

## University of Colombo – 2010

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### 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 Colombo 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 University of Colombo 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 Presentation of Financial Statements

The accounting deficiencies aggregating Rs.35,865,369 revealed at audit test checks with regard to the Draft Financial Statements of the University for the year under review were brought to the notice of the Vice Chancellor of the University. Those accounting deficiencies had been rectified and revised financial statements had again been furnished to audit on 12 July 2011. Although the draft annual report should be furnished to audit within 60 days of the closure of the financial year, the draft annual report had been furnished to audit on 2 May 2011 after a delay of 61 days.

### 1:2:2 Sri Lanka Accounting Standards

The following non compliances were observed.

- (a) The overall surplus of the extension courses of the year under review amounting to Rs.366,023,680 had been transferred to Reserves. Action had not been taken to transfer the surplus of completed courses from the overall surplus, to the Income and Expenditure Account in terms of Section 19 of the Sri Lanka Accounting Standard No. 29.
- (b) The gross income relating to external courses had not been shown in the Income and Expenditure Account as required by Section 33 of the Sri Lanka Accounting Standard No. 29. Instead, a sum of Rs.255,065,984 equivalent to the revenue expenditure of external courses had been shown as income.
- (c) The cost of Rs.133,418,588 incurred on the construction of Saram Ladies Hostel, handed over after completion of the construction work on 22 July 2009 had not been capitalized, as required by Sri Lanka Accounting Standard No. 18. Further, provision for depreciation had not been made for this building which had been made use of, during the year under review.

### 1:2:3 Accounts Receivable and Payable

#### (a) Amount Receivable on behalf of Breach of Agreements

The following observations are made.

- (i) A sum of Rs.46,242,958 remained recoverable from 43 lecturers as at 31 December of the year under review for breach of agreements, as per Section 33 of Chapter 10 of the Establishments Code for the University Grants Commission and Higher Educational Institutions.

- (ii) Documents relating to recovery of Rs.9,382,276 due from 4 lecturers by instituting legal action had been referred to the Attorney General's Department. Cases were pending in Courts with regard to the sum of Rs.1,892,023 due from 7 lecturers.
  - (iii) Action had been taken to recover the sum of Rs.7,817,611 due from 24 lecturers from their Provident Fund and Gratuity. Of these, the proposed recovery of balances as aggregating Rs.1,567,605 due from 15 lectures had exceeded 8 years. But adequate amount had not been recovered so far.
  - (iv) The entire amount recoverable from a lecturer for breach of agreement amounted to Rs.1,218,641. Of this, a sum of Rs.1,101,730 had been recovered prior to the year under review. No money had been recovered during the year under review.
- (b) A necessary revolving procedure was not in existence to recover the lapsed loan balances aggregating Rs.937,347 by end of the year under review.

1:2:4 Non – Compliance with Laws, Rules, Regulations and Management Decisions

Non compliance with laws, rules, regulations etc., are shown below.

Reference to Laws, Rules, Regulations etc. -----	Non - Compliance -----
(a) E.P.F. Act No. 15 of 1958 and the letter of the Director General of National Budget addressed to the Chairman of the University Grants Commission dated 18 July 2003	It has been pointed out that the academic allowances should not be taken into consideration for computation of the Universities Provident Fund, Employees' Trust Fund and gratuity payments of the Academic Staff. However, those allowances had been taken into consideration for the academic staff recruited before 1 July 2005.

- (b) Section 99 (1) of the Universities Act No. 16 of 1978  
All income generated and all funds including donations should be credited to the University Fund. However, the University maintained 156 funds. The balances of those funds as at end of the year under review amounted to Rs.458,065,642.
- (c) Treasury Circular No. IAI/2002/2 dated 28 November 2002  
A special register of assets for computers, computer accessories and software had not been maintained.
- (d) Section 5:2 of Chapter V of the Establishments Code for University Grants Commission and Higher Educational Institutions and Public Administration Circular No. 09/2007 (i) dated 24 August 2007  
A person, other than the person holding the post of Professor, should not be employed in service after completion of 60 years of age. However, 3 officers had been employed on contract basis. The remuneration paid to those officers up to end of the year under review aggregated Rs.2,848,224.
- (e) Public Administration Circulars Nos. 29/98, 29/98(i), 07/2007, 7/2007(i), 02/2009 and Public Enterprises Circular No. 95 of 14 June 1994  
Language proficiency allowances had been paid by the University to employees recruited before 1 January 2003, deviating from the provisions in the circular.
- (f) F.R. 371 and the letter of the Vice Chancellor No. B/AC/BK/A dated 12 November 2010  
All petty cash advances of the University should be settled as at 31 December 2010. However, during the year under review a balance of Rs.46,952 remained unsettled.

(g) F.R. 371 (2)

The University building, Research and Management Units and Sripali Hall had obtained advances totalling Rs.939,626 for various purposes. Settlement of these advances had been delayed for 1 to 20 years.

