

General Sir John Kotelawala Defence University - 2023

1. Financial statements

1.1 Qualified Opinion

The audit of the financial statements of the General Sir John Kotelawala Defence University for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of comprehensive income, statement of changes in equity, and cash flow statement for the year then ended and notes to 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 presented in 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 statements give a true and fair view of the financial position of the University as at 31 December 2023, and its financial performance and 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 (SLAuS). 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 determines 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 of the University.

1.4 Audit Scope

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:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design 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 audit 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 audit 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;

- 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;
- 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 related to the preparation of financial statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Noncompliance with the reference to particular standards	Management Comments	Recommendation
<p>a) It was decided in the board meeting held on 07 March 2023 to operate the printing press that had been maintained by the university as an independent business without formal approval and to provide a loan amounted to Rs.5,000,000 by the university. Thus contrary to paragraphs 42, 76 and 99 of Sri Lanka Public Sector Accounting Standard No. 01 from the above date till the end of the year under review Rs. 18,504,114 printing income and printing expenditure of Rs.8,433,158, on the last day of the year under review. It was Rs. 2,196,774 closing stock and debtors amounted to Rs.4,497,914 were not included in the financial statements of the University and the income, expenditure and current assets of the year under review were understated.</p>	<p>From 08 March 2023 the governing body of this university has made the activities of this press by a self-financed independent unit. These accounts are maintained as a self-financed unit separate from the University accounts.</p>	<p>To include in the financial statements the items of income, expenditure and asset value of the press for the year under review.</p>
<p>b) According to paragraph 42 of Sri Lanka Public Sector Accounting Standard No. 1, the presentation and classification of items in the financial statements should be kept unchanged from one period to the next period ,but income earned by Attendant amounted to of Rs.2,428,800 was included in medical test income of hospital income during the year under review and amounted to Rs. 195,046,194</p>	<p>This amount has been classified under other receivables due to a classification error. I made a note to correct it in the future.</p>	<p>To comply with Sri Lanka Public Sector Accounting Standards.</p>

teaching/training income was included in the course income but in last year these incomes were shown as miscellaneous income and hospital income as teaching/training income respectively.

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| c) In accordance with paragraph 127 of Sri Lanka Public Sector Accounting Standard No. 01, the statement of financial position has not been presented on the face of statement of financial position. Although the information required by the standards must be disclosed in the notes, income tax receivable of Rs.9,554,938 and income tax of Rs.1,422,624 for the year was not included in the financial statements. | I do not agree with the audit query. Income tax receivable amounting to Rs.9,554,938 is shown on the face of the balance sheet under current liabilities, and the income tax value of Rs.1,422,624 for the year is shown as income tax on the face of the income statement. | To act as specified in the standard . |
| d) Research grants from various sources were recognized in revenue and expenditure in previous years with following an incorrect accounting policy. Although such grants received in this year are recognized as liabilities under research grants in their nature and, they have not been retrospectively corrected by restating the opening balances in accordance with Section 47 of Sri Lanka Public Sector Accounting Standard No. 03. So that as at 31 December 2023 a debit balance of Rs.44,178,343 of research grants was recognized as an asset. Furthermore, according to the financial statements, as at 31 December 2023 there was a debit balance of Rs.38,678,752 for research grants and as per the schedule, but it was Rs.25,322,871, so as there was a difference of Rs.64,001,623. | I agree with the audit query. Corrective action is being taken. | To act as specified in the standard . |
| e) Contrary to paragraphs 14 and 69 of Sri Lanka Public Sector Accounting Standard No. 07, the roof repair of the Kotalawala Defense University Museum at a cost of Rs. 6,489,177 was completed on 11 November 2021 and included in the work | I agree with the audit query. As work in progress is not transferred to finished work, there is no change in assets in the balance sheet, but the corresponding adjustments are | To act as specified in the standard. |

in progress without capitalization as at 31 December 2023. Accordingly, the building value in the year under review was understated by that value. As a result the year's deficit was understated by Rs.162,229 due to the understatement of the year's depreciation owing to not capitalised.

recorded.

