retired, vacated post or transferred out remained without being recovered over periods ranging from 01 year to 03 years.

(b) Confirmations of balances and age analysis of sundry creditors totalling Rs.84,868,569 had not been furnished to audit.

(c) Advances ranging from Rs.8,000 to Rs.100,000 totalling Rs.1,304,300 granted in 25 instances during January to December of the year under review for the various activities of the Postgraduate Diploma in Management Course had not been settled even by the end of the year of accounts.

- (d) Sum totalling Rs.305,000 granted to 04 persons in 04 instances as research advances had not been settled even after the elapse of 13 to 25 months.

1:2:5 Lack of Evidence for Audit

Audit evidence such as the Register of Fixed Assets, detailed Schedules and Board of Survey Reports in respect of fixed assets totalling Rs.1,512,654,773, the detailed Schedules relating to the debit balances of advances of the Postgraduate Diploma in Management Course amounting to Rs.1,424,300 and the detailed Schedules and the Journal Entries relating to the credit balance of Rs.308,029 in the Ledger Account No. 23701 of the same course had not been furnished and as such those could not be satisfactorily vouched in audit.

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

The following non – compliances were observed.

Reference to Laws, Rules, Regulations, etc.	Non - compliance
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(a) Establishments Code for the University Grants Commission and Institutions of Higher Education. Sub – sections 2:1 to 2:14 of Chapter xxiv	A Board of Survey of the fixed assets of the University for the year 2010 had not been conducted and report furnished to audit.
(b) Establishments Code of the Democratic Socialist Republic of Sri Lanka	
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(i) Section 5 of Chapter xix	House rent in terms of the provisions of the Establishments Code had not been

recovered from the officers occupying the 02 houses taken on lease for Rs.510,000 in the year under review.

(ii) Section 5:8 of Chapter xix

i) Even though the officers occupying official quarters should pay the charges on private consumption of water and electricity, the charges on the –consumpted of water of 02 quarters occupied by the officers of the Rajarata University amounting to Rs.18,698 and Rs.5,590 respectively and the charges on the consumption of electricity amounting Rs.32,124 and Rs.14,022 respectively had been settled from the University Fund during the year under review.

ii) Even though the actual charges of water bills of 55 family unit quarters situated in the Rambewa and Mihintale Premises of the Rajarata University amounted to Rs.869,128 a sum of Rs.65,520 only had been recovered in that connection from the resident employees. As such an additional sum of Rs.803,608 had been paid from the University Fund in the year under review for the private consumption of water.

(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

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(i) Financial Regulation 395  
(a)

Bank Reconciliation Statements in respect of the transactions for each month should be prepared before the 15<sup>th</sup> day of the month

following. Nevertheless, 16 Bank Reconciliation Statements of 03 Bank Accounts relating to the year under review had not been prepared.

- (ii) Financial Regulation 880 Even though officers certifying vouchers and signing cheques should make security deposited in terms of Public Officers' Security Ordinance, it had not been so done.
- (d) State Accounts Circular No. 147/2002 of 16 April 2002 Paragraph 1 Action had not been taken to re-assess and recover the rent on 19 family unit quarters and 55 single unit quarters of the University on which monthly rents ranging from Rs.38 to Rs.450 had been recovered from the year 1996 to 31 December 2010.
- (e) Public Administration Circulars 9/2009 dated 16 April 2009 and 9/2009 (1) of 17 June 2009. Even though finger print machines should be used for marking the arrivals and departures, the Rajarata University had not made the necessary arrangements in that connection.

1:2:7 Transactions not supported by Adequate Authority

The following observations are made.

- (a) Even though the Director General of National Budget of the Treasury had, by his letter No. BD/I/NS/DLU/S/A 078 dated 18 July 2003, informed that the academic allowance and the monthly compensating allowance should not be included for the computation of contributions to the Universities Provident Fund and the Employees' Trust Fund, such allowances had been taken into account. As such a sum of Rs.11,477,553 during the period 1998 to 2009 and a sum of Rs.1,174,591 during the year under review had been spent as the contributions to the Provident Fund and the Employees' Trust Fund without formal authority.

