

## **General Sir John Kotelawala Defence University - 2020**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the General Sir John Kotelawala Defence University (University) for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of comprehensive income, statement of changes in net assets 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 Finance Act No. 38 of 1971. 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 University as at 31 December 2020, 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**

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My opinion is qualified 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**

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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 University'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 University 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 of the University.

#### **1.4 Audit Scope (Auditor's Responsibilities for the Audit of the Financial Statements)**

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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 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 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 overall presentation, 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 University has complied with applicable written law, or other general or special directions issued by the governing body of the University;
- Whether the University has performed according to its powers, functions and duties; and
- Whether the resources of the University had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## 1.5 Audit Observations on the preparation of 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. Audit observations with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. are under mentioned.

Audit Issue	Management Comment	Recommendation
(a) The University had not been maintained sub-ledgers of debtors and creditors and maintained only a control account in the main ledger. It was further observed that this account was also maintained irregularly without adequate details.	Since ledger books are currently maintained without any accounting software, separate ledger accounts are not maintained for each debtor. Also, since all details can not include in the ledger, only a limited amount of data is included. However, details of each debtor are included in the relevant payment voucher.	Actions should be taken to keep the books/ computer data in a proper manner.
(b) The credit control account which maintained for Self Finance Fund, did not contain any information regarding the two instances of debits amounting to Rs. 418,362 and five instances of credits amounting to Rs.7,369,467. Therefore, audit tests	The references to these transactions were not recorded in the ledger by mistake. and the two creditors who entered into the credit control account and then made payments on 13.01.2020 and settled on 30.06.2020 are thus recorded as two debits in the	Arrangements should be made to maintain proper accounting records.

could not be performed ledger satisfactorily.

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| (c) | Though journal entries should have been recorded in a General Journal before being copied into ledger accounts, it was observed that the University had not maintained such a General Journal.  | Since the ledger books are currently maintained manually, a general ledger is not maintained, but the journals are recorded in separate serial numbers for each ledger.  | Steps should be taken to maintain a proper General Journal.  |
| (d) | The University had dealings with various creditors related to import functions and had not maintained a credit ledger for each creditor. Therefore, the transactions made with each of these import creditors could not be satisfactorily observed. Although a schedule showing the balances of the import creditors was submitted for audit, 17 creditors amounting to Rs 403,738,540, could not be identified specifically. | As the ledger books are currently maintained manually without an accounting package, separate ledger accounts are not being maintained for each importer. However, a schedule is maintained for the import credit control account shown in the ledger. The number of the letter of credit is mentioned there. The files for each letter of credit are maintained in the Accounts Division and the main files related to these are maintained by the University Hospital. | Arrangements should be made to maintain a creditor's ledger in addition to files related to creditors. |
| (e) | It was observed that there were instances of transaction dates not recorded in order in the import credit control account.  | Payments for letters of credit opened in various foreign currencies are made in US dollars. Due to the delay in receiving the bank notification showing the value paid to the import creditor and the bank charges separately, the transaction dates could not be recorded in order.   | Books should be maintained in a proper manner.   |
| (f) | There were no separate accounts in the ledger to record accrued expenses and the accrued expenditure amounting to Rs. 298,768,392 relevant to 92 subjects of the University and its affiliated departments was accounted for by six control accounts for each sector. As a result, the accrued expenditure under each subject at the end of the year under review could not be satisfactorily examined.                       | As ledger accounts are maintained without an accounting package, ledger accounts are not maintained for accrued expenses and schedules are maintained. The correct accrued expense value is recorded in the ledger.  | Books should be maintained in a proper manner.   |

