

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sabaragamuwa University of Sri Lanka for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance and statement of changes in net assets and cash flow statement for the year then ended and notes to the Financial statements and a summary of significant accounting policies, was carried out under my direction in pursuance of provisions of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with provisions of the National Audit Act No. 19 of 2018 and provisions of Sub Section 107 (5) of the University Act No. 16 of 1978. My comments and observations which I consider should be reported 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 financial position of the University as at 31 December 2023 and of its financial performance and its cash flows for the year then ended give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

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

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 Sub 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 Auditor's Responsibility for the Audit of the 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 great 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 the University 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;

- Has complied with applicable written law, or other general or special directions issued by the Board of Governors of the University;
- Has performed according to its powers, functions and duties;
- 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 Audit Observations on the Preparation of Financial statements

1.5.1 Accounting Deficiencies

| | Audit Observation | Comment of the Management | Recommendation |
|-----|---|--|--|
| (a) | Although the depreciation for motor vehicles for the year under review was Rs.31,270,600, it was accounted as Rs.139,750,600. As such, the net value of property, plant and equipment was understated by Rs.108,480,000 in the financial statements. | This error will be rectified in the future. | Depreciation relating to the year should be accurately calculated and accounted for. |
| (b) | Although the works of 05 industries with an estimated cost of Rs.13,737,637 has been commenced during the year under review, the value of the finished works had not been identified and accounted for under work in progress as on 31 December 2023. | The value of the finished works were not recognized and accounted for as no bill for these contracts had been submitted to the Finance Department. | The value of unfinished works at the end of the year should be identified and accounted for. |
| (c) | Price variations amounting to Rs.42,935,892 payable for the construction of the Para-clinical building of the Faculty of Medicine was not accounted for, as such, the unfinished work balance and capital creditors at the end of the year under review were understated by that value. | This information was not provided by the Capital Division to the Finance Division when the final accounts were prepared. | The value of liabilities at the end of the year should be identified and accounted for. |
| (d) | Due to the non-accounting of library books valued for Rs.1,443,817 received as donations during the year under review, the capital revenue from non-exchange transactions and non current assets were understated by that amount. | This error will be rectified in the future. | Action should be taken to rectify this error. |

- | | | | |
|-----|---|--|--|
| (e) | Non-current assets worth of Rs.889,535,859 procured from the Science and Technology Human Resource Development (STHRD) project funds in the year under review and in the previous 4 years, and Rs.2,344,804,505 spent for the construction of the Faculty of Technology building in the year under review and in the previous 03 years, and recurrent expenditure of Rs.91,235,422 incurred during the year under review were also not accounted for. | According to the internal accounting policies of the University, the STHRD project will be accounted for at net book value after the project has been completed and the related assets have been handed over to the University. | Action should be taken to revise the internal accounting policies and assets should be accurately accounted for. |
| (f) | Assets worth of Rs. 10,792,067 procured by Restricted Funds during the year under review and the previous year were not accounted for. | According to the accounting policies of the University, the assets procured by external projects are accounted for on the basis of net value after the related project is completed and handed over to the University. That it has been disclosed in the financial statements. | Action should be taken to revise the internal accounting policies and assets should be accurately accounted for. |
| (g) | In disclosing the balance due from the officers who breached the bond agreements under the contingency assets in the notes to the accounts No 2.4.3.2 of the Financial Statements, a sum of Rs.21,929,907 was overstated. | The information given by the concerned department has been presented as it was. | Information should be disclosed in the financial statements. |
| (h) | Due to erroneous use of unit cost in calculating the value of the stock held in the Faculty of Applied Sciences, the balance of the stock in hand and surplus for the year was overstated by Rs.3,448,570 in the financial statements. | This error will be rectified in the future. | Action should be taken to rectify this error. |
| (i) | An accounting policy for capitalization of sports equipment valued for Rs. 4,991,446 procured in December 2023 from the AHEAD project funds had not been recognized and was shown under operating expenses in the financial performance statement. | That is not classified as property equipment, based on the nature of the sports equipment. | An accounting policy related to accounting of sports equipment should be identified and correctly accounted for. |