- (b) The Director General of Public Enterprises had, by his letter No. PE/01/174/11 (b) dated 06 March 1998, informed the University Grants Commission that the allowance paid to the public officers for proficiency in languages had not been extended to the Public Corporations and Boards. Nevertheless, a sum of Rs.3,520,447 during the period 1999 to 31 December 2009 and a sum of Rs.298,821 during the year under review had been paid as languages proficiency allowance.
- (c) Even though a sum of Rs.18 million had been provided by the Treasury in the year 2006 for the acquisition of the Police quarters situated in the Mihintale premises of the University for use as hostels, those had not been acquired even by 31 December 2010. That sum of Rs.18 million deposited in the Bank of Ceylon and the interest accrued thereon amounting to Rs.8,423,653 had been withdrawn by the University on 02 March 2010 and utilized the money to meet other expenditure of the University extraneous to the objective without the approval of the Treasury. The sum of Rs.18 million excluding the interest had been redeposited in the Bank of Ceylon on 31 December 2010.

## 2. Financial and Operating Review

### 2:1 Financial Review

#### 2:1:1 Financial Results

According to the financial statements presented, the operations of the University for the year ended 31 December 2010 had resulted in a deficit of Rs.173,100,494 as compared with the corresponding deficit of Rs.117,596,632 for the preceding year thus indicating a deterioration of Rs.55,503,862 in the financial results for the year under review.

## 2:1:2 Analytical Financial Review

The deficit after incurring expenditure from the money received from the University Grants Commission to meet the recurrent expenditure amounted to Rs.80,503,790 and the corresponding deficit for the preceding year amounted to Rs.42,293,305. When the provision for depreciation on fixed assets amounting to Rs.99,084,694 and the provision for payment of gratuity amounting to Rs.3,685,440 written off against the income for the year under review are taken into consideration, that deficit increased to Rs.183,273,924. When the provision for depreciation on fixed assets amounting to Rs.86,141,682 and the provision for payment of gratuity amounting to Rs.2,641,143 for the preceding year are taken into consideration, that deficit had increased to Rs.131,076,129. Nevertheless, such position had not been disclosed in the financial statements. The deficits for the year under review and the preceding year amounted to Rs.173,100,494 and Rs.117,596,632 respectively after taking into consideration the other income of the University in addition to the money received from the University Grants Commission.

## 2:1:3 Transactions of Contentious Nature

The University had spent a sum of Rs.1,350,981 in the year under review for the construction of a rest room and latrines in the Matale Hospital without any legal rights and written off that amount against the income by treating it as a recurrent expenditure.

## 2:2 Operating Review

### 2:2:1 Performance

The academic performance of the University during the year under review is given below.

- (a) The particulars of the final year examinations held in the year 2010 and the passes in degrees are given below.

Particulars	Faculty of Agriculture	Faculty of Management	Faculty of Applied Science	Faculty of Social Science and Humanities
Number of Students who sat the Final Examination in the year under review	52	156	88	208
Number of Students who passed the Examination	39	136	65	
Number of Students who failed the Examination	13	20	12 11*	Results not released.
Percentage Students who failed the Degree Examination out of the students who sat the Examination	25 %	13 %	14 %	

\* Out of students of the Faculty of Applied Sciences who had failed the examination 11 had been selected for a special course.

The final year examination of the Faculty of Social Sciences and Humanities had been held from 18 September 2010 to 12 November 2010. But the results had not been released up to the date of the audit report.

- (b) The number of students admitted to the 05 Faculties of the University and those who left after graduation during the year under review and the 04 preceding years are given below.



Faculty	Number of Students Admitted					Number who left after Graduation				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Faculty of Medicine	171	180	181	184	180	--	--	--	--	--
Faculty of Agriculture	74	113	107	108	95	12	28	54	91	55
Faculty of Applied Science	95	160	216	173	196	40	91	89	92	69
Faculty of Social Service and Humanities	156	225	275	337	330	119	192	154	114	181
Faculty of Management	220	211	279	307	276	88	21	162	201	163
Total	716	889	1058	1109	1077	259	332	459	498	468

The graduation of the students of the Faculty of Medicine commenced in the year 2006 will take place in the year 2011. The respective Faculties and the Examinations and the Academic Department had not maintained the information needed to gather clear data on those, out of the students admitted had left the University after obtaining General and Special Degrees.

