

Rajarata University of Sri Lanka – 2018

1.1 Qualified Opinion

The audit of the financial statements of the Rajarata University of Sri Lanka for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act No. 19 of 2018 and the Sub-section 107 (5) of the Universities Act No. 16 of 1978 . My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in Paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Rajarata University of Sri Lanka as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in Paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Institution or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the University is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

1.4 Scope of Audit (Auditor's Responsibility in Auditing Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause to cease to continue as a going concern.
- Evaluate the structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following.

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the University, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Institute has complied with applicable written law, or other general or special directions issued by the governing body of the University ;
- Whether the it has performed according to its powers, functions and duties; and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Internal Control over the preparation of Financial Statements

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with Management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with Management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

1.5.2 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance Reference to the Standard	with Comments given by the Management	Recommendation
Even though 09 asset items shown under property, plant and equipment as at 31 December of the year under review cost at Rs. 421,066,408 were totally depreciated, as those assets are still being used, actions had not been taken to revalue and adjust to accounts in terms of Paragraph 42 of the Sri Lanka Public Sector Accounting Standards No. 07 .	Agree with the auditor's point of view. Revaluation of fixed assets is being carried out by now and actions will be taken to be adjusted in the year 2019 after revaluation of the assets.	It should be complied with Sri Lanka Public Sector Accounting Standards.

1.5.3 Accounting Deficiencies

Audit Observation	Comments given by the Management	Recommendation
<p>(a) Even though a sum of Rs. 50,614,478 had been shown as accrued expenses (excluding faculty accrued expenses) in the statement of financial position prepared for the year under review, since it was Rs. 67,489,879 as per the calculations, accrued expenses for the year under review and the deficit for the year had been understated by a sum of Rs. 16,875,401 .</p>	<p>Agree with the auditor's point of view. These vouchers have been omitted when accruing accounts payable.</p>	<p>The correct values should be copied into the accounts.</p>
<p>(b) The PAYE Tax collected from the officers of the Faculty of Medicine and Allied Sciences and the Faculty of Agriculture during the year under review totalled to Rs. 123,248 had been credited to the University's sundry income accounts without remitting it to the Commissioner General of Inland Revenue.</p>	<p>Disagree with the auditor's point of view. This value is not a PAYE tax but a deductions of government portion from the payments made to outside resource persons. There is no need to transfer those money to the Commissioner of Inland Revenue. Those money had reserved for remittance to the institutions where those resource persons employed.</p>	<p>Action should be taken to enter the deducted income in to the correct accounts and to be received to the relevant agencies or individuals without delay.</p>
<p>(c) Even though the information technology equipment valued at Rs.586,600 had been purchased in the year under review, a sum of Rs.58,660 retained, without being capitalized, only the net amount of Rs. 527,940 had been capitalized.</p>	<p>Agree with the auditor's point of view. Only the cash value has been debited to the asset account by omission of this. A sum of Rs.58,660 which was retained has been debited to the asset account and credited to the retention account and a journal entry had passed in the year 2019 .</p>	<p>The correct values should be taken into the accounts.</p>

