

Report of the Auditor General on Head 171 – Ministry of Higher Education the Commission under that Ministry – Year 2014.

Paragraphs 1 to 2 of this report contain the general information on the Accounts of the Ministry and the Commission under that Ministry and audit observation appear from paragraphs 3 to paragraph 4.

1. Commission under the Ministry

Head

214

Commission

University Grants Commission

1.1 Scope of Audit

The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records, of the Ministry of Higher Education and University Grants Commission referred to Paragraph 1 above for the year ended 31 December 2014 was carried out in pursuance of provisions in Article 154 (1) of the Democratic Socialist Republic of Sri Lanka. The Management Audit Reports for the year under review were issued to the Chief accounting Officer and the Accounting officer of that Ministry and the University Grants Commission on the under mentioned dates. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

| <u>Head</u> | <u>Ministry and the Commission</u> | <u>Date of Issue of the Management Audit Report</u> |
|-------------|------------------------------------|---|
| 171 | Ministry of Higher Education | 06 October 2015 |
| 214 | University Grants Commission | 26 August 2015 |

1.2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation statements

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Accounts and the Reconciliation Statements in accordance with the provisions in Articles 148,149,150 and 152 of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliations Statements that are free from material misstatements whether due to fraud or error.

2. Accounts

2.1 Appropriation Accounts

(a) Total Provision and Expenditure

While the total net provision made for the Ministry and the University Grants Commission under the Ministry amounted to Rs.39,963.7 million, a sum of Rs.38,746.3 million had been utilized as at the end of the year under review. Accordingly, savings of the Ministry and the Commission out of the net provision had been Rs.69.4 million and Rs.1,148 million or 0.8 and 3.6 per cent of the net provision respectively. Details are shown below.

| Head | <u>As at 31 December 2014</u> | | | Savings as a Percentage of Net Provision |
|-------|-------------------------------|--------------|--------------|--|
| | Net Provision | Utilization | Savings | |
| | Rs.Millions | Rs. Millions | Rs. Millions | % |
| 171 | 8,177 | 8,108.3 | 69.4 | 0.8 |
| 214 | 31,786.4 | 30,638.2 | 1,148.2 | 3.6 |
| Total | 39,964.1 | 38,746.5 | 1,217.6 | 3.0 |

2.2 Advance Account

2.2.1 Advances to Public Officers Account

Limits Authorised by Parliament

The limits authorised by Parliament of the Advances to Public Officers Accounts for the Ministry and actual amounts are given below.

| Item Number | Expenditure | | Receipts | | Debit Balance | |
|-------------|---------------|-------------|---------------|-------------|---------------|-------------|
| | Maximum Limit | Actual | Minimum Limit | Actual | Maximum Limit | Actual |
| | Rs.Millions | Rs.Millions | Rs.Millions | Rs.Millions | Rs.Millions | Rs.Millions |
| 17101 | 5.0 | 4.9 | 2.2 | 4.2 | 18.0 | 13.4 |

2.3 General Deposits Account

The balance of Deposit Account of the Ministry as at 31 December 2014 was Rs.355.7 million.

2.4 Audit Observation

According to the Financial Records and books for the year ended 31 December 2014, it was observed that subject to the audit observations appearing in the management audit reports referred to in paragraphs 1.1, the Appropriation Account and the reconciliation statements of the Ministry of Higher Education and the University Grants Commission under the Ministry had been prepared satisfactorily. The material and important observations out of the observations included in the Management Audit Report, appear in paragraphs 3.1 to 3.10 herein.

3. Head 171 - Ministry of Higher Education

3.1 Non -maintenance of Registers and Books

It was observed in audit sample checks that the Ministry had not maintained certain registers shown below, while certain registers had not been maintained properly and updated.

| Category of Registers | Relevant Regulation | Observation |
|--|---|--------------------------------|
| ----- | ----- | ----- |
| (a) Register of Fixed Assets relating to Computer Accessories and Software | Treasury Circular No. I/A/I/2002/02 dated 28 November 2002. | Not maintained having updated. |
| (b) Petty Cash Book | Financial Regulation 446 | Not maintained. |
| (c) Register of Counterfoil Books | Financial Regulation 341 | Not maintained. |
| (d) List of Motor Vehicles | Financial Regulation 1647(e) | Not maintained having updated. |

3.2 Replies to Audit Queries

Replies had not been furnished to three audit queries issued to the Ministry during the year under review even up to 30 September 2015.