(c) Cost per Student

The total cost and the cost per student of each Faculty of the University are given below.

	Faculty of Agriculture	Faculty of Applied Science	Faculty of Social Science and Humanities	Faculty of Management	Faculty of Medicine and Allied Studies	Total
Total Cost (Rs.'000)	73,098	91,604	97,391	97,056	112,994	472,143
Total Number of Students	497	840	1,323	1,293	896	4,849
Cost per Student(Rs.'000)	147	109	74	75	126	97

(d) The progress on conduct of lectures in the year 2010 had been as follows.

Faculty	Planned Lecture Hours	Lecture Hours Conducted	Lecture Hours not Conducted
(i) Faculty of Applied Science	7595	7563	32
(ii) Faculty of Agriculture	5246	4471	775
		* Field visits not included	
(iii) Humanities Academic Department	7020	6669	351
(iv) Social Science Academic Department	7400	7189	211
(v) Faculty of Medicine and Allied Studies	2064	2064	--
(vi) Faculty of Management	10560	10376	184
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	39885	38332	1553
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The lecture hours planned for the year 2010 had been 39,885 while the lecture hours conducted had been 38,332 and 1,533 hours of lectures of 4 per cent had not been conducted.

### 2:2:2 Delayed Projects

The following observations are made.

- (a) A sum of Rs.1,213,135 had been paid in the years 2007 and 2008 as consultancy charges and administrative charges on the building proposed for construction for the Faculty of Social Science and Humanities at an estimated cost of Rs.206,000,000 for which quotations had been called for in the year 2007. A sum of Rs.129,416 had also been spent in the year under review as the printing charges on bid documents and drawing of designs. No construction work whatsoever had been done despite the elapse of a period exceeding 03 years.

- (b) The period of the project for the construction of the Day Care Centre estimated at a cost of Rs.6,794,191 commenced in the year 2008 had been extended up to 10 April 2009 and a sum of Rs.1,016,768 had been spent in that year. No steps whatsoever had been taken in the year under review for the completion of the balance work of the Project.

### 2:2:3 Management Inefficiencies

- (a) According to the cash book for the year under review, negative balances had been shown in 03 Bank Accounts in 11 instances. The Vice Chancellor had replied that the Bank had been authorized to make inter – account transfers whenever there are cash deficiencies in any of the Bank Accounts. Thus it was observed that management had neglected its responsibilities with regard to financial control.
- (b) Travelling expenses amounting to Rs.212,844 in respect of 89 days had been paid on 31 vouchers to the External Lecturers for travelling to the University in motor vehicles for conducting lectures without obtaining confirmation that the lecturers had travelled to the University by their motor vehicles.

### 2:2:4 Idle and Underutilized Assets

The following observations are made.

- (a) Two Bank Current Accounts with balances amounting to Rs.127,800 had been dormant by 31 December of the year under review.
- (b) A sundry stock of assets costing Rs.2,107,871 and a typewriter, 03 computers and 06 projectors, the value of which had not been recorded remained in the store in obsolete condition. Action had not been taken in the year under review to eliminate them from the accounts in an appropriate manner.
- (c) Three time card machines valued at Rs.163,875 remained idle over a period exceeding 05 years without being used.

### 2:2:5 Damage and Losses

A surcharge of Rs.14,064 had been paid to the Employees' Trust Fund due to the delay in the remittance of contributions to the Employees' Trust Fund.

### 2:2:6 Human Resources Management

Vacancies existed in the year under review in 110 posts in the Academic Staff comprising 24 posts of Professors, 31 posts of Senior Lecturers and 55 posts of Probationary Lecturers / Lecturers and 55 posts in the Non – academic Staff comprising 07 posts of Executives, 32 Non – Executive posts and 16 posts of minor employees.

### 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) Stores Control
- (c) Fixed Assets