

Wayamba University of Sri Lanka – 2016

The audit of financial statements of the Wayamba University of Sri Lanka for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of financial performance, statement of changes in net assets and cash flow statement and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Sub-section 107(5), and Section 108 of the Universities Act, No.16 of 1978. My comments and observations which I consider should be published with the Annual Report of the University in terms of Sub-section 108(1) of the Universities Act appear in this report.

1.2 Management’s Responsibility for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1.3 Auditor’s Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000 – 1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the University’s preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Section 111 of the Universities Act, No.16 of 1978 give discretionary powers to the Auditor General to determine the scope and extent of the Audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in Paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Wayamba University of Sri Lanka as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Public Sector Accounting Standards

The following observations are made.

(a) Sri Lanka Public Sector Accounting Standard 01

Although the assets and liabilities should not be off set, unless it is permitted or required by Sri Lanka Public Sector Accounting Standards, out of the payable scholarship money amounting to Rs.149,256 as at 31 December of the year under review, an overpayment of Rs.21,076 made to students and the festival advances of Rs.24,200 over recovered had been deducted from receivable and shown the net value in the statement of financial position.

(b) Sri Lanka Public Sector Accounting Standard 07

The net value of plant and machinery amounting to Rs.1,443,883 as at 31 December 2013 had been revalued and that value had been brought to accounts under Property, Plant and Equipment in the year 2016 instead of accounting under machinery stated under other assets. As a result, the depreciation and the net value shown in the financial statements as at 31 December 2016 had been with errors, as rates of depreciation on plant and machinery and other assets had differed each other.

2.2.2 Accounting Policies

The government capital grants as at the end of the previous year totalled Rs.2,918,722,000. Even though the assets acquired by using such grants had been depreciated, a policy to recognize as revenue annually by a systematic basis, had not been introduced.

2.2.3 Accounting Deficiencies

The following observations are made.

- (a) In the revaluation of Buildings Property, Plant and Equipment the entire class of property belongs to those assets should be revalued. However, the constructions costing Rs.3,771,388 made in that land, acquired for the establishment of the Nano Technology Division had been omitted from revaluation.
- (b) A sum of Rs.388,976 payable for the newspaper advertisements, published in the year 2016 in respect of various activities of the University had been omitted from the financial statements.
- (c) As the revaluation gain arisen in the revaluation of assets in the year under review amounting to Rs.1,603,075,230 had been brought to accounts as Rs.1,604,195,228, reserves had been overstated by Rs.1,119,998.
- (d) In revaluing assets in the year 2016 based on the year 2013, a sum of Rs.840,002 had been excessively credited in adjusting the relevant depreciation since the year 2014 to the Accumulated Fund.
- (e) In the revaluation of the value of motor vehicles in the year 2016, based on the year 2013, the accumulated depreciation as at 31 December 2016 had been under stated by Rs.1,960,000 and as such the value of motor vehicles had been under stated by that amount in the financial statements of the year under review.
- (f) A sum totalling Rs.3,815,292 incurred from the University's Fund in excess of the money received for the Wayamba International Conference, held in the years 2014 and 2016 had been shown as a receivable amount without being accounted as an expenditure of the year under review.

2.2.4 Lack of Evidence for audit

Deeds/ transfer orders in respect of land valued at Rs.408,276,027 and the register of fixed assets in respect of assets totalling Rs.4,460,499,325 were not made available for audit.

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) Sundry debtors and the hostel fees receivable amounting to Rs.39,194 and Rs.261,867 respectively had been outstanding for periods ranging from 12 to 06 years.
- (b) Five loan balances of University staff totalling Rs.119,230 had been outstanding from 10 years and an advance of Rs.41,000 had not been settled since several years.
- (c) Action had not been taken to settle sums of Rs.16,924,506 and Rs.401,446 remained outstanding from 01 to 02 years and over 02 years respectively.

2.4 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) Section 45 of Universities Act No.16 of 1978 and Public Administration Circular No.30 of 15 July 2005.	Without obtaining the approval of the University Grants Commission and the Treasury, a sum of Rs.7,000,000 had been invested in fixed deposits only on the approval of the Board of Control in the year under review.
(b) Universities Act No.16 of 1978	

(i) Sub-section 99 (1)	Even though the funds totalling Rs.111,669,967 remained in 22 accounts as at 31 December 2016 relating to the self-courses conducted by the Facilities should be credited to the University Fund and to use for the financial requirements of the University. Contrary to that, it had been shown under other liabilities in the financial statements.
(ii) Section 101	<ul style="list-style-type: none">- Donations totalling Rs.1,061,501 given for various Courses, Programs and Projects of the University had been spent for another Courses, Programs and Projects without being used for intended purposes.- Although a project is completed, the balances of the relevant bank account should be transferred to the University Fund, the net surplus money of Rs.3,463,006 of 16 completed projects by the end of the year under review had been shown as recurrent liabilities in the financial statements.

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

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| (i) Financial Regulation 371(2) | Sub-imprest should be settled immediately after the completion of purpose for which it is granted. However, supplies and sundry advances of Rs.100,000 given to officers in the year 2015 had not been settled even by 10 March 2017 and the settlement of advances totalling Rs.465,000 given in 12 instances in the year 2016 had been delayed for more than one month. |
| (ii) Financial Regulation 770 and 772 | Non-moving stock items of 66 valued at Rs.1,979,162, not issued for a long period had existed even by the end of the year under review in the stores and action in terms of financial regulations had not been taken in respect of that stock. |
| (d) Treasury Circular No.IAI/2002/02 dated 28 November 2002. | A register of fixed assets had not been maintained in respect of computers and computer accessories of the University. |
| (e) Circular No.02/2015 dated 05 February 2015 of the University Grants Commission | Even though the rates stated in this circular should be applied in making payment for formal disciplinary enquiries conducted by Higher Education Institutions, a sum of Rs.65,000 had been paid to the Inquiring officer who had conducted a disciplinary inquiry in the Faculty of Agriculture and Plantation Management on the basis of a quotation presented by that inquiring officer contrary to that circular instructions. |

2.5 Transactions not supported by adequate Authority

Without being identified objectives and functions of the Fund obviously, a Welfare Society had been set up by utilising the funds of the University and its balance as at 31 December 2016 amounted to Rs.1,337,366. However, evidence to ensure whether the approval had been taken to set up the Welfare Society was not made available for audit.