1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
<p>a) Due to lack of information for the cash advance of Rs.162,029 given in the year 2021, the university had to adjust it as bad debt and provision for bad debt. Furthermore, by including the hospital's purchase advance amount of Rs.716,578 as a credit balance in the last year's financial statement and also showing the salary advance of Rs.38,784 as a credit balance, the asset value at the end of the year under review year were understated by Rs. 917,391</p>	<p>In the year 2021, Rs.34,500 given from the SAIMT fund for conducting medical school examinations and Rs.127,584 given by the Southern campus have not been settled until December 31, 2023, so the total balance of Rs.162,084 has been identified and set aside as bad debt and provision for bad debt, no general provision has been made for the advance balance. I would like to inform you that we will compare and identify the relevant differences, and accordingly, we will work to correct the relevant adjustments in the future.</p>	<p>Advances should be included in full value accounts.</p>
<p>b) The management should conduct a physical inventory audit while preparing the financial statements but due to the fact that the organization did not conduct the physical inventory check at the end of the year while preparing the financial statements of the year under review and it was not possible to verify the reliability and accuracy of the final stock</p>	<p>The annual Board Survey report for the year 2023 had been prepared and handed over to the Ministry of Defense by 04 April 2024, and according to the observations of the relevant board, the work of the disqualification board appointed to assess the goods unfit for use is also being carried out at the final stage.</p>	<p>A stock verification should be done to ascertain the stock values reliably.</p>

worth Rs.191,595,374 included in the financial statements.

- c) An amount of Rs.96,953,827 spent for the construction of the auditorium from 2010 to 2019 was not included in the work in progress and although Rs.11,506,604 was spent for the construction of the Budget Hotel Hospital unit of the University Hospital, The total value of work in progress was understated by Rs.98,222,645 as a result only Rs.10,237,786 were shown as work in progress in the financial statements of the year under review.
- Since all the expenses incurred for the auditorium building from the year 2010 to 31 December 2023 have been accounted for, the observation that the cost of the auditorium has been understated by an amount of Rs. 96,953,827 as stated in the audit query is unacceptable as a baseless accounting, so I request that the observation be withdrawn. No capital expenditure has been reported for the Budget Hotel Hospital unit in the year under review, and after getting the relevant details from the project office, and if there is any change, the relevant adjustments will be made in the future.
- All expenses should be included in the working progress.
- d) Although the receivables of Rs.2,187,341 as at 01 January 2023 related to private surgeries had been charged during the year under review, but due to the fact that the relevant balance was further shown as receivables in the financial statements, so the receivables in the financial statements of the year under review were overstated by that value.
- This receivable has been received in the year 2023 and therefore this will be corrected in the financial statements in future.
- Receivables should be properly accounted for.
- e) As at 31 December 2023, no provision was made in the accounts for the expired stock of Rs. 11,349,293 included in the medical supplies stock value of Rs. 70,931,247 but the management had not taken steps to remove the relevant
- A panel has been appointed to remove expired and failed quality assurance drugs and the report of the panel has been submitted to the National Drug Regulatory Authority and Drug Supply Division. But necessary instructions regarding the
- Correct inventory values should be shown in the accounts.

drugs till the date of audit. As a result, the stock value in the accounts was overstated by that value and as a result the deficit in the year under review was understated by that value.

removal of these drugs should be received from the National Drug Regulatory Authority and the Drug Supply Division.