3.3 Appropriation Account

3.3.1 Budgetary Variance

Following observations are made.

- (a) Wile provisions totalling Rs.2,010,000 had been made available for 04 Objects; only a sum of Rs.835,143 had been utilized due to non-issue of Imprest as expected by the Treasury Operations Department. Accordingly, a totalled sum of Rs.1,174,857 or provisions in a range between 9 per cent to 82 per cent out of the net provision made available for Objects had been saved.
- (b) The entire net provision totalling Rs. 27,993,968 made available for 2 Objects had been saved.
- (c) Saving after utilization of the net provision relevant to 3 Objects were in a range between 67 to 82 per cent due to excessive provision of Rs. 9,633,033 made for those Objects.
- (d) Out of the net provision of Rs.87 million of domestic funds connected with Foreign Aid, a sum of Rs.61.8 million only had been utilized. Accordingly the saving had been 29 per cent.

3.4 General Deposits Account

Following observations are made.

- (a) A sum of Rs. 956,760 provided to the Ministry of Higher Education from the Higher Education Project for 21st Century, in respect of expenditure relating to the Programme conducted by the United Nations Educational, Scientific and Cultural Organization had been kept in the General Deposits Account without being used for the relevant work even as at 31 August 2015.
- (b) The sum of Rs.2,610,629 received for various activities and kept in the General Deposits Account had been utilized for Leadership Training Programme.

3.5 Reconciliation Statement relating to Advances to Public Officers Account.

Following lapses were observed in the sample audit check carried out with regard to Reconciliation Statement relating to Advances to Public Officers Account - Item No. 17101 as at 31 December 2014.

- (a) According to the reconciliation statement submitted to the audit, the total of outstanding balances to be recovered in arrears as at that date amounted to Rs.455,328. Although the balances in arrears were being brought forward over a period ranging from 08 to 21 years out of that was Rs. 290,210, the Ministry had failed to recover those balances in arrears. Details are shown below.
 - (i) Action had not been taken even as at the end of the year under review to recover the amount outstanding for a period from 21 to 23 years totalling Rs.35,690 due from three officers who had gone on transfers to other Public Institutions.
 - (ii) Although a sum of Rs. 58,926 was outstanding to be recovered from an employee who had vacated service during the year 2006, action had not been taken to recover that loan balance even as at 30 June 2015.
 - (iii) Nine Loan Balances totalling Rs. 175,594 to be assigned to the Technical Education and Training Department during the period from the year 1991 to 1994 had not been settled even after 20 years.

3.6 Assets Management

The following deficiencies were observed in audit test checks carried out in respect of the assets of the Ministry.

(a) Non-current Assets

While three vehicles of the Ministry valued at Rs. 18,700,000 had not been included in the Report relating to Non-moving Assets and further a vehicle costing Rs.7,800,00 had been discarded during the year under review, value of that had not been included in that report.

(b) Conducting Annual Boards of Survey

Following observations are made.

- (i) Acton in terms of financial regulations had not been taken in connection with surpluses, shortages and other recommendations pointed out in the Board of Survey relevant to the year 2014 submitted on 23 July 2015.
- (ii) Fifteen Items of Goods had not been produced at the Annual Board of Survey carried out for the year 2014.
- (iii) While an Electricity Generator valued at Rs. 3,955,370 had been purchased by the Ministry of Higher Education during October 2013, and a total sum of Rs.356,459 had been spent for servicing and maintenance for that, this asset had not been produced for physical inspection.

(c) Assets given to Outside Parties

While a motor vehicle belongs to the Ministry had been released to the Peradeniya University on 04 November 2014, action had not been taken to transfer that vehicle properly.

(d) Unsettled Liabilities

Following observations are made.

- (i) Value of liabilities of the Ministry not settled for less than one year as at 31 December 2014 was Rs.9,259,284.
- (ii) Liabilities amounting to Rs.385,675 had been understated in the Form D.G.S.A.8 of the Appropriation Account.