2. Financial and Operating Review

2:1 Finance Review

2:1:1 Financial Results

According to the financial statements presented, the activities of the University for the year ended 31 December 2010 had resulted in a deficit of Rs.1,021,132,199 before taking into account the government contributions for recurrent expenditure as compared with the previous year's deficit of Rs.920,323,868. Accordingly, the deficit for the year under review had increased by Rs.100,808,331. As a result of the government contributions of Rs.1,078,295,988 for the year under review, the surplus of the year had become Rs.57,163,789. As a result of the government contributions of Rs.1,044,350,808 for the previous year, the surplus of that year had become Rs.124,026,940.

2:2 Operating Review

2:2:1 Performance

The following observations are made.

- (a) The number of applicants recruited for degree courses in 2010 was 2,289 and it was 2,433 in 2009. The number of applicants recruited for degree courses for each faculty is shown below.

Faculty -----	Year -----	
	2010 ----	2009 -----
Arts	665	661
Law	251	250
Education	104	244
Management and Finance	434	416
Science	455	534
Medicine	230	233
Sri Pali Hall	150	95
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Total	2,289	2,433
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A drawback of 57% in the “Education Faculty” was observed while analyzing the above information.

- (b) During the year under review, 2,153 persons had vacated the University after obtaining degrees. This was 1,838 in the year 2009. The number of degrees obtained in each faculty is shown below.

Faculty -----	Year -----	
	2010 -----	2009 -----
Arts	795	577
Law	212	196
Education	112	143
Management and Finance	348	348
Science	394	332
Medicine	179	193
Sri Pali Hall	113	49
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Total	2,153	1,838
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- (c) The total number of students registered in 2010 was 8,359. This was 441 less than the previous year's 8,800. The number of students distributed among faculties are shown below.

Faculty -----	Year	
	2010 -----	2009 -----
Arts	2,249	2,785
Law	897	872
Education	283	296
Management and Finance	1,650	1,621
Science	1,721	1,674
Medicine	1,151	1,234
Sri Pali Hall	408	318
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Total	8,359	8,800
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- (d) Lecture Hours

According to the information furnished to audit, internal lectures had been conducted for undergraduates for 43,327 hours for the academic year 2009 / 2010. The number of lecture hours during the previous year was 35,880. External lectures for undergraduates and postgraduate degrees had been conducted for 11,418 hours. It was 15,888 hours during the previous year.

- (e) Examinations Conducted

The number of examinations conducted during the year under review for undergraduates, postgraduate diplomas, postgraduate degrees and other diplomas and certificate courses were 159, 25, 38 and 10 respectively as compared with the previous year's examinations for undergraduates, postgraduate diplomas, postgraduate degrees and other diplomas and certificate courses which were 143,

11, 19 and 6 respectively. Accordingly, the postgraduate diplomas and postgraduate courses conducted showed an improvement of 127% and 100%. Apart from these, 02 examinations had been conducted for executive diplomas in the Graduate Study Faculty during the year under review, whereas 11 examinations and 12 examinations respectively had been conducted for postgraduate courses. During the previous year, this faculty had conducted 16 postgraduate diploma examinations and 7 postgraduate examinations. Accordingly, the examinations conducted for postgraduate diplomas had dropped by 31% and the examinations conducted for postgraduate degrees had improved by 71%.

## 2:2:2 Management Inefficiencies

The following observations are made.

- (a) The entire amount received by the Research and Management Unit of the University for the year under review for strengthening the research activities amounted to Rs.361,454,159 and the expenditure of the year amounted to Rs.327,858,544. The following observations are made in this connection.
  - (i) According to Paragraph 2:6:4 of Action Plan for the year under review, the Research and Management Unit had not prepared a plan with regard to identify priority research fields and to obtain funds for such priority fields.
  - (ii) According to 2:6:4 of the Action Plan, the University had not prepared a Consolidated Research Plan for 2009 – 2013.
  - (iii) The Staff Development Centre had not taken proper action to train administrative officers to strengthen research activities as per Action Plan 2:6:3:1.



(b) Security Services obtained from Private Firms

The University is divided into 3 security zones and services are obtained from private security firms. The value of services rendered per year amounts to Rs.18,421,185. According to Paragraph 3:8 of the Procurement Guidelines and the Service Assignment letter dated 20 September 2010, both parties had not entered into an agreement before commencement of the security services contract concerned on 1 October 2010.

- (c) Action had not been taken to vest the building valued at Rs.116,864,648 and the premises belonging to the University where the Institute of Biochemistry, Molecular Biology and Biotechnology.

2:2:3 Under Utilization of Funds

Forty seven funds created by the University were not in operation during the year under review. The balances in those funds aggregated Rs.61,367,495. These funds remained dormant for 1 to 5 years. There was a debit balance of Rs.48,146 in one fund as a result of spending in excess of the balance available.

2:2:4 Payments contravening Objectives

A sum of Rs.700,000 had been transferred during the year under review to the Vice Chancellor's Fund – 1 which had not been established in accordance with the provisions in the Universities Act, contravening the objectives and functions of University Development Fund established under Section 99(1) of the Universities Act No. 16 of 1978.

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) Contractual Administration
- (b) Accounting
- (c) Settlement of Advances