1.5.3 Unreconciled Control Accounts or Records

Subject	Value as per the Financial Statement Rs.	Value as per the correspondant records Rs.	Difference Rs.	Comments of the Management	Recommendation
Research grants	(38,678,752)	25,322,871	64,001,623	I agree with the audit query and corrective action is being taken.	Reconciliation of financial statement balances with corresponding records.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation	Comments of the Management	Recommendation
a) Among the trade debtors, the debtors who were not more than one year old had a value of Rs. 359,796,230 and a debtor age analysis was not prepared for the balance. Also an amount of Rs.70,650,682 received from the students was not settled at the end of the year under review and in those balances, a balance value of older than one year was Rs. 40,275,433.	Sage 300 computer software provides debtor period analysis as currently; 1-30 days, 31-60 days, 61-364 days, more than 365 days accordingly. But the invoice date is available in the detailed report of debtor period analysis.	To arrange for prompt recovery of debtor balances and to maintain time analysis for debtor balances.
b) 1 to 25 years old Bonds payable amounting to Rs.99,028,325 and 6 years old Ration Allowance amounting to Rs.15,439,662 and 1 to 9 years laundry income Rs.6,219,490 to be recovered by the end of the year under review. But it was not possible.	A case has been filed.	To recover lost income.

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

Reference to the Laws Rules and Regulations etc.	Non - compliance	Management Comments	Recommendation
a)Section 12.2.5 of the Establishment Code of the Democratic Socialist Republic of Sri Lanka	Under a departmental arrangement used to cover the duties of a vacant post, an officer covering those duties cannot receive a working salary or any additional remuneration, but based on the approval of the 644th Board of Management of this University held in June 2022, the Finance Manager of the University was appointed on 01 July 2022 to cover the duties of the accountant position of Miloda Institute. From 13 September 2022, but while an Assistant Finance Manager was appointed for the Metropolitan Campus Institute of Studies, the amount paid as allowances for covering duties from October 2022 to October 2023 was Rs.452,238.	Pending the appointment of a permanent Assistant Finance Manager, the University's fully qualified and experienced Finance Officer has been appointed with the approval of the Management Board to covering the work of the Accountant in the Metropolitan Campus Study Institute. An allowance of 25% of basic pay was also approved.	To comply with the Code of Institutions.
b) Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
i. F.R. 371(2)(a)	Although an emergency interim advance of up to a maximum of Rs.100,000 can be given in one instance only to the officers of staff grade for a particular work, the University had exceeded that limit in 57 cases and provided advances totaling Rs.15,941,748 during the year under review.	The expenses inherent in the examinations which are held continuously for about a month have to be borne at the time of the examinations. In order to meet the necessary expenses, interim advances worth more than Rs.100,000 will be given according to a pre-planned and approved budget.	Provision should be made to provide interim advances subject to applicable restrictions as per the Financial Regulations.

ii. F.R. 371(6)	Although the annual Board of Survey should be done and its report sent to the Auditor General before 15 June but the University's annual Board of Survey report for the year 2023 was not submitted to the Auditor General on that date.	The Board of survey report has been handed over to the Ministry on 03 April 2024. As the disqualification board proceedings are also in the final stage, the relevant report will be submitted to the Auditor General as soon as possible.	To arrange for the submission of Board of Ssurvey reports on the due date as per the financial regulations.
iii. F.R.880 and 891	The audit observed that the institution does not maintain a deposit register even though the institution should identify the officers who have to deposit the deposit and keep a deposit register.	A security deposit of Rs.5,000 has been received from the Sarup and the amount is shown in the financial statements as a repayment amount.	Compliance with financial regulations.
c)Section 8 (1) of the Urban Development Authority (Amendment) Act No. 4 of 1982	Notwithstanding the provisions of any other law, any development activities or engagement in development activities in any development area or part there of shall not be carried out by any person including a deputy of the government except under the authority of a permit issued there by the authority. But the institution had not obtained an approval for the construction of the auditorium building.	In 2010, the Cabinet approved the construction of a Faculty of Medicine for the University's medical student. An auditorium is to be constructed attached to that medical faculty. Hence, the constructions are being done in that auditorium building.	To obtain the permit as per the Act.
d) Sections 7.1 to 7.6 of Chapter 7 of the Operational Manual for Public Enterprises Issued in 2021	Based on the basic performance indicators, an actual performance of the action plan should be done on time and a performance report should be prepared annually, but it was not confirmed that such a performance report has been prepared by the university.	A performance report is prepared. Copies are enclosed herewith.	To be operated as per operation manual.

