

University of Kelaniya - 2010

1. Financial Statements

1.1. Opinion

In view of my comments and observations appearing in this report, I am unable to express an opinion on the financial statements of the University of Kelaniya for the year ended 31 December 2010 presented for audit.

1.2. Comments on Financial Statements

1.2.1. Sri Lanka Accounting Standards

Disposal of assets had not been properly accounted in terms of Sri Lanka Accounting Standard 18.

1.2.2 Accounting Deficiencies

The following observations are made.

- (a) A draft report showing the accounting deficiencies totalling Rs. 332,341,396 revealed in sample audit checks was referred to the Vice Chancellor of the University on 07 June 2011. Of these accounting deficiencies totalling Rs. 62,669,081 had been rectified and the revised financial statements had been presented to audit on 01 July 2011.
- (b) A course income of Rs. 26,299,657 had been earned during the year under review from the foreign medical students studying in the Faculty of Medicine, Ragama. Instead of crediting this income to the Income and Expenditure Account, the balance sum of Rs. 19,863,403 after incurring recurrent expenditure had been credited to the Unspent Capital Grants Account in the Balance Sheet .

- (c) Surpluses earned by the University from fee levying courses had been brought to account in the Balance Sheet as differed liabilities without being taken into the financial statements as income earned during the respective years and as such, the balance of the differed liabilities had been increased up to Rs. 197,860,761 as at 31 December 2010.
- (d) (i) A sum of Rs. 46,792,250 had been charged from the students registered for external degree courses during the year under review as seminar fees for 03 years and 15% of this, amounting to Rs. 7,018,838 had been credited to the Income and Expenditure Account for ancillary services and the balance sum of Rs. 39,773,412 had been brought to account in the Balance Sheet as differed liabilities, instead of being adjusted to the Income and Expenditure Account, in proportion to the periods during which the seminars were held.
- (ii) A sum of Rs.80,909,035 being the balance of the Deposit Account on Seminar Charges that had not been so credited to the Income and Expenditure Account during the previous years had been credited to the External Examinations Reserve Account.
- (e) As the course fees are received in respect of several years, the respective income for each year should be identified and brought to account. But, the income on 61 courses had not been accounted for in that manner and capital expenditure amounting to Rs. 25,276,156 incurred on construction and purchase of other fixed assets had been written off against the Income and Expenditure Account while accounting for expenditure.

1.2.3 Lack of Evidence for Audit

Buildings valued at Rs. 127,205,387 of the Faculty of Medicine, Ragama and other fixed assets of which the value is not ascertainable could not be satisfactorily vouched in audit due to the non-availability of a Register of Fixed Assets.

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

The following non-compliances with laws, rules, and regulations were observed.

<u>Reference to Laws, Rules, Regulations</u>	<u>Non-compliance</u>
(a) Paragraph 33 of Chapter 10 of the Establishments Code for the University Grant Commission and Higher Educational Institutions	A sum of Rs. 11,517,448 had not been recovered from 10 Lecturers who had violated bonds during the period 2001-2008. Initiation of legal action to recover the sum of Rs. 1,358,945 due from a Lecturer had been delayed due to misplacement of the original copy of the agreement.
(b) Section 4.2.1 of the Procurement Guidelines No.08/2006 dated 25 January 2006	Supplies and capital expenditure amounting to Rs. 208,211,381 had been incurred during the year under review, despite plans relating to key purchases required for 03 years and annual detailed purchases had not been prepared as required by the circular.

1.2.5 Transactions Not Supported by Adequate Authority

Language proficiency allowances amounting to Rs. 948,725 had been paid to the staff of the institution during the year under review in contrary to the provisions in the Circular No. 95 dated 14 June 1994 of the Department of Public Enterprises.

2. Financial and Operating Review

2.1 Financial Review

2.1.1 Financial Result

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. 1,098,772,333 before taking into account the Government Grant for recurrent expenditure and the corresponding deficit for the preceding year was Rs. 909,549,432. The deficit for the year under review had reduced to Rs. 113,861,985 due to the Government Grant of Rs. 984,910,348 received for recurrent expenditure during the year under review. The deficit for the preceding year had reduced to Rs. 29,508,866 due to the Government Grant of Rs. 880,040,566 received for recurrent expenditure for that year. Increase of expenditure by Rs.171,350,117 had contributed to the deterioration of the financial results by Rs. 84,353,119 in the year under review as compared with the preceding year.

2.2 Operating Review

2.2.1 Academic Performance

(a) The details of the academic activities of the University during the year under review and the preceding year are shown below.

<u>Faculty</u>	<u>No. of Students Enrolled</u>		<u>No. of Students Graduated</u>	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Science	492	491	378	420
Social Science	599	1058	560	566
Humanities	449	418	284	310
Medicine	224	225	167	169
Commerce and Management	507	525	768	481
Graduate studies	1673	1203	1042	1176

The following observations are made.