3.7 Non-compliance

Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with the provisions of Laws, Rules and Regulations observed in audit sample checks are analyzed below.

| Reference to Laws, Rules and Regulations ----- | Value ----- | Non-compliance ----- |
|--|-----------------------|---|
| | Rs. | |
| (a) Statutory Provisions ----- Article 149 of the Constitution of the Democratic Socialist Republic of Sri Lanka | 18,445,037 | The amounts recovered from the relevant Institutions for granting necessary authority required for recognition of Government and Non – governmental institutions as institutions for awarding degrees had been retained in the General Deposits Account and expenditure had been incurred through that, instead of crediting those monies to the Consolidated Fund. |

(b) Circulars of the Presidential Secretariat

Public Expenditure Management
Circular No.CA/1/17/1 dated 14
May 2010.
Paragraph 3(1) and 4(1)

1,029,380 Although the maximum number of vehicles to be used for works and security of each Minister of Deputy Minister is three, seven vehicles had been provided to the Minister. Fuel too had been reimbursed exceeding the monthly limit.

(c) Public Administration Circulars

(i) Circular No.10/2007 (1)
dated 05 March 2009.

833,460 Although reimbursement of Electricity and Water Bills in lieu of Annual Rent Allowance entitle to the Minister had been exceeded, the payment made exceeding that limit had not been recovered.

3.8 Foreign Aid Projects

Ten Projects at an estimated cost totalling to Rs.1,502,230,000 had been implemented by the Ministry under foreign financing during the year under review. A sum of Rs.1,448,856,608 had been utilized during the year under review. Following matters are observed in this connection.

(a) **Performance of Foreign Aid Projects**

While construction works relating to the Stadium, the Auditorium and the Canteen of the South -East University Development Project had not been commenced, the Project period was due to be finalized by 31 December 2015. Physical progress of five constructions of those at a level lower than 40 per cent as at 31 December 2014.

(b) Abandonment of Certain Works included in the Foreign Aid Projects

While it had been proposed 11 constructions as mentioned in the Stage 1-B Agreement of the South -East University Development Project, 3 constructions out of that had been cancelled without proper approval.

(c) Cash Balances in the Accounts of the Projects

Although the Project for Up-Lifting and Up-Dating Higher Technological Institutions had been finalized during December 2011, the balance sum of money amounting to Rs.772,987 of the Project had not been credited to the Consolidated Fund. That cash balance had been kept idle in a bank current account even as at the end of the year under review.

(d) Winding Up of Foreign Aid Projects

Although the Project for Up-Lifting and Up-Dating Higher Technological Institutions had been finalized during December 2011, the Winding Up Account of that Project had not been submitted to audit even as 31 December 2014.

(e) Non-commencement of Projects on the Specified Date

Construction works of the Kilinochchi Engineering Faculty and the Agricultural Faculty scheduled to be commenced during the year 2014 at an estimated cost of Rs.575 million had not been commenced even as at the end of the year under review.

(f) Higher Education Project for the 20th Century

Following observations are made.

- (i) Although the recruitment of Project Staff and payment of salaries should be made in terms of the Management Circular No. 33 dated 05 April 2007, 22 officers had been recruited on contract basis on higher salaries, without taking action to fill 22 vacancies in the approved cadre.
- (ii) Although a sum of Rs.1,534,999 had been spent for printing 5,000 books during June 2014, for development of a qualification frame for on behalf of the Sri Lanka Higher Technological Division, out of those books, 4,750 copies had not been used for the relevant works even as at 30 April 2015 and kept idle in the Project Office.
- (iii) A sum of Rs.2,037,965 had been spent during the year under review for transport expenses on behalf of two Resource Persons, in addition to the conditions of the agreements entered in to with them.
- (iv) Although the payment of Incidental and Combined Allowances to the officers who go abroad should be made in terms of the Paragraph 3(iii) in Circular No. 01/2010/01 dated 11 October 2010 of the Ministry of Finance and Planning, Incidental and Combined Allowances amounting to Rs.119,383 had been overpaid to 06 officers who went abroad for education and workshops.
- (v) Although the official travelling should be made causing a minimum expenditure to the Government, in terms of Section 3 in Chapter XIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka, a sum totalling to Rs.186,400 had been paid for internal air travel out of the Project without proper approval during the year 2014.