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| (g) | The balance of staff loan and advances as at 31 December 2020 amounting to Rs. 116,254,529 should be stated as receivables, it had shown as debtors. Further, a formal schedule had not been maintained which showing the total loan amount disbursed to each employee and the amount of arrears due at the end of the year etc.  | Noted to classify those loans and advances as receivables in the future. For this a control account and schedules are maintained in the name of each employee. Credit details are also included in the employee's personal payroll.  | Arrangements should be made to record the loans and advances made to the staff separately in the accounts.                          |
| (h) | It was observed that a formal internal control system had not been established for the receipt and issuance of medicines given by the Department of Health Services to the University Hospital. These drugs were issued to patients who came for free treatment as well as to patients who came to obtain paid drugs. An information system had not been established in order to obtain separate information regarding the patients category and number of patients which released drug . | The Medical Supply Management Information System (MSMIS) is installed in the hospital with some restrictions regarding these supplies. Therefore, some weaknesses in internal control have been identified. It is proposed to purchase a Hospital Information Management System (HIMS) for the University Hospital and to strengthen internal control over drug stocks in the coming months. | Proper control records should be maintained in order to pricing of drugs, recognizing the cost and charging the fees.               |
| (i) | Stocks control deficiencies such as inventory not being properly entered in to the stock books, stock books not being updated and stocks not being computerized, relevant to issuance of reactive & chemicals, were observed At the examination of University Hospital's Board of Survey Reports of 2020.   | It is informed that these weaknesses can be overcome after the installation of the proposed Hospital Information Management Computer System (HIMS) at the University Hospital.   | Control measures should be introduced to keep stock control updated and accurate.   |
| (j) | It was observed that there were differences between the stock ledger balance and the actual balance of the hospital medical equipment stock. and it was observed that the stock books were not maintained up to date.   | The inventory balance of the computerized ledger in the medical equipment store is updated and maintained accurately. But the stock book does not include some releases. This was due to the fact that the staff had to be deployed due to the epidemic situation. Currently the stock books have been updated.  | books should be kept up to date and necessary comparisons should be made to verify the accuracy of the relevant inventory balances. |

## 1.5.2 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
(a) Though fully depreciated assets worth Rs 471,600,374 were already in use at the University and its affiliates at the end of the year under review, those assets were not disclosed in the financial statements as per the provisions of Sri Lanka Public Sector Accounting Standards No. 07. Also, the estimated error in the effective lifetime of these assets had not been revised in accordance with Sri Lanka Public Sector Accounting Standards No. 03 and adjusted in the financial statements.	The property, plant and equipment of the University are planned to be re-accounted for next year at market value and the accounting policy to be followed will be disclosed in the financial statements.	Actions should be taken in accordance with the Sri Lanka Public Sector Accounting Standards Nos. 03 and 07 regarding the assets which was fully depreciated but already in use.
(b) According to the university accounts, 21 reserves amounting to Rs. 321,919,644 were included in the equity, but the financial statements had not disclosed the nature of each reserve and the objectives of maintaining reserves in accordance with paragraph 98 (b) of Public Sector Accounting Standards No. 01.	There were no comments.	According to Sri Lanka Public Sector Accounting Standards No. 01, the details of the reserves should be disclosed in the financial statements.
(c) When the fair value of a property can be reliably measured in accordance with Sri Lanka Public Sector Accounting Standards No. 07, its fair value should be stated in the financial statements. Though he 48 acres of land and other assets transferred to the University in 1980 were stated in the financial statements as Rs 73,653,874 at the value of transferred date. Therefore, the fair value of those assets had not been indicated in the financial statements.	There were no comments.	Actions should be taken to state the fair value of assets in the financial statements.

### 1.5.3 Accounting Deficiencies

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
<p>(a) Medical equipment's worth Rs. 283,815,053 which were purchased and used during the year under review and the previous years by the University Hospital had shown in the financial statements as pre-payments instead of being accounted as fixed assets. As a result, fixed assets had understated out of the above amount and the depreciation expenditure for the year had shown understated by Rs. 28,216,753 in the financial statements.</p> <p>Also, in terms of paragraph 69 of Sri Lanka Public Sector Accounting Standards No. 07, the depreciation should start from the date of use of the asset but due to non-depreciation of these fixed assets the cumulative depreciation of the assets and cumulative deficit had shown understated by each of Rs. 86,499,999 in the financial statements.</p>	<p>Agree with the audit query and noted to account these medical equipment as assets and to identify depreciation.</p>	<p>Assets should be properly classified and included in the accounts.</p>
<p>(b) The Sevanagala Divisional Secretary had handed over the 56.8-hectare land on which the University Southern Campus is located to the University on 26 March 2020, but actions had not been taken to assess and account the value of the land.</p>	<p>It is Planned to recalculate all assets in the future and account for the assets at market value.</p>	<p>The value of the land should be assessed and taken into account.</p>
<p>(c) During the year under review, on the recommendation of an acting director of a branch affiliated to the University, a sum of Rs. 2,000,000 had paid to purchase of shares of a subsidiary company, but actions had not been taken to acquire shares for</p>	<p>Formal approval has been obtained for this payment. In addition, the Board of Directors of the institution has given its approval to transfer this amount from the university account to the aforesaid company. Accordingly, that amount was noted</p>	<p>Revenue and capital expenditure should be properly categorized and investments should be duly shown in the financial statements as investments.</p>