- (d) Even though the value of the property plant and equipment purchased shown within the investment activities of the cash flow statement was Rs. 190,207,555, as the inclusion of borrowings those were not a cash flow amounted to Rs. 31,680,756 and adjustments to accounts within that, the net cash outflow of investment activities had been overstated by that amount.
- Disagree with the auditor's point of view. If the borrowings of Rs.31,680,756 mentioned in the report whilst preparation of cash flow statement is removed from the assets purchased, it should also be removed from the creditor value.
- Only the impacts from cash should be accounted for whilst preparation of the cash flow statement.
- (e) Even though the cash out flow of the working capital shown in the investment activities of the cash flow statement for the year under review was Rs. 305,070,708, since there was a balance of payable amounted to Rs. 25,230,620 which was not being a cash flow, the net cash outflow from investment activities had been understated by that amount.
- Disagree with the auditor's point of view. This also relevant to the explanation in (d) above.
- Only the impacts from cash should be accounted for whilst preparation of the cash flow statement.
- (f) The corresponding depreciation of buildings and infrastructure 16 ledger accounts for the year under review had been understated by a sum of Rs. 2,254,486 .
- Disagree with the auditor's point of view. Since all the construction work on 08 ledger balances had been handed over to the University before 2018, and as the projects of three ledger balances have been handed over to the University for the entire year 2018 also, the depreciations were also calculated from the month of their final payment.
- The depreciation should be properly calculated and taken in to accounts.
- (g) A sum of US\$ 119,737 had remained in the Bank of Ceylon NRFC Account as at 31 December 2018 and although the buying rate should be used when converting it to rupee value, due to it was converted to selling rate , the balance of the
- Agree with the auditor's point of view. When converting dollar value into rupee value, as at 31 December 2018 in the NRFC Account maintained by Bank of Ceylon using
- The right values should be entered into the accounts correctly.

bank in the financial statements for the year under review had been understated by Rs. 475,357.

the selling rate of dollar value into rupee value mistakenly, arrangements have been made to correct overstatement of the value in

Financial Statements amounted to Rs. 475,357 in the current year and the increase in the conversion value will have no impact other than the increase of the year-end balance of the Faculty Development Fund.

- (h) In the income received from the sale of old stock in the year under review, the value sale of fixed assets as scrap assets amounted to Rs. 542,598 was consisted and actions had not been taken to identify the cost relevant to that value and their accumulated depreciation and to make adjustments from the respective accounts.
- Agree with the auditor's point of view. Due to the difficulty of identifying the cost of fixed assets that are removed as scrap, the depreciation and cost of fixed assets thus removed have not been removed from the accounts. Arrangements will be made to properly taken in to accounts after the ongoing fixed assets verification and revaluation process and the preparation of the Register of Fixed Assets.
- Preparation of accounts should be carried out accurately.

1.5.4 Unreconciled Control Accounts or Records

Item	Value as per financial statements	Value as per corresponding records	Difference	Comments given by the Management	Recommendation
	Rs.	Rs.		Rs.	
(a) Stock shortages in 03 stores	22,066,500	20,374,211	1,692,289	Within the central store verification value of Rs. 11,056,214 , the capital assets value is Rs. 2,193,326 Accordingly, the difference therein is Rs. 470,906. The inventory verification balance is compared to the ledger balance and the reasons for the difference are being investigated.	Stock verification value must be stated in the financial statements.
Stock excess of 03 stores	15,228,862	19,369,790	4,140,928		
(b) Property Plant and Equipment	6,098,003,433	6,097,755,804	247,629	Agrees with the auditor's point of view. The amount stated in the financial statement as Rs. 6,098,003,433 is accurate and a sum of Rs. 249,709 should be added to Ledger No. 210188 under the register of buildings with the value added in 2018.	Accounts should be adjusted by identifying the reasons for the difference between account balances.
(c) Accrued expenses	69,531,077	66,192,277	3,338,800	Agree with the auditor's point of view. But the difference between these two figures amounted to Rs. 3,338,800 was the provision for audit fee. It is not mentioned in the schedule.	Accounts should be adjusted by identifying the reasons for the difference between account balances.