- (vi) A sum of Rs.2,859,453 had been spent for providing foreign training to 04 Consultants appointed on short term basis for obtaining consultancy services to the Project.
- (vii) While a sum of Rs.432,722 had been paid as Registration Fees, Air Tickets and Visa Fees for an officer scheduled to be participated in a Foreign Conference, that officer had not participated in that conference.
- (viii) A sum of Rs.911,247 had been spent as gratuity to three officers who resigned from service having completed only 4 years' service in the Project, contrary to the Gratuities Act No. 12 of 1983.
- (ix) Although a sum of Rs.1,440,000 had been paid as hire charges for 2 vehicles evidences in support of those vehicles were used for Project works were not furnished to audit.
- (x) Although an acting appointment could be made for a period limiting to three months in terms of Clause 3.3 in Chapter IV of the Establishments Code, an officer in public service on full time basis had served on acting basis for a long period in the post of the Finance Manager of the Project. That officer had performed duties as a consultant to that Project as well and therefore it was not established in audit that he had performed duties in all three posts effectively. Salaries and allowances amounting to Rs.892,667 had been paid on behalf of the officer during the year 2014.

3.9 Transactions of Contentious Nature

Certain transactions entered into by the Ministry had been of contentious nature. Details relating to some of such transactions revealed in sample audit tests are given below.

- (a) A sum of Rs.117,159 had been paid as Incidental Expenses and Warm Clothes Allowances to an office who went abroad on behalf of the Ministry of Sports who had been in service on contract basis in the Ministry of Higher Education.
- (b) A sum of Rs.1,103,383 had been spent out of the provisions of the of the Ministry to provide a foreign training to dairy farmers, which is outside the objectives of the Ministry of Higher Education.
- (c) Out of the 219 foreign scholarships awarded for the Educational Year 2014/2015, the number of scholarships accepted had been 187. Accordingly, out of the 32 scholarships not accepted, 25 scholarships had been awarded by India.
- (d) While provision had not been made for publicity in the Annual Estimates, a sum totalling to Rs.21,979,130 had been spent for Television and Radio Broadcastings out of the provisions made available for construction of hostels and approval obtained for that was not furnished to audit.

3.10 Human Resources Management

(a) Approved Cadre and the Actual Cadre

Cadre position as at 31 December 2014 was as follows.

| Category of Employees | Approved Cadre | Actual Cadre | Number of Vacancies |
|--|----------------|--------------|---------------------|
| (i) Senior Level | 33 | 19 | 14 |
| (ii) Tertiary Level | 02 | 01 | 01 |
| (iii) Secondary Level | 134 | 71 | 63 |
| (iv) Preliminary Level | 45 | 34 | 11 |
| (v) Others (Casual/ Temporary/ Contract Basis) | 06 | 04 | 02 |
| Total | 220 | 129 | 91 |

The Ministry had failed to fill 91 vacancies as at the end of the year under review.

(b) Human Resources obtained from Other Parties

Matters revealed with regard to Human Resources obtained by the Ministry are shown below.

| Category of Employees | Number | Other Party | Period |
|-----------------------|--------|---|--------------------------------|
| Casual Labourer | 2 | Institute of Sri Lanka Higher Education | From January to December 2014. |
| Management Assistant | 11 | Higher Education Project for 21 st Century | From January to December 2014. |

4. Head 214 – University Grants Commission

4.1 Human Resources Management

Approved Cadre and the Actual

Cadre position as at 31 December 2014 was as follows.

| | Category of Employees | Approved Cadre | Actual Cadre | Number of Vacancies |
|-------|------------------------------|---------------------------|-------------------------|--------------------------------|
| (i) | Senior Level | 58 | 43 | 15 |
| (ii) | Tertiary Level | 27 | 24 | 03 |
| (iii) | Secondary Level | 155 | 99 | 56 |
| (iv) | Preliminary Level | 53 | 48 | 05 |
| | Total | 293 | 214 | 79 |

The Commission had failed to fill 79 vacancies as at the end of the year under review.