that amount and that amount was written off against the income as a recurrent expenditure for the year under review. Due to this, the deficit of the year under review was overstated by the same amount in the financial statements.

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| (d) | As at 31 December 2020, remaining medical supplies stock in the University Hospital's main drug store and other departments had identifies as Rs. 4,730,553. Due to stock value had write off as an expenditure of the year , the deficit had been overstated and the current assets had been understated by the same amount in the financial statements for the year under review.  | No payment has been made for free medicines provided to the hospital since 2017 for issuance of free treatment by the Medical Supplies Unit. Therefore, the stock was not accounted for in the final inventory.  | Even no made payments for medicines received from the Medical Supplies Division, action should be taken to identify and assess the remaining stocks. |
| (e) | During the year under review, the Department of Health Services had provided drugs worth Rs. 260,501,370 for the use of University Hospital, though it had to be paid to the department for the drugs, the amount payable had not been accounted as a liability. Also, the remaining stock of the drugs as at 31 December 2020 amounted to Rs. 50,131,260 was not included in the financial statements. Further, the accounting policies followed in this regard were not disclosed in the financial statements. | No payment has been made for free medicines provided to the hospital since 2017 for issuance of free treatment by the Medical Supplies Unit. Therefore, the stock was not accounted for in the final inventory.  | The remaining stock of drugs should be assessed and disclosed in the financial statements.   |
| (f) | The club, bakery, Jana awanhala and cafeteria operating at the University using the University's physical and human resources had made a profit of Rs. 3,129,740 during the year under review but had not accounted as revenue of the University.  | This income is not recognized as university income and those units are maintained for the welfare of the university. However, the Audit and Management Committee has recommended that 20% of this income be transferred to the Self-Financed Fund. Accordingly, action | Revenue earned from the assets of the University shall be treated as University Revenue. Treasury approval must be obtained for Waiver of income.    |



has been taken to account for the year 2021 as an income.

**1.5.4 Unreconciled Control Accounts or Records**

Item	Value as per Financial statements	Value as per corresponding Records	Difference	Management Comment	Recommendation
(a) University – Tangible Assets	3,045,470,437	2,968,855,743	76,613,694	Action will be taken to correct. Action will be taken to correct.	Action should be taken to make comparisons in the relevant account balances and, if any, to identify the relevant reasons and correct the changes.
(b) Self-Finance Fund- Tangible Assets	1,886,514,364	8,877,634,085	8,880,278		
(c) Southern Campus - Tangible Assets	1,093,666,552	1,080,532,089	2,209,359		
(d) University Hospital - Tangible Assets	35,717,607,135	35,717,809,711	202,576		

**1.5.5 Unauthorized Transactions**

Description of unauthorized transaction	Management Comment	Recommendation
Although the adjustment of the accounts through the journal entries should have been approved by the responsible officer, no such approval had been obtained for such adjustments amounting to Rs. 402,500 in the Postgraduate Studies Division.	In case of omission the officer responsible had not signed and action had been taken to rectify it.	Account adjustments made through journal entries must be made with proper approval.

## 1.5.6 Preparation of Consolidated Financial Statements

Audit Issue	Management Comment	Recommendation
The University had incorporated a subsidiary Company in 2014 and the University held full ownership of the 100 ordinary shares of Rs. 100, held by the company. However, the investment was not disclosed in the financial statements. Also, to consolidate the financial statements of this subsidiary with the financial statements of the University or if there are technical issues to consolidate or about that had not been disclosed in the financial statements.	Agree with the audit query. It was noted to disclose in the financial statement regarding the subsidiary company which is 100% owned under the University.	Action should be taken to submit consolidated financial statements in accordance with Auditing standards.