(d)	Sundry Deposits	2,992,784	2,673,814	318,970	Agrees with the auditor's point of view. This Rs. 318,970 was corrected when settling the value of Rs. 367,210.	Accounts should be adjusted by identifying the reasons for the difference between account balances.
(e)	Supplies and Consumables					
	Uniforms and Rentals	1,631,029	1,398,529	232,500		
	Other	4,413,585	4,416,561	2,976	Agrees with the auditor's point of view. There is no difference in the total of the expenditures and it is an error in the expenses of the Programme Expense Statement and the Program Expenditure Statement must be accurate according to programme 28.	This should be taken in to accounts accurately.
	Other recurring expenses					
	Postgraduate Research	270,476	500,000	229,524		
(f)	Student Hostel Charges	2,372,509	2,375,659	3,150	Agrees with the auditor's point of view. The difference between the income statement and the value shown in the financial statement was corrected when settling the value of Rs. 367,210.	This should be taken in to accounts accurately.
	Registration Fee (Undergraduate)	640,775	682,325	41,550		
	Supplier Registration fees	1,152,550	1,059,800	92,750		

1.5.5 Lack of Evidence for Audit

	Subject	Amount Rs.	Lack of audit evidence	Comments given by the Management	Recommendation
(a)	Retention Deposits of Suppliers	14,480,878	Schedules	Agree with the auditor's point of view. Schedules for these balances are being prepared.	The Schedules should be submitted to audit to ascertain the balance of the date with respect to the accounts submitted.

(b)	House Rent Retention Deposit 832,936	Schedules	Agree with the auditor's point of view. Schedules for these balances are being prepared.	The Schedules should be submitted to audit to ascertain the balance of the date with respect to the accounts submitted.
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1.6 Accounts Receivable and Payable

Audit Observation	Comments given by the Management	Recommendation
(a) Actions had not been taken yet to settle a sum of Rs. 310,000 obtained as advance by an official of the University for the Deyata Kirula exhibition in the year 2010 .	Although this advance has been settled, it is separately shown in the final accounts for the period from the year 2012 to 2018 as an amount to be paid. Action will be taken to check by the Audit and Management Committee and settle in future.	An internal check should be carried out to correct the accounts.
(b) Arrangements had not been made to settle the advances amounted to Rs. 250,138 made for various purposes that had been in remained for many years and 05 credit balances amounting to Rs. 38,970 even by the year under review.	Agree with the auditor's point of view. Action is being taken to settle the advance payments made for these various activities.	Actions should be taken to recover the advances immediately since time has passed.

1.7 Non-disclosure of Related Parties and Related Party Transactions

Audit Observation	Comment given by the Management	Recommendation
It had not been disclosed in the accounts in respect of the agreement of transaction on renting a building to the Faculty of Medicine and Allied Sciences with for Rs. 660,000 between the spouse of a Professor who served as the Vice Chancellor the during the year under review and the Registrar .	Agreed. Actions will be taken to reveal such mistakes in future.	Disclosure in accounts should be made as the requirement of the National Audit Act.

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comment given by the Management	Recommendation
(a) Inland Revenue Act No. 24 of 2017	The withholding tax had not been deducted for the allowances of Rs. 126,000 paid between April 2018 and December 2018 for the payments made to the lecturers of the Faculty of Social Sciences and Humanities for the entertainment allowances and attending Study Committee Meetings .	Actions will be taken to make relevant tax deductions from the aforesaid personal tax deductions of the year 2019 .	Actions should be taken to comply with the requirements of the Inland Revenue Act No. 24 of 2017 .
(b) Financial Regulations No.571 of the Democratic Socialist Republic of Sri Lanka	Tender deposits remained from the year 2012 to 2016 amounted to Rs. 1,656,710 , sundry deposits remained from the year 2015 amounted to Rs. 1,134,161 and contract withholding remained in accounts amounting Rs.49,043,540 ranging from 2 years to 12 years had not been taken in to revenue if there is no response from the client.	Agree with the auditor's point of view. Our attention is focused on this and due to the problems in these contracts the money retained in these contracts remained in the accounts for long and actions are being taken to settle them by the Finance Division and Maintenance Division.	Actions should be taken in terms of Financial Regulations
(c) Paragraph 3.1 of Chapter XX of the Establishments Code of the University	Although, each and every employee of the Higher Education Institution had to record the arrival and departure times, the academic staff had not act in accordance with that.	The Deans are informed to provide necessary advice to the academic staff.	The University should comply with the Establishments Code.
(d) Circulars			
(i) Public Finance Circular No. 03/2015 dated 14 July 2015	The matters such as giving advance more than Rs.25,000 to 07 Non-Staff Officers, even if it is to settle within 10 days after	Advances are being given only to Staff Officers at present, and considering the delays in settlement	Actions should be taken in accordance with the Circulars