| | | | |
|-----|--|---|--|
| (j) | The receivable interest income on investments at the end of the year under review was understated by Rs.18,251,578 in the financial statements. | Action will be taken to rectify this error in the future. | Action should be taken to rectify this error. |
| (k) | The sum of Rs.1,375,860 and Rs.855,277 payable for purchase of property and equipment and unfinished works respectively during the year under review were not accounted for. | Action will be taken to rectify this error in the future. | Accrued expenses should be accurately identified and accounted for. |
| (l) | Taxes and charges amounted to Rs. 1,949,733 paid for customs clearance of measuring equipment donated by an Australian university were accounted as operating expenses and the value of those equipment amounting to Rs. 8,027,127 was not accounted for. As such, the operating surplus of the year by Rs. 1,949,733, the capital revenue from non-exchange transactions by Rs. 8,027,127 and the property and equipment balance by Rs. 9,976,859 were understated. | According to the accounting policies of the university, assets received as donations for external projects are accounted for on the basis of net book value after the relevant projects are handed over to the university, as such, these assets have not been accounted for. That disclosure in this regard has been made in the financial statements. | Action should be taken to revise the internal accounting policies and assets should be accurately accounted for. |
| (m) | Casual employee wages payable for the month of December 2023 amounting to Rs.8,037,080 were not accounted for, as such, the surplus of the year was overstated and accrued recurrent expenditure was understated by that amount. | Not accounted for by omission. Action will be taken to correct in the future. | Accrued expenses at the end of the year should be accurately identified and accounted for. |
| (n) | A sum of Rs.6,000,000 paid for the arrears of water charges in the previous year had been accounted as an expense in the year under review, as such, the surplus of the year was understated and the accumulated fund was overstated by that amount. | Action will be taken to correct. | Action should be taken to correct this error. |
| (o) | Although the expenses to be paid for the LEARN project at the end of the year under review were Rs.15,880,186, it was accounted as Rs.14,723,259. Accordingly, the surplus of the year was overstated and the current liabilities was understated by Rs.1,156,927. | This difference is due to non-accrual of bills related to medical faculty in the last two months. Action will be taken to correct it. | Accrued expenses should be accurately identified and accounted for at the end of the year. |

- (p) Although the University has funds worth of Rs.517,094,762 at the end of the year under review, the value of cash and bank deposits was Rs.443,317,793, as such, there was a difference of Rs.73,776,969.
- The excess of self-financing activities in the funds available to the University is also shown in the accounts, in that, the surpluses generated by the receivables are also shown in the accounts in the distribution of the surplus in the respective funds. As such, there is no equalization of the value of the funds.
- Balances in the funds of the University should be compared with the value of cash and bank deposits.

1.6 Non-compliance with the Laws, Rules, Regulations, and Management Decisions

| | Reference to the Laws, Rules, and Regulations | Non Compliance | Comments of the Management | Recommendation |
|------|---|--|---|---|
| (a) | Section 11 of the Finance Act No. 38 of 1971 and Paragraph 6.2 of the Operations Manual as introduced by Paragraph 03 of Public Enterprises Circular No. 01/2021 dated 16 November 2021 | A sum of Rs.168,028,508 had been invested in 14 fixed deposits during the year under review without the approval of the concerned Minister and the Finance Minister. | Action will be taken to send relevant letters to get the approval of the Minister in charge and the Ministry of Finance. | The provisions of the Finance Act and circulars should be compiled. |
| (b) | Financial Regulations of the Democratic Socialist Republic of Sri Lanka | | | |
| (i) | Financial Regulations 282, 290 and paragraph (xvii) of National Budget Circular No. 03/2022 dated 26 April 2022 | Although an imprest of Rs.2,017,000,000 was received for the payment of salaries and allowances, the expenditure for the year was Rs.1,953,840,000, as such a sum of.63,160,000 was spent on other expenses. | The excess amount has been spent on other essential expenses due to shortfalls in the provision for other recurring expenses receiving by the University. | Financial Regulations and circular provisions should be followed. |
| (ii) | Financial Regulation 371(2) b | Total sub imprests of Rs.8,526,423 had been issued | Many suppliers have restricted the | Financial Regulation |