## 1.6 Accounts Receivable

### 1.6.1 Money Receivable

Audit Issue	Management Comment	Recommendation
The University had not taken action to recover the amount of Rs.11,997,844 (Amount receivable on ration account) which was shown under the Pre-payments & Receivables and it had not provided information to identify exactly from whom this value should be received.	Delays of ration money from the Sri Lanka Navy and Air Force have contributed to this Receivables. Would like to inform that the records of the Supply Department of the University are maintained so that these values can be clearly identified.	Action should be taken to recover the money due immediately.

## 1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

	<b>Reference to Laws, Rules Regulations etc.</b>	<b>Non-compliance</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a)	Public Enterprises Circular No. PED / 12 and 02 June 2003	According to paragraph 8.2.3 of Public Enterprises Circular No. PED / 12 and dated 02nd June 2003, the investment of funds in any subsidiary / associate or other entity should be done with the consent of the Minister of Finance but without such consent Rs.2,000,000 had given as the share capital of subsidiary company of the University.	Formal approval had been obtained for this. In addition, the Board of Directors of this company had given its approval to transfer this amount from the University account to the aforesaid company.	Investments must be done on according to the Treasury approval.
(b)	Order of the Committee on Public Enterprises of the First Session of the Eighth Parliament of the Democratic Socialist Republic of Sri Lanka dated 21st March 2018.	Although it had informed that the General Sir John Kotelawala Defense Universities Act be amended to suit the University to cover the enrollment of students and the validity of the decisions of the Board of Management, the Act had not been amended during the year under review too.	The Board of Management of the University had given its approval to expand the objectives of the existing Act and to introduce new degree courses as a timely need. Approval of the Board of Management and The Cabinet had been granted for a new bill to provide for new legal provisions was submitted to the Attorney General on 06.12.2016. The Cabinet approval had granted on 14.12.2020 to submit this Bill to the Parliament and it has been referred to Parliament for further action.	Further action should be taken to expedite the implementation of the recommendations of the Committee on Public Enterprises.

- (c) General Sir John Kotelawala Defense Academy Act No. 68 of 1981 and Amendment Acts No. 27 of 1988 and No. 50 of 2007
- In accordance to the objectives of the preceding Act, though It has power to Conduct courses and advising for cadet officers, officers and public officers on academic fields relevant to national security and military management, since 2011, awarding of degrees on paid basis had been initiated for local and foreign students who are not cadets or government officials. For the academic year 2019/2020, 21 degree courses were being implemented for 786 such students.
- The Cabinet approval has granted to submit the new Amendment Bill to the Parliament on 2020.12.14 and it has referred to parliament for further action.
- Arrangements should be made to make the necessary legal provisions for these purposes.

## 1.8 Cash Management

Audit Issue	Management Comment	Recommendation
(a) As at 31 December 2020, a total of five savings accounts had a deposit balance of Rs. 3,065,576,646 and no action had been taken to transfer this amount to another suitable investment at a relatively high interest rate.	Out of the total deposit balance of Rs. 3,065,576,646 shown in the audit query, the highest value of Rs. 2,758,077,817 was maintained on the American Dollar Account of Bank of Ceylon. Mainly, this balance represents the loan balance which obtained from the National Savings Bank for the purchase of medical equipment required for the University Hospital. The surplus of US \$ 20 million from the loan had already been invested in fixed deposits and the balance will be maintained in the savings account to pay for the letters of credit for the purchase of medical equipment. People's Bank Account No. 080 200 1100 20 111 with a balance of Rs. 292,395,318 is maintained as a Money Market Account with the objective of obtaining high interest income. And the balance of that account is maintained to bear the capital and recurrent expenses of the University.	Funds must be managed effectively.

- (b) The average monthly surplus money of 8 current accounts maintained by the University and its affiliates during the year under review was between Rs. 118 million and Rs. 534 million. However, this surplus money had not been estimated and invested in appropriately.
- In 2020, funds from two bank accounts were invested in short-term investments (REPOs) and there was no sufficient surplus after March until October. The University maintains funds for operations and payments for capital projects and invests in short-term funds whenever possible. Earned income is Rs. 4.85 million.
- Funds must be managed effectively.