the completion of relevant task and it had been settled in delays between 05 - 199 days beyond that period delayed in settling of advance payment from Rs. 9,600 to Rs. 56,094 by 04 officers who had obtained advances for a specific task in time to time and it has taken a period of 29 - 109 days to deposit without spending a total of Rs. 15,000 obtained as advance payment by two officers, obtaining advances by 11 officers without formal approval for a special task exceeding the maximum limit that can be given at a time amounting Rs. 100,000, had occurred in contrary to the provisions of the Circular.

- (ii) Circular No. 01/01/2015 of 15 May 2015 of the Secretary to the Ministry of Finance
- Although subsistence allowance is payable only when food and beverage or accommodation is not provided by the organization who is organizing the relevant travel or event, a sum of Rs. 1,499,486 had been paid in 03 times during the year under review as subsistence allowance while not verifying that they were not provided food and accommodation in the respective programs; to confirm payment with payment vouchers and the payments had been made without the formal invitations obtained in terms of Financial Regulation 237 (d).
- In future, payments will be made in accordance with Financial Regulation 237(c) for such foreign travel
- Payments should be made in compliance with the Circular and Financial Regulation.

**(e) University Grants
Commission Circulars**

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- (i) No. 981 of 23 April 2012
- Even though a sum of Rs.100 can be paid for each candidate for the oral examination for the Examination Board, a sum of Rs. 334,600 had been overpaid to 30 Examination Boards of two Faculties in addition to the approved amount for all the members belonging to the Examination Boards.
- Agreed. Actions will be taken as per the relevant Circular.
- Actions should be taken in accordance with the Circulars.
- (ii) No. 15/2015 dated 17 November 2015
- Even though the payments can be made for answer evaluations subject to the release of results within three months of the examinations held as per the Circular of the University Commission, releasing of the results of the Department of Sociology and Humanities had delayed for 03-09 months and a sum of Rs. 7,945,442 had been paid for that.
- Since there is a limited academic staff and therefore it takes more time for teaching and it will take up more time to mark the answers..
- Actions should be taken in accordance with the Circulars .
- (iii) No. 01/2016 dated 01 January 2016
- Even though a sum of Rs.30 each had to be paid for the examination of a post graduate diploma assignment, since an amount of Rs.50 was paid for each, a sum of Rs. 27,860 had been overpaid.
- It is mentioned for conducting examinations on External Degrees and extracurricular activities relating to extended graduate courses in the university and in the UGC Circular No: 01/2016. This is relevant to the UGC Circular No. 977. On the provisions of these circulars and with the
- Circular No. 977 applies only to internal examinations. For payments not covered by the circular, formal approval should be obtained.

prior approval of the Finance Committee, for marking out a postgraduate diploma assignment, Rs.50 per each had been paid for an assignments as scheduled.

<p>Although a sum of Rs. 1,500 per member should be paid for an Education Board Meeting, due to make payment of Rs. 2000 per each a sum of Rs. 52,500 had been overpaid.</p>	<p>As per UGC Circular No. 01/2016 each member has been paid Rs. 1,500 for Board Meetings for graduate courses. Rates are not specified for postgraduate courses. For board meetings of the relevant course, Rs. 2,000 has been paid per each member for the Study Board Meetings of the relevant course in accordance with the payments for other postgraduate programmes of the University and the approved budget of the Finance Committee.</p>	<p>If payment rates are not specified, a formal approval must be obtained. If not, approved ratings should be used.</p>
<p>For holding external administrative staff positions, a sum of Rs. 63,802 had been overpaid as per the decision of the Finance Committee</p>	<p>Even though the University Commission Circular No. 01/2016 has specified the amount of payments made to the staff for administrative posts for external degree courses, Payment for postgraduate studies is not recommended. Since the Course Coordinator and the</p>	<p>If there is no provision in the circular for payment, a formal approval from the University Grants Commission should be obtained.</p>