| | | | |
|---|---|---|--|
| | in 19 occasions exceeding the maximum limit of Rs.100,000. Also, total advances amounting to Rs. 2,436,685 were issued to non-staff officers in 15 occasions. | supply of goods on credit in the prevailing current economic difficulties. Accordingly, advances had to be taken to purchase goods. | should be followed. |
| (iii) Financial Regulation 571 | No arrangements were made to identify and settle overdue deposits from library and laboratory deposits total amounting Rs.13,616,332. | Action will be taken to settle the overdue deposits. | Action should be taken in terms of Financial Regulations. |
| (c) Paragraph 7 of the Chapter V of the Establishment Code for University Grants Commission and Higher Education Institutions | (i) A receivable amount of Rs. 92,299,644 due to breach of bonds by 13 officers who had gone overseas on study leave from the year 2000 to year 2020 had not been recovered even by April 2024. | Legal action has been taken against 09 officers to recover these balances. Also, arrangements have been made to send reminder letters to the main defaulters and guarantors. | Provisions in the Establishment Code for Higher Education Institutions should be followed. |
| | (ii) Five officers who had gone overseas on paid study leave and 03 officers who had taken local study leave during the period from 2015 to 2023, had reported back to work without completing their studies during the relevant period. According to the relevant agreements, if the studies have not been completed, all the expenses incurred in this regard should be recovered, but a sum of Rs. 66,698,316 had not been recovered even by April 2024. | Two officers who had gone overseas on study leave have completed their degree and relevant certificates were submitted. Two others have been informed to pay the agreed loss. | Provisions in the Establishment Code for Higher Education Institutions should be followed. |
| (d) Paragraph 13.7 of Chapter ii of the Establishment Code of the Democratic | A total sum of Rs.1,344,647 was paid to an officer appointed to cover up the duties of the position of | Acting appointments were made in accordance with the paragraph | Provisions in the Establishment Code should be followed. |

Socialist Republic of Sri Lanka and Paragraph 23.3.8 of Chapter iii of the Establishment Code of the University.

Bursur from 07 August 2020 to 31 July 2022 and then from 18 April 2023 to 17 July 2023 as transport allowance, fuel allowance and entertainment allowance including 10 percent of the salary allowance.

Further, a total sum of Rs.331,038 was paid as transportation allowances, fuel allowances and entertainment allowances to an officer who was appointed to perform the duties of the Registrar position from April to July 2021.

22:2.7 of Chapter III of the University Establishment

Code. Accordingly, the acting salaries have been paid. The two officers concerned should be given transportation and fuel allowances to maintain official confidentiality while coming and leaving office after works in the University.

(e) University Grants Commission Circular No. 04/2016 dated 01 March 2016

(i) Paragraph 4.5

Financial statements were not prepared for 11 self-financing activities with a value of Rs.73,635,450.

That it does not come under self financing activities as it does not provide any financial benefit to the University.

Circular provisions should be followed.

(ii) Paragraph 5.2.3

An amount of Rs.131,804,887 to be allocated for the payment of staff members who were directly or indirectly involved in self-financing activities had been kept in the Development Fund of the Center for Open and Distance Learning (CODL) and in the Development Fund of the Faculty of Postgraduate Studies (FGS). But, about Rs. 13,469,000 had been paid annually as salaries and allowances to the university staff working in those institutions from the university fund.

Permanent staff in the CODL and FGS was also paid salaries/allowances under recurrent expenditure head in the annual budget as pay to other permanent staff of the University.