## **2. Financial Review**

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### **2.1 Financial Result**

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The operating result of the year under review amounted to a deficit of Rs. 508,518,953 and the corresponding deficit in the preceding year amounted to Rs.413,067,394. Therefore, a deterioration amounting to Rs. 95,451,559 of the financial result was observed. This deterioration was mainly attributed to an increase in expenditure categories such as staff payments, supply and service costs, maintenance costs and loan interest.

### **2.2 Trend Analysis of major Income and Expenditure items**

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- (a) Total revenue for the year under review showed a growth of 10.3 percent as compared with the year 2019. This growth was mainly due to an increase of Rs. 641.63 million in Treasury grants and an increase of Rs. 123.9 million in hospital revenue.
- (b) The total expenditure for the year under review was Rs. 9,427.42 million, and it had increased by Rs. 931.05 million or 10.96 percent as compared with the preceding year. This growth was mainly due to increases in the categories of financial expenses, personal remunerations and supplies & services.
- (c) Furthermore, 52 percent of the total expenditure of the University during the year under review or Rs. 4,926 million was spent as the cost of loans, which accounted for 55 percent of the university's total revenue. The cost of the loan was incurred due to a loan of US \$ 201.629 million obtained from the National Savings Bank on treasury guarantees for the construction of the University Teaching Hospital and the purchase of equipment.

### **2.3 Ratio Analysis**

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- (a) The Return on Equity Ratio, which was negative at 4.47 in the year 2019, continued to decline to negative at 5.86 in the year under review.
- (b) The Current Assets Ratio which was 2.40: 1 in 2019 was reduced to 1.52: 1 in the year under review.

- (c) The Debt to Equity Ratio was 3.83: 1 in the year 2019 and this high gearing condition had increased to 4.47: 1 in the year under review.

### 3. Operational Review

#### 3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
<p>(a) The University Teaching Hospital and the Regimental Centre Sri Lanka Army Medical Corps were established on the 48 acre Rood 02 and 16.2 perches land belonging to the Ceylon Transport Board at Werahera and it was decided at the Cabinet meeting held on 25th April 2017 to provide an additional allocation of Rs. 5,054,000,000 for the acquisition of the land by the Ministry of Defence. However, more than four years have passed since the decision was taken, but the ownership of the land on which the hospital had been built, had not yet been transferred to the University by the end of the year under review, as the acquisition of the land had not yet been completed. Therefore, the value of the land was not shown in the financial statements.</p>	<p>The Ministry of Defence is responsible for taking over this land. This is being done by the Ministry of Defense. The University has provided the relevant information to the Ministry of Defence.</p>	<p>The Ministry should take immediate action to take over the land.</p>
<p>(b) Although the legal ownership of the land has not been transferred to the University, the value of the teaching hospital buildings constructed there at the end of the year was Rs. 31.1 billion. Further, Rs. 1,217 million had spent to develop the land for the construction work of the hospital.</p>	<p>Expenses incurred for the development of buildings and land have been identified and accounted for as assets, not just in their legal form but in their true economic nature.</p>	<p>Since it is the responsibility of the management to settle the ownership of the assets, action should be taken accordingly.</p>

### 3.2 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
<p>(a) In 2013, a loan of Rs. 3,165.82 million and a loan of US \$ 177.33 million was obtained from the National Savings Bank on treasury guarantees for the construction and purchase of equipment for the University Teaching Hospital. The final installment of this USD loan was received on 10 January 2017, of which US \$ 26,229,586 had not been utilized for the specified purpose as at the year under review. United State Doller 20,911,260 (Rs. 3,903.08 million) was invested in three fixed deposit accounts and United State Doller 6,229,586 (Rs. 1,162.75 million) in savings accounts at annual interest rates ranging from 01.02 percent to 5.5 percent.</p>	<p>There were no comments.</p>	<p>Efforts should be made to minimize the cost of borrowing by following proper debt management practices.</p>
<p>(b) Although the Treasury provided 15 percent and 8.5 percent of the loan for the annual interest payments, United State Doller 26.22 million was not utilized for the specified purpose. As a result, an additional interest of United State Doller 2.23 million (Rs. 410.498 million) had to spend per annum by the treasury. Thus, if the loan had been obtained at the time of purchase of the equipment, the additional interest payable from the Consolidated Fund could have been minimized.</p>	<p>There were no comments.</p>	<p>Efforts should be made to minimize the cost of borrowing by following proper debt management practices.</p>
<p>(c) The University Hospital, which commenced operations in December 2017, had 496 beds and according to the information submitted to the audit, 16,255 patients received inpatient treatment during the year under review. Accordingly, the Bed Turnover Rate of the hospital was 45.12 percent and the</p>	<p>The epidemic and the implementation of the curfew has led to reduction of admission of patients during the year under review. Admission of patients to the hospital was restricted to essential treatments only.</p>	<p>Measures should be taken to provide adequate returns on invested public funds.</p>