- (i) Out of the total number of students enrolled during the year under review, 39% was enrolled to the Faculty of Social Sciences. An increase of 76 % was observed in the number of students enrolled to the said Faculty, when compared to the preceding year.
- (ii) The percentages of students' enrolment to the Faculties of Commerce and Management, Science, Humanities Science and Medicine during the year under review had been decreased by 3.0%, 3.6%, 4.4% and 1.6% respectively.
- (iii) As compared with the preceding year, a decrease of the No of students graduated by 37% in Faculty of Commerce and Management and an overall decrease by 9.7% of total No. of students graduated in the University were observed.
- (iv) As compared with the preceding year, there was a decrease of the 28% in the number of students enrolled for the postgraduate degrees and an increase of 12.8% in the number of students graduated in postgraduate degrees.

(b) Annual Research Symposium

The following observations are made.

- (i) According to the Mission Statement of the University, a main objective is to gain new knowledge through researches. However, it was observed that there was a decreasing trend of the number of researches submitted for the Annual Research Symposiums; for instance 170, 140 and 134 researches had been submitted in years 2008, 2009 and 2010 respectively. Out of all the lectures, only 28% of them had submitted researches for the Annual Research Symposium held during the year under review.
- (ii) Although sums of Rs. 2,155,288, Rs. 2,403,601 and Rs. 2,021,202 had been spent for internal researches during the years 2008, 2009 and 2010 respectively the respective research papers had not been submitted for the symposiums.

(c) Release of Examination Results

The following observations are made.

- (i) According to the revised Semester Schedule, the last date for issuing results of the first half year and the second half year examinations of the fourth year of the Faculty of Science were 18 May 2010 and 29 November 2009 respectively. But, there had been a delay of 09 months for issuing results of the first half year examination and a delay of 03 months for issuing results of the second half year examination of the Department of Microbiology in which 06 students were studying.
- (ii) According to the revised Semester Schedule of the Faculty of Science for the academic year 2008/2009, issuing results of the first half year examinations had been delayed by 239,237 and 79 days in regard to the Department of Botany, Department of Chemistry and Department of Mathematics respectively. Issuing results of the Department of Industrial Management, Department of Statistics and Computer Sciences and the Department of Zoology had been delayed from 33 to 54 days.
Issuing results in 07 departments of the Faculty of Science of the second half year had been delayed from 16 to 64 days.

(d) Cost per Student

The operating expenditure of the institution for the year under review amounted to Rs. 1,324,267,220 and the total number of students studied amounted to 8547. Accordingly, the average cost per student for the year and preceding year amounted to Rs.154,939 and Rs. 140,774 respectively and as such an increase of Rs. 14,169 or 10% was revealed as compared with that of the preceding year.

2.2.2 Idle and Underutilized Assets

The following observations are made.

- (a) According to the signature records of the students, it was observed that the two Computer laboratories; named as A/12/102 and A/12/105 controlled by the Department of Microbiology had remained underutilized for over 09 months as at 30 June 2011 and at the physical audit examination confirmed that the above laboratories had been closed without being used.
- (b) A cost of Rs. 23,383,000 had been incurred in August 2009 for supplying and installation of Audio Visual Network System with the objective of conducting live telecasts of seminars from the External Examination Unit of the University of Kelaniya to the Regional Centers located at several areas, and to conduct live discussions with the students. Nevertheless, it had not been used even up to the end of the year under review.
- (c) The sum of Rs. 694,387 given by the National Science Foundation for research activities of the Faculty of Medicine had been retained for over one year, without carrying out any research. According to the statement of the Vice Chancellor, action had been taken to cancel the agreement and get back the money as the money was not adequate to carry out the future activities of the research
- (d) Quotations had been called for in the year 2008 for the preparation of a Register of Fixed Assets and attention had not been paid to a proper evaluation of the requirements of the University and to purchase a standard software. The contractor had recorded the assets based on the location/office and therefore, information in terms of assets could not be obtained by this package. This Register of Fixed Assets had not been updated since the year 2009 as well.

2.2.3 Contract Administration

The construction contracts of the building complex of the Faculty of Commerce and Management, the work of which had been abandoned by the first contractor had been awarded to a second contractor on 28 January 2008 at a value of Rs. 142,672,942 to carry out the balance work of the construction. Although the contract had been awarded to complete the work within

two years by 26 January 2010, the progress of the contract as at the end of the year under review was at a low level as 75%.

2.2.4 Identified Losses

Fines amounting to Rs. 94,216 and Rs. 47,657 had been paid for the preceding year and the year under review respectively due to the delay in making payment of electricity charges of the Faculty of Medicine, at Ragama.

2.2.5 Budgetary Control

A comparison of budgeted income and expenditure with the actual income and expenditure for the year under review revealed variances ranging from 10% to 100% with regard to items of 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) Sundry Advances
- (b) Library Administration
- (c) Accounting
- (d) Contract Administration
- (e) Hostel Administration
- (f) Agreements and Bonds
- (g) Vehicle Utilization
- (h) Idle and Underutilized Assets
- (i) Personnel Administration