Director of Courses are staying in the university on both days in weekends and provide services, the payments are made as Rs. 18,000 and Rs.15,000. These payments are made in accordance with the approved budget document of the Payments and Finance Committee of the other postgraduate programs of the University.

Even though the combined allowance for an examiner is Rs. 2,000 per 3 hours for conducting a practical test and giving marks, a sum of Rs. 770,000 had been paid as Rs 1,000 per each for a 40 minute test.

Practical Teaching Test in Postgraduate Diploma Course is not just about assessing one lesson, but it is involved in a number of processes.

Considering all the facts of

Ensuring all the facts that all relevant study notes are inspected by the relevant examiner, monitoring 5 lessons in every 40 minutes and giving marks, pre-preparation of students through demonstrative lessons, 10 week practical teaching in conjunction with the school system, the supervisors have come from far away, a payment of Rs.1000 are being made per lesson. It has also been paid according to the

If there is no provision in the circular for payment, a formal approval from the University Grants Commission should be obtained.

budget approved by the Finance Committee.

Even though a Rs.50 per each should be paid to a member of the examination board for each oral test for one student, a sum of Rs.44,100 had been paid each of Rs. 150.

As per University Circular No. 01/2016 for interviewing each student is given a rate of Rs.50 for graduate courses. There is no rate for postgraduate courses. We have paid Rs. 150 per student for the interviews of our course in accordance with the budget approved by the other Post Graduate Programmes of the University and approved by the Finance Committee.

If there is no provision in the circular for payment, a formal approval from the University Grants Commission should be obtained.

(iv) Paragraph 5.5 of the Circular No. 04/2016 dated 01 March 2016

Even though the separate accounts for each of the self-generated courses should be disclosed as entries in the financial statements, such accounts were not disclosed in the financial statements for the year under review.

Agree with the auditor's point of view. Accounts relating to the courses are not disclosed in the financial statements. But separate accounts have been set up. It is noted to be revealed as a single note from next year.

Actions should be taken in accordance with the Circulars.

2. Financial Review

2.1 Financial Results

Operating results for the year under review was a deficit of Rs. 57,401,588 and the corresponding deficit in the preceding year was Rs. 82,650,093. Accordingly, a growth of Rs. 25,248,505 was observed in the financial results .

2.2 Trend Analysis of Key Income and Expenditure Items

Source	2017 Rs.	2018 Rs.	Difference Rs.	Per cent %
Main Income Source				
Government Grant	1,200,175,000	1,435,668,000	235,493,000	16
Investment interest	26,764,943	18,960,132	(7,804,811)	(41)
Property Rent	2,625,069	1,821,730	(803,339)	(44)
Main Expenditure Source				
Individual payroll	950,263,040	1,175,963,503	225,700,463	19
Travel expenses	9,087,807	5,537,507	(3,550,300)	(64)
Depreciation	393,915,972	453,210,941	59,249,969	13

2.3 Ratio Analysis

The current asset ratio of the preceding year was 1: 0.60 and it had grown to 1: 0.80 in the year under review. Similarly, the quick asset ratio also had increased from 1: 0.58 to 1: 0.65 as compared to the preceding year.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comments given by the Management	Recommendation
(a) Even though many years had elapsed since the end of the task, without taking actions to settle 03 account balances which were received for various projects totalled to Rs. 5,743,734, had been shown under other funds of the financial statements .	The amount of Rs. 6,295,985 of the Staff Development Institute is being used for the activities of the Institute. Actions are being taken to use the other funds for other purposes with the approval of the Finance Committee.	Actions should be taken to clear the 3 account balances of Rs. 5,743,734.