2. Financial review

2.1 Financial Results

The operating result of the year under review was a deficit of Rs.4,694,782,267 and the corresponding surplus of the previous year was Rs. was 176,289,055. Accordingly in the financial result a decline of 4,871,071,322 was observed. This decline was mainly due to the decrease in

government recurring expenditure contribution by Rs.1,974,334,000 and interest income by Rs.451,438,501 and the increase in electricity expenditure by Rs.342,810,087.

2.2 Trend analysis of major income and expenditure subjects

- a) The total income of the year under review increased by 11.67 percent compared to the previous year as Rs. 1,342,272,233 had decreased due to the decrease in interest income due to the withdrawal of fixed deposits maintained in foreign currency. But compared to the previous year, hospital income had grown by 34 percent and course income by 7 percent.
- b) The total expenditure of the year under review has increased by 23 percent compared to the previous year as Rs. 1,601,268,444 had increased and this was due to the increase in supply costs and contracted service costs compared to the previous year and the increase was 76 percent and 60 percent respectively. Among the supply expenses, stationery expenses increased by Rs. 76,189,029 as 182 percent fuel and lubricant expenses increased by Rs. 106,526,588 as 83 percent and uniform and textile expenses increased by Rs. 25,503,667 as 115 percent and out of the contracted service costs, electricity costs by Rs. 342,810,087 as 82 percent and internet costs by Rs. 30,447,215 by 187 percent and official entertainment costs by Rs. 19,731,693 as 65 percent and workshop expenses by Rs. 4,520,193 as 243 percent had been increased accordingly.

2.3 Ratio analysis

- a. The ratio of return on equity from 0.66 percent in the previous year had reduced to (-10.99) percent in the year under review.
- b. The current ratio which was 2.7:1 in the previous year had increased to 0.93:1 in the year under review.
- c. Debt to equity ratio was 0.76:1 in the previous year and it had slightly decreased to 0.72:1 in the year under review.

3. Operational review

3.1 Identified Losses

Audit Observation	Management Comments	Recommendation
In the year under review, the hospital had to pay fines of Rs.12,128,284 as delay payment due to the failure of the management to pay the electricity bills on the due date.	Surcharge on electricity bills was due to reasons such as the non-receipt of imprest requested from the Treasury on time, and the doubling of electricity bills and the increase in the percentage of surcharges from 0.75% to 1.5% also lead to the above-mentioned surcharges.	To minimize losses to the organization by settling electricity bills promptly.

3.2 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
<p>a. During the year under review, Rs. 56,072,219 was spent as electricity expenses for the administration, study and residential activities of a total number of 761 students including 41 cadet officers of the Southern Campus. It was observed that no appropriate alternative energy system has been applied to this area to reduce or control it.</p>	<p>By utilizing the on-site potential of the South Mandapa, this solar power project has the potential to generate electricity with a capacity of 3MW. and it is also possible to transmit that capacity to the national power grid. A feasibility study has also been conducted for this solar energy project, and efforts are currently being made to find a suitable investor.</p>	<p>To control electricity costs.</p>
<p>b. From January 2023, the first floor of the Metropolitan Campus was given over to the World Food Programme's Cooperation Secretariat. No rental income had been received for this, and no written agreement had been reached regarding the proportional distribution of electricity, water, assessment, safety, sanitary etc. general purpose expenses related to the premises between the two institutions.</p>	<p>I agree with your observation. Plans are underway to contract with the World Food Project Office (President's Office) that use the first floor.</p>	<p>To arrange to enter into a contract with formal and reasonable terms promptly.</p>
<p>c. The Cabinet decision No. AMA/21/0584/303/052 dated 20 April 2021 had given the Cabinet approval to determine the appropriate number of employees and obtain the approval of the Department of Management Services for the transfer of the Miloda Institute of Financial Studies to the University, but as at 10 October 2023, the approval had not been obtained.</p>	<p>On 26 May 2022, through this university letter, it was forwarded to the Ministry of Defense for the approval of the Department of Management Services. The Department of Management Services has again been requested by letter dated 23 October 2023 to seek the approval on permanent basis for the requested staff.</p>	<p>To get the approval of the Department of Management Services for the number of employees as soon as possible.</p>
<p>d. Although 103 people are to be recruited for the post of Management Assistant as per the approved staff of the University,</p>	<p>According to University Grants Commission Circular No. 04/2019, the ratio between academic staff and support staff should be maintained at</p>	<p>All recruitments should be done according to the approved staff.</p>

according to the information given by the acting registrar in the letter No. Koavi/Pa/Public/36 and dated 18 June 2024, 101 people had been recruited for Management Assistants on permanent basis and 38 people on contract basis. Finlay due to the recruitment of 139 people, 36 people were recruited beyond the approved carder.