Circular provisions should be followed.

| | | | |
|--|---|---|--|
| (iii) Paragraph 5.3 | A sum of Rs. 58,490,528 allocated for development expenditure subjects by the Center for Open and Distance Studies and the Faculty of Postgraduate Studies was retained in the development funds of those faculties without being credited to the University Fund. | Due to the decentralization of self-financing activities, the allocations adjusted on the accrual basis of the developed expenditure heads will not be credited to the university and incurred by the development expenditure heads. | Circular provisions should be followed. |
| (f) University Grants Commission Circular No. 09/2019 dated 25 November 2019 | A total house rent of Rs.8,043,695 was under recovered from 38 officers occupied in 38 government quarters for the period from December 2019 to July 2023. Further, the rent of office quarters amounting to Rs. 2,933,611 was not collected from 08 officials during the period from December 2019 to December 2023. | According to this circular, the eligible officers are the officers who are entitled to a quarter or an allowance for a quarter should be mentioned in the appointment letter, but there is no such clause in any of the appointment letters of the officers of this University. | Circular provisions should be followed. |
| (g) University Grants Commission Circular No. 15/2018 dated 26 November 2018 | Although the employer contribution of a certain staff insurance scheme cannot be spent from treasury allocations, a sum of Rs.1,283,078 was spent from the treasury allocations during the period from 2019 to 2023. | University Grants Commission Circular No. 718 has been dealt with. | Prevailing valid circular provisions should be followed. |
| (h) University Grants Commission Circular No. 08/2013 dated 14 May 2013 | Initially the University Grants Commission had refused to reimburse the sum of Rs.330,000 incurred for obtaining air tickets for a lecturer who had taken | According to Circular No. 08/2013, the UGCC initially informed that air tickets cannot be issued for | Circular provisions should be followed. |

sabbatical leave to employ in Sri Lanka to go on a private trip abroad during that leave period. After considering the appeal submitted about a year after the visit, the university had reimbursed the amount on the approval of the Governing Council.

private overseas travelling during the sabbatical leave period. The approval for the reimbursement was given since the University Governing Council was later informed to consider the appeal and take a decision.

2. Financial Review

2.1 Financial Result

The operation result for the year under review had a surplus of Rs.505,333,576 as compared with the corresponding surplus of Rs.381,445,894 for the preceding year, thus observing an improvement of Rs.123,887,682 of the financial result. This improvement was mainly due to increase of recurrent grant in the year under review by Rs.270,000,000.

3. Operational Review

3.1 Management Inefficiencies

| Audit Observation | Comment of the Management | Recommendation |
|--|---|---|
| <p>The Vice-Chancellor had informed in the previous year to the audit that although the daily arrival and departure of the university academic staff is not recorded in the fingerprint machine or in an attendance register, it can be confirmed through the progress of completing the time tables assigned by the departments and the lecture record books.</p> <p>However, during the audited period from January 2022 to July 2023, the lecture notebooks of all the 04 departments of the Faculty of Applied Sciences were not maintained up-to-date.</p> <p>If the lecture notebooks have not been updated, attendance and departure of the lectures could be confirmed from the attendance records of the students. As the attendance records of the students of 03 departments were not filed in the respective departments, even that confirmation also could not be obtained.</p> | <p>Although lecture notebooks were maintained in the departments of the Faculty of Applied Sciences, it has been difficult to update the lecture notebooks as the lectures were conducted online during the relevant period. But now action has been taken to update the lecture notes books.</p> | <p>A proper mechanism should be established to verify the service rendered by the academic staff in payment of salaries and allowances.</p> |