- (b) Details of lecturers and professors who had violated the bond agreements for a period of 02 to 07 years for obtaining academic leave but not completed the postgraduate studies had not been disclosed in the financial statements and actions had not been taken to recover the value of 10 bonds totaled to Rs. 48,857,874. Further, the university had not taken any action to recover a sum of Rs. 411,844 recoverable from the year 2016.
- It was informed that the 08 officers have not completed their studies, and one official has agreed to pay the amount receivable to the University and also has agreed to deduct the bond value of Rs. 411,844 from the Provident Fund and it is ready to be forwarded to the University Grants Commission.
- Actions should be taken to recover the bond value from the lecturers and professors who have violated bond agreements and disclose it in financial statements.
- (c) Even though the establishment of a mass communication laboratory with 29 communication equipment worth of Rs. 1,620,175 received under the HETC Project several times during the year 2014 for the Mass Communication Laboratory at the Faculty of Social Sciences and Humanities, no knowledgeable technical officer had been recruited to carry out the activities of the laboratory and those equipment had been used by officials who had no technical knowledge.
- It was not possible to recruit a knowledgeable officer up to now. These issues will be resolved by providing necessary physical and human resources to the faculty as much as possible.
- Examine the existing vacancies and actions should be taken to fill them as per the requirement.
- (d) The combined allowances and casual allowances for a period of 09 days amounted to Rs 1,075,250 had been paid to a University Lecturer to attend a seminar on 24 and 25 June 2018 and to participate in two contract signings with the University of Sao Paulo, Brazil on 28 June 2018 and although he had presented evidence that his attendance only to the seminar held on 24 and 25 June 2018, without providing evidence of a
- Even though the additional payment made herein mentioned as Rs. 405,000, according to our information, it should be corrected as Rs. 374,600 as follows. Accordingly, the Vice Chancellor has sent a letter to the Assistant Internal Auditor on 26.06.2010 to recover this amount from Mr. B.M.S. Bandara.
- Payments should be made in compliance with the Circulars and Financial Regulations and actions should be taken to recover the excess amount of \$ 2,300 from the relevant officer or the officers responsible for that.

necessity for participation in the signing of the agreements with the University of Sao Paulo on 28 June 2018 , a sum of US \$ 2,300 or Rs. 374,600 had been paid for five days.

- (e) A university professor had received incidental allowances of \$ 75 per day for nine days only for attending an international conference in Brazil on 24 and 25 June 2018 and for signing an agreement with Sao Paulo Universities in Brazil on 28 June 2018 and since it can be considered as an official mission representing the government only to sign an agreement with the University of Sao Paulo on 28 June 2018, as the incidental allowance for the rest is only \$ 40 per day , a sum of \$ 245 as \$ 35 per day for 07 days or Rs. 39,690 had been overpaid.
- According to the audit query, a letter has been sent to Professor Ranjith Wijewardena on 23.05.2019 to recover the relevant amount.
- Payments should be made in accordance with the circulars.

3.2 Operating Inefficiencies

Audit Observation	Comments given by the Management	Recommendation
(a) It was observed that the instances of not covering lecture hours by 08 internal lecturers in the Business Management Division from 20 per cent to 60 per cent of the total work hours that had to be covered, 14 lecturers in the Faculty of Social Sciences and Humanities from 89 to 257 hours and also 12 lecturers of the Faculty of Agriculture ranging from 200 hours to 405 hours as per the information submitted to the audit in examining the lectures .	The time table for the entire semester, including the allotted hours are prepared for the courses before the semester begins. There may be occasions when the covered hours cannot be completed by the end of 15 weeks and the holidays on the time table and the days when the students do not attend the lectures and there are no additional lectures are mainly affected and students should cover these sections independently.	Proper attention should be drawn in respect of the coverage of the lectures as it will affect the quality of the courses.