least 1:2 or 1:1. Along with the growth, new departments/institutions had to be created from time to time as a defense university and to comply with the University Grants Commission circulars issued from time to time. Recruitment was done on temporary basis to maintain the minimum staff required for those sections.

e. The University Teaching Hospital was established on the land of 21.5815 Hectares belonging to the Ceylon Transport Board located in Kesbewa Divisional Secretariat. The value of the buildings belonging to the teaching hospital built on that land was Rs.45,385,484,229, and the cost of developing the land was Rs.1,216,884,293. At the end of the year under review, Although more than 07 years have passed since the completion of the construction, the acquisition of the relevant land was not completed.

According to the decision of the Ministry of Lands, the lands owned by the Provident Property Lanka Company Limited, which is in an inactive state established under the Treasury, will be handed over to the beneficiaries.

That the land should be taken over immediately.

f. According to the General Sir John Kothalawala State Defense Training Institutions Act No. 68 of 1981 amended by Acts No. 27 of 1988 and No. 50 of 2007, the awarding of degrees to local and foreign students who were not cadet officers or government officers had started from the year 2011 on the basis of payment of money. Furthermore, in the Committee on Public Accounts held on 21 March 2018, it was informed to amend the relevant act to suit the university to cover the issues of student enrollment and

The legal draftman has forwarded the final draft to the Ministry of Defense on 25 June 2024 with copies to this University. Requests were made on 27 June 2024 from the Ministry of Defense to arrange for obtaining the certificate of conformity from the Attorney General for the said final draft.

That the Act should be amended as soon as possible.

the validity of the decisions of the governing body, but the revision of the act was not completed during the year under review.

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| <p>g. In the years 2018, 2019 and 2020 an amount of Rs. 48,834,173 had been paid as advance for the purchase of Pneumatic Tourniquet Pump System, Traumatology Instrument, PMGS Accessories and Endoscopy For Medicine. Accordingly, due to the fact that the purchased assets had failed quality checks, the accounts remained unsettled and even though 3 to 5 years had passed, the said loss had not been recovered.</p> | <p>Items of KDU/PRO/CAP/1353/2017 have been received by the University Hospital and have been recorded but have failed the quality check. Although the supplier has been informed about this before, but The supplier has not taken any action for this till now. Therefore, these items have not been able to be submitted for payment processing.</p> | <p>To be settled promptly.</p> |
| <p>h. Purchase advances and cash advances of the University, Hospital and Southern Campus from the year 2015 to the year 2023 amounting to Rs.361,404,619 and Rs.4,897,892 respectively had not been settled by December 31, 2023. furthermore the sum of Rs.895,000 which was given on 22 occasions from January to 22 September 2023 in the Southern Mandap was settled with a delay between 14 days and 117 days.</p> | <p>These advances received by the senior lecturers have been delayed due to their heavy workload and locally affected difficulties in procuring bills and goods and getting related services. Furthermore, the practical difficulties in depositing the rest of the advances to the bank have also affected the late settlement of the advances. Further action will be taken in relation to those who do not settle the advances that should be settled further.</p> | <p>Prompt settlement of advances.</p> |

3.3 Operational Inefficiencies

Audit Observation	Management Comments	Recommendation
<p>56 courses were planned from January to September 2023 at the Metropolitan Campus, but only 12 courses were held, and 44 courses were not held due to lack of demand. Out of the 12 courses that were conducted, the planned</p>	<p>Due to the economic crisis, the tendency to participate in training programs for employees of government institutions has decreased. Efforts will be made to utilize the resources in the future.</p>	<p>New courses that are in demand should be started.</p>

number of students did not participate in 11 courses, which ranged between 20 percent and 50 percent.