3.2 Operational Inefficiencies

| Audit Observation | Comment of the Management | Recommendation |
|---|---|---|
| <p>(a) A sum of Rs. 50,000,000 had been spent under the World Bank loan program of Accelerating Education Extension and Development (AHEAD) for a research project aimed at introduce the currently used domestic compost bin to the market as a large-scale production model and commercial production of high-quality animal feed and organic fertilizers. However, due to the failure to complete the criteria set by the Sri Lanka Intellectual Property Office for the large-scale compost bin that had been produced, it was not possible to commercialize the Larvae Cultivation Unit (Harvesting Unit) which is operated jointly with that unit. Also, although a patent license had been applied for the food processed by that Larvae and the technology for processing that food, the application was also rejected due to the weaknesses in the methods of technology. As the relevant criteria were not fulfilled and the desired results were not achieved, the expenditure incurred had been idle.</p> | <p>Rejection of Researches is common. It doesn't just happen for technical reasons. Although the relevant patent application was rejected by the National Intellectual Property Office of Sri Lanka on 02 June 2023, further amendments can be included in the relevant application as mentioned in the letter. Accordingly, the relevant amendment process is being continued.</p> | <p>In order to get an adequate benefit for the money spent, action should be taken to fulfil the relevant criteria.</p> |
| <p>(b) A sum of Rs. 2,156,500 (9,500 euros) had been allocated for sports equipment under the ERASMUS project allocation and out of that a sum of Rs. 1,362,000 had been allocated for disabled sports equipment. No sports equipment for the disabled had been procured and a sum of Rs.124,498 had been spent in excess of the approved provision during the year under review.</p> | <p>That no quotations were sent for disabled sports equipment and only those items for which quotations were sent were procured.</p> | <p>Action should be taken in terms of the project agreement and approved budget allocations.</p> |
| <p>(c) 176 students were registered for the 04 departments of the Faculty of Applied Sciences in the 2019/2020 academic year and the online lectures of the first semester of the first year of those students were started on 13 September 2019. Those</p> | <p>Although high numbers of students have been enrolled as per the instructions given by the University Grants Commission, no adequate physical resources have been</p> | <p>All students should be given the opportunity to come and study in the university.</p> |

students were called to the university only for a few days in the year 2022 and 2023 for practical tests and exams, and since the lectures were conducted online for one year and 10 months after registering for studies, which is half of the course duration, the students had lost the opportunity to come to the university and study.

provided. As such, academic activities are being conducted facing severe difficulties in terms of hostels, lecture halls and other facilities. Therefore, although the students related to the academic year 2019/2020 have done their studies under the online system, they have been provided the opportunity to participate to the lectures in the university now.

- | | | | |
|-----|--|--|---|
| (d) | Although a sum of Rs.20,798,126 had been paid as grants for 10 researches that had ended the research period from the year 2017 to year 2021, the final research reports had not been submitted even by 25 March 2024. | That the final reports of 10 research projects, which given research grants, yet to be received. | Actions should be taken to obtain final research reports. |
|-----|--|--|---|

3.3 Extraneous Transactions

| Audit Observation | Comment of the Management | Recommendation |
|---|--|---|
| (a) Over payment of subsistence allowances and travelling expenses of Rs. 1,210,518 sent to 04 officers who had gone overseas for training in the year 2022, under the provisions of the Building Resilience Tropical Agro Eco systems (BRITAE) project, had not been recovered even till the date of the report. | Action is being taken already to recover this money. | Action should be taken to recover the overpayment. |
| (b) Sabaragamuwa and Colombo Universities had paid a total sum of Rs.3,232,548 and Rs.3,605,901 respectively as academic allowance to a lecturer who had taken subbatical leave from Sabaragamuwa University and served as the Director of the Institute of Agricultural Technology and Rural Sciences of the University of Colombo for a period of 01 year 08 months from 02 March 2022. | That his salary and allowances related to that salary have been paid on the approval of the Governing Council. | An officer cannot be recommended to pay the same allowance twice for the same period. |