3. Financial Review

3.1 Financial Results

According to the financial statements presented the financial results for the year ended 31 December 2016 of the University had been a deficit of Rs.204,030,000 as compared with the deficit of Rs.140,081,000 for the preceding year. Accordingly, an increase of Rs.63,949,000 had been observed in the financial results of the year under review as compared with the preceding year. Increase of depreciation on fixed assets by Rs.70,869,000 had mainly attributed to increase the deficit.

In analysing the financial results for the year under review and the preceding 4 years, the deficit of the University for the year 2014 had decreased by 25 per cent as compared with the year 2013 but a continuous increase had indicated from the year 2014 to 2016. However, in making readjustments of the employees remuneration and depreciation on non-current assets to the financial results, the contribution of Rs.298,963,000 of the University in the 2012 had continuously increased and it was Rs.698,384,000 in the year 2016.

4. Operating Review

4.1 Performance

The following observations are made.

- (a) Cost per student in 2 Faculties out of 4 of the University had decreased as compared with that of the preceding year and the cost per student had increased in other Faculties. Increase of academic salaries of both 2 faculties, increase of students in the Faculty of Business Studies and Finance, resulting the increase of bursaries and stationary expenses and the increase of chemical and equipment in the Faculty of Livestock, Fisheries and Nutrition had mainly attributed to this position.
- (b) The number of students could have been enrolled in the year under review and the previous year for academic activities was 1020 whereas the number of students actually enrolled had been 840 and 938 respectively. Accordingly, the number of students enrolled during the year under review had dropped by 10 per cent as compared with the previous year. Decrease of enrollment in the Faculty of Livestock, Fisheries and Nutrition by 27 per cent had been the main reason therefor. Accordingly, the University had failed to maximise the capacity utilisation.
- (c) According to the World University ranking and the Sri Lanka University ranking, the University stands at 5051st and 07th place respectively in the year 2015 and it had dropped up to 5409th and 10th place respectively in the year 2016.
- (d) Information in respect of socialization of graduates created by the University, incurring a high cost and in which field they had been employed etc. had not been obtained by a follow-up surveys.

4.2 Management Activities

The following observations are made.

- (a) A sum of Rs.10 million had been paid to the Coconut Research Institute on 10 July 2013 for the purchase of the Mahayawatta Coconut Land in the Makandura premises, 5 acres in extent, a sale of deed had not been obtained therefore.
- (b) Although an advance of Rs.1,013,750 had been paid to acquire 8 plots of Paddy Lands, 711 perches in extent, which had been assessed at Rs.3,835,000 in the year 2013, the acquisition process had not been completed.

4.3 Uneconomic Transactions

A sum of Rs.2,417,815 paid to 07 officers in the non-academic staff in the years 2014, 2015 and 2016 as research allowances who had not submitted final research reports and the research activities had been halted halfway even by 20 March 2017. Even though the research period had been completed as at 31 December 2016 it had become a fruitless expenditure.

4.4 Personnel Administration

The approved academic and permanent non-academic staff stood at 217 and 414 respectively whereas the actual cadre stood at 176 and 369 respectively. Accordingly, the vacant academic and permanent non-academic staff had been 41 and 45. Action had not been taken to fill the vacancies.

5. Accountability and Good Governance

5.1 Action Plan

Paragraph 04 of the Public Administration Circular No.01/2014 dated 17 February 2014 an action plan, including the activities targeted to achieve the objectives stated in the Universities Act with a vision in the long run, had not been prepared for the year under review.

5.2 Budgetary Control

The following observations are made.

- (a) Overestimates had been prepared for 46 expenditure objects and the expenditure in excess of budgeted provisions in respect of 30 expenditure objects had been incurred. As such the annual Budget had not been made use of as an effective instrument of control.

- (b) Despite no provisions had been made relating to the year under review for the preliminary expenses of the Faculty of Medicine proposed to be commenced by the University a sum of Rs.4,090,837 had been spent thereon.

5.3 Tabling the Annual Reports

The annual report for the year 2014 of the University had not been tabled in Parliament in terms of Section 6.5.3 of the Public Enterprises Circular No.PED/12 of 02 June 2003.

6. Systems and Controls

Weaknesses in systems and controls observed during the course of audit were brought to the attention of the Vice Chancellor of the University from time to time. Special attention is needed in respect of the following areas of control.

Areas of Systems and Control

Observations

(a) Fixed Assets Control	Action had not been taken to maintain a register of fixed assets.
(b) Contract Administration	Non-taking action to expedite construction works in terms of agreements and action had not been taken to settle the value of works completed relating to the constructions in getting bills expeditiously and to account in the relevant assets.
(c) Personnel Administration	As action had not been taken to fill the vacancies existed in the academic staff, an extensive cost had to be incurred as a result of taking assistance of the visiting lecturers.
(d) Operating Control	Maximum number of students to be enrolled to each faculty was not enrolled.
(e) Budgetary Control	The budget had not been prepared so as to indicate the manner in which the provisions received had been utilised.
(f) Internal Audit	Enquiries in to information required to prepare the correct financial statements, and the progress of work proposals and projects had not been carried out.