<p>productivity of hospital beds remained low.</p>	<p>Furthermore, the non-functioning of emergency unit had contributed to the reduction in patient admissions.</p>	
<p>(d) The hospital commenced operations in December 2017 but three wards and three units including emergency unit of the hospital could not be deployed until 28 April 2021 due to lack of adequate medical and other staff. However, only the emergency unit and two wards have been in use since April 2020 to treat patients infected with the Corona virus.</p>	<p>Adequate medical staff should be maintained to operate these units and the appropriate ward and operating room staff should be complete. Requests have been made by the Ministry of Health to attach a staff. At present, the care of COVID patients operating in these areas is being effectively maintained.</p>	<p>Measures should be taken to provide adequate returns on investment public funds in a timely manner.</p>
<p>(e) 277 units of 07 types of medical equipment valued at Rs. 2,058,138 purchased in 2018 and 2019 were stored and idle without use.</p>	<p>It is hoped to issue this in the future for the needs of the sectors to be implemented and the existing sectors.</p>	<p>Assets must be utilized effectively.</p>

### 3.3 Human Resources Management

----- <b>Audit Issue</b> -----	----- <b>Management Comment</b> -----	----- <b>Recommendation</b> -----
<p>(a) Kotelawala Defense University ----- The Department of Management Services had approved a staff of 903 posts for the Kotelawala Defense University and the actual staff as at 31 December 2020 was 767. Accordingly, 153 posts were vacant on that day.</p>	<p>The majority of academic staff vacancies are for professorships and there is a shortage of qualified professionals. Although newspaper advertisements are published every year for vacancies, there is a shortage of qualified applications. Currently, two professors are on contract basis and 11 on assignment basis to maintain the quality of academic work. Staff other than minor grades are being recruited.</p>	<p>Adequate staffing should be maintained.</p>



- (b) In addition to the university staff, 103 officers and 864 other ranks had deployed in full-time basis as a three forces staff and their remunerations had incurred by the three forces under the Heads of the forces. Although it was stated that the approval of the Management Services Department had been obtained for 92 officers and 584 other ranks of the staff, that approval was not submitted for audit. In addition, it was observed that 11 officers and 280 other ranks have been deployed on a temporary basis.
- Eleven officers and 280 other ranks have been temporarily recruited for advisory, construction and security duties at the University and will be re-released upon completion of their duties. These releases are made on the basis of the Inter-Regiment Services (EREs) with the approval of the Ministry of Defense, and their remunerations are paid by the relevant forces.
- Action should be taken to obtain the necessary approvals.
- (c) At the Committee on Public Enterprises held on 21st March 2018, it was recommended to carry out a reform of the Armed Forces Staff attached to the University and obtain the approval of the Department of Management Services, but it was observed that not enough attention has been paid in this regard.
- Work is in progress to prepare a new list of three Armed Forces posts to suit the University and is expected to be submitted to the Department of Management Services for approval.
- Further action should be taken to expedite the implementation of the recommendations of the Committee on Public Enterprises.
- (d) Southern Campus  
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- The Department of Management Services approved 527 staff for the Southern Campus of the Kotelawala Defense University and the actual staff as at 31 December 2020 was 186 and 341 posts was vacant.
- In addition to the academic staffing requirement, non-academic staffing needs are also being considered and recruitment is being done based on the on-demand requirements of the departments of the Southern Campus in line with the number of students currently engaged in academic activities.
- Adequate staffing should be maintained.