3.4 Transactions of Contentious Nature

| Audit Observation | Comment of the Management | Recommendation |
|---|--|---|
| <p>In the procurement of library books for the Faculty of Technology in the year 2021, under Science and Technology Human Resource Development Project (STHRD) implemented under the Asian Development Bank Loan (ADB), without complying with government procurement guidelines, a supplier had been selected with no previous experience. 421 units belonging to 118 types of books have been purchased with a total value of Rs.20,200,200 and it was 76 percent of the total procurement. Out of that 114 units belonging to 33 types of books worth Rs. 7,596,400 were used books. Also, 179 units of 69 types of books that were not related to the syllabus were purchased at a cost of Rs.6,922,982. In this procurement, a financial loss of Rs.12,116,310 had been incurred due to the purchase of 227 units of 63 types of books at a higher price compared to the minimum prices at which old and new books are sold in the international market.</p> | <p>That on the recommendation of the 307th Governing Council dated 30 April 2024, an external independent investigator with knowledge of the subject will be appointed and a formal independent investigation will be conducted.</p> | <p>The investigation should be expedited and disciplinary action should be taken against the responsible persons and recovery of the loss should be done.</p> |

3.5 Idle or underutilized Property, Plant and Equipment

| Audit Observation | Comment of the Management | Recommendation |
|---|---|---|
| <p>With the aim of improving the practical skills of students, carrying out grassroots activities with farmers and small/medium scale agribusinessmen and developing the field knowledge of students and staff, a mobile laboratory bus which was purchased at a cost of Rs. 13,895,000 on 24 February 2021 under the provisions of the Acceleration of Higher Education and Acceleration of Development (AHEAD) project, was underutilized as it was used for academic purposes only on 06 occasions during the period from March 2021 to December 2023.</p> | <p>That this bus is being currently used for the studies of the students of the Faculty of Agriculture and other faculties.</p> | <p>Assets should be utilized effectively.</p> |

3.6 Procurement Management

| Audit Observation | Comment of the Management | Recommendation |
|--|---|--|
| Six procurement activities worth of Rs.13,662,588 for the purchase of essential chemicals and other items for the laboratory tests of the Faculty of Medicine had been suspended in the midway during the year under review. Although requests had been made to provide them promptly, they had not been purchased by the end of the year and it had adversely affected the practical tests of the medical students. | That these procurements and orders have been delayed due to limitation of provisions. | Action should be taken to provide the necessary resources for studies without delay. |

3.7 Contract Administration

| Audit Observation | Comment of the Management | Recommendation |
|---|---|--|
| (a) Despite a sum of Rs.63,010,287 was paid to the contractor as mobilization advance for the construction of the main library building of the University, the contractor abandoned the construction midway. But due to action had not been taken to encash of advance bonds amounting to Rs.72,461,830 (including VAT) before expiry, a sum of Rs.28,809,334 of the advance amount could not be recovered. | The Senior Assistant Registrar of the Capital and Planning Division has informed the institution through the letter dated 13 January 2020 to extend the relevant advance bond. A reminder was also sent by a letter dated 17 February 2020 with the signature of the then Registrar. But the bank has refused to extend the advance bond. | Arrangements should be made to recover the advance and contract management should be streamlined. Also, arrangements should be made to provide the relevant officials with sufficient knowledge of the rules and regulations related to procurement and contract management. |
| (b) In the construction of building a housing complex for the staff of the university, 370 doors which should have been finished using Powder Coated Aluminium and Cladding, but were made of Plywood and even door closers were not installed in 316 doors. Despite this, a loss of Rs. 13,936,750 had been incurred due to the payment of the total value approved as a lump sum for a housing unit in the price proposal. Also, according to the final | In the proposal submitted by the contract company, it was not proposed to fix door closers. That the action is being taken by the University to calculate the financial difference between aluminium doors and plywood doors with the assistance of a quantity surveyor with expertise in the field and recover it from the | In design & built contracts, approved costs and plans should not be revised. |

bill submitted by the contractor, a sum of Rs. 2,600,000 for 03 work items which was not performed by the contractor and which was not requested by the contractor had also been paid on the certificate of the work engineer. contractor. Rs.2,600,000 was paid only for completed works. That this situation has arisen due to an error in the final bill submitted by the contracting company.