- (b) Since there were occasions of 05 external lecturers of the Faculty of Management Science had not covered lectures ranging from 27 per cent to 58 per cent, the quality of the courses conducted was not satisfactory. The percentage of not completing a degree in each of the academic departments was 10 per cent as compared to the number of admissions and the overall percentage of non-completion of the degree in the academic year 2012/13 had increased to 29 per cent. The percentage of non-completion of BIT and THM degrees in the academic year 2010/11 to 2012/13 had increased by 41 per cent and 23 per cent respectively.
- Only a small number of students do not complete the degree on time. The matters such as decrease in the percentage of students participating in lectures, occupational students are also included in these courses, increasing of practical activities in the syllabus of both Business Information Technology and Tourism and Hospitality Management Degrees, have affected to this. Actions will be taken to consider above matters in future when making revision of the syllabus.
- More attention should be drawn regarding the higher percentage of not completing a degree.

3.3 Project or Capital Work Delays

Audit Observation	Comments given by the Management	Recommendation
<p>Even though the initial advances amounted Rs. 143,000,000 had been provided entering in to agreements amounted to Rs. 16,479,500 on 24 August 2017 selecting the bidders without pre-preparations for the construction of the Centre for Distance and Continuous Learning, the construction works had not been commenced up to now.</p>	<p>Activities for obtaining of required approvals are being taken by the University by now for the buildings that are not approved by the Urban Development Authority . Similarly, since it has also been informed that, that construction should be carried out on the basis of the green concept after the commencement of the relevant contract, obtaining the relevant approval has been at the final stage .</p>	<p>Before the commencement of a project the Priority should be given to the planning phase ascertain the workplace is ready before the advance payment is made.</p>

3.4 Procurement Management

Audit Observation	Comments given by the Management	Recommendation
(a) Although the Procurement notices should be published in a bestselling national newspaper wherever possible, in accordance with Paragraph 3.2.2 (b) of the Procurement Guidelines, many of the audited procurements had not created sufficient competition due to mention in one newspaper.	The University has taken actions to publish the procurement notice in compliance with the relevant Regulations. Accordingly, the Procurement Notice relating to this construction had been published in 'Daily News' which was one of the bestselling national newspapers in Sri Lanka. However, actions will be taken to make arrangements to publish in higher selling Sinhala and English medium as per the Procurement Guidelines.	Actions should be taken in terms of the Procurement Guidelines and to be more competitive in contract works.
(b) There were limitations on the competitiveness as the inclusion of restricted conditions in the tender documents, whilst carrying out during the procurement process providing the security service of the University amounted to Rs. 5,257,662 per month for the year 2018/2019 .	As stated in the newspaper advertisement published by the university, one of the two firms which had submitted the lowest bids had no relevant work experience of three years and the other had not attached the service certificates or the contract award letter with the tender papers. However, a letter was forwarded to obtain the service reports from that institution but has not responded. In calling for tenders to provide security services, while inquiring about the experience of Government Departments, Statutory Boards as well as large scale private institutions, in the relevant newspaper advertisement and the Technical Evaluation Committee has decided to specifically mention the work	Steps should be taken not to include conditions that limit competition in the procurement process.

experience in the university system. When obtaining a service to the University, with the objective of selecting the appropriate institution for the purpose of making the service more satisfactory and the maximum productivity the university expects, this conditions has been included.

3.5 Deficiencies in Contract Administration

Audit Observation	Comments given by the Management	Recommendation
<p>(a) Since it was failure of spreading tiles to meet the specifications as per the engineering estimate prepared by the State Engineering Corporation for the purpose of constructing multipurpose buildings on the entrance to the university, the technical requirement including of the approved standards had not been fulfilled and since there was a price difference of Rs. 1,487 between for a square meter of tile that had to be used according to engineering estimate and the tile square meter applied as per the market price, it had been allowed to the contractor to get an additional price advantage of Rs. 940,278 .</p>	<p>The code number of the tile samples that were submitted by the contractor for approval for the Type A Multipurpose Building that was mentioned on the back of the tile and the approved tile samples were introduced with the code number at the back of the tile. Accordingly, the approval has been given the to use the size of 400 X 400 mentioned in Code No. RC 204GG type of tiles manufactured by Rocell Institute in the designated locations within the building.</p> <p>The Type B building contractor was also advised to use the same type of tile. However, the Technical Officer of Rocell Institution had said that the both buildings were tiled with Code 7GG tiles and the approved tiles and the tiles spread are identical. Accordingly, the Code No. 7GG tiles have been submitted for the approval of Type A and Type B buildings.</p>	<p>Action should be taken to recover the excess amount paid .</p>
<p>(b) All the bids received had been canceled and the bids were called back again by rejecting stating that it was cancelled due to the expiry of the CIDA registration of</p>	<p>Although the valid registration period should be available till 07 December 2017 as per the Eligibility Condition No. 4.2 of the bid documents of the contractor who had submitted the lowest price, the technical evaluation</p>	<p>The Procurement procedures should be followed in accordance with the Procurement Guidelines and for contract activities and</p>

the Bidder received on the following day of the bids evaluation whose bids received relating to the two buildings of A and B belonging to the Phase 11 of multi-storied building complex on the University Entrance. When providing pre-bid for building A, the contractor who submitted the lowest bid and offer the bid for a higher price than the lowest offered price for another contractor for building B, there was a loss of Rs. 7,303,917 to the University Fund.

committee had refused due to non-compliance to that. The registration at Industrial Development Authority is mandatory and although the contractor was inquired about renewal of the registration, the relevant documents were not submitted on 02 October 2017. Further evaluation of the bid prices submitted by that institution at the second bidding period are not being carried out comparatively.

in a manner that does not incur a loss to the University Fund.

3.6 Human Resource Management

Audit Observation

There is a total of 236 vacancies such as 118 academic staff posts, 4 library staff posts, 4 administrative staff positions, a post of medical officer, 17 Academic Assistant posts, 19 posts in the Technical Sector, 23 Clerical and Associate Staff and 50 Primary Staff positions, and the excess of 49 positions including other executive officer position, 14 clerical and associate staff positions, and 34 primary staff positions remained in the University at the end of the year under review.

Comments given by the Management Recommendation

Comments were not given. Actions should be taken to fill the existing vacancies soon.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Observation	Comments given by the Management	Recommendation
Although the financial statements should be submitted to the Auditor General within 60 days of the end of the financial year in accordance with the Public Enterprises Circular No. PED /27 dated 27 January 2005, the financial statements for the year 2018 were submitted to the Auditor General on 09 April 2019 .	Comments were not given.	Financial statements should be submitted to the Auditor General within 60 days as per the Public Enterprises Circular No. PED / 27.

4.2 Internal Audit

Audit Observation	Comments given by the Management	Recommendation
Copies of the Internal Audit Reports of the institution had not been submitted to the Auditor General as per Financial Regulation 134 (3).	The copies of all internal audit reports are forwarded to the Superintendent of Government Audit in the University by now.	Actions should be taken in accordance with the Financial Regulations.

4.3 Sustainable Development Goals

Audit Observation	Comments given by the Management	Recommendation
Every government agency should act in accordance with the United Nations 2030 Agenda for Sustainable Development and the University had not paid enough attention with regard to its scope of work for the year under review. Accordingly, it was impossible to identify whether the relevant activities were included in its Action Plan for the year under review and that adequate provisions had been made in the Annual Budget Estimate..	All Deans have been inquired on this matter and accordingly, the University will take steps to implement these operating policies and procedure guidelines in future.	Every government organization should act in accordance with the United Nations 2030 Agenda for Sustainable Development.