3.4 Idle or underutilized property, plant and equipment

Audit Observation	Management Comments	Recommendation
<p>a. Number of 443,695 equipment stock units belonging to 57 different items purchased by the Southern Campus and University Hospital remained inactive from the year 2018.</p> <p>Out of the items worth Rs.79,612,689, the value of the medical equipment that had exceeded the warranty period that had been purchased for the hospital was Rs.76,825,839.</p>	<p>The stock of wire is stored for use in the construction of new buildings to be constructed soon. Due to excess stock of Cotton File Lace, advice was sought from KDU Ratmalana. Medical devices are issued on a need-to-know basis for the benefit of patients.</p>	<p>Effective utilization of medical equipment provided.</p>
<p>b. The building of the Metropolitan Campus Study Institute consisted of 05 floors of 11,074 square feet each and a 6th floor of 10,104 square feet. In these floors, there were 7 halls that could be used for lectures with a seating capacity of 875, but it was observed that these halls were underutilized for a long period of time.</p>	<p>The decrease in the utilization of the existing assets of the institution is due to the fact that the tendency of government employees to participate in the courses is minimal, so currently the assets of this institution are earned by giving them to the private sector. Furthermore, the existing facilities on all floors of our company will be promoted through marketing channels such as website, face book, brochures, hand book.</p>	<p>Making arrangements to make full use of the lecture halls.</p>
<p>c. In the year 2018, an Air Duct system was installed connecting 56 stations at a cost of Rs. 96,846,900 (USD 530,000) for the purpose of transporting laboratory test materials and reports writhing the University Hospital.</p> <p>Out of which only 52 divisions</p>	<p>56 sections of the ventilation system have been established in the University Hospital and as the hospital is not operating at full capacity, non-use of the sections in certain places leads to underutilization of the ventilation system. Furthermore, 66004 times have been made</p>	<p>The air duct system should be used for hospital purposes at its maximum capacity.</p>

had traveled in the year under review. Out of that, there were 25 sectors that had completed less than 100 travels and thus the underutilized sector was 44 percent.

- d. At the end of the year under review, ward numbers 5A, 7A and 7B and intensive care units 02, 03 and 04 of the hospital remained unused from May 2022 to the end of the year under review. Medical equipment worth Rs. 210,190,808 in was also idle.

through the system in the year 2022 and 70217 times have been made for the year 2023.

Ward No. 7-A is planned to be opened as the second medical ward. Ward No. 07- B is a private sector ward. Ward No. 09-B and 09-A will be used for maximum utilization as patients will be admitted when the private capacity of Ward No. 09-B and 09-A is exceeded and to manage the current severe staff shortage.

Furthermore, the 02 intensive care units are available for use for the cardiothoracic unit which is currently to be started, and after completing the necessary activities to start the unit, I will arrange to provide the equipment for the 02 intensive care units.

Strategies should be formulated to utilize the wards to their full capacity.

3.5 Project or Capital Works Delays

Audit Observation

As at 31 December 2023, Rs.215,240,527 had been spent for the hospital's management information system, which was scheduled to be completed by 24 February 2023. The project was supposed to be completed by 28 May 2024 after it was extended on 2 occasions, but as at 11 June 2024, the progress of the project was at only 68.5 percent.

Management Comment

Agree with the observation.

Recommendation

To establish the system as planned.

3.6 Procurement Management

Audit Observation	Management Comments	Recommendation
<p>a. As per Section 8.9.1 of the Procurement Guidelines, a formal contract agreement must be written and signed for goods or service contracts exceeding Rs.500,000 immediately after a formal acceptance letter is issued. In the sample audit of the Southern Campus, 27 procurements with a total value of Rs.20,728,998 exceeding Rs.500,000 did not include a contract agreement in the procurement files and no clause to that effect was included in the bid documents.</p>	<p>Correcting this, in relation to procurement guidelines 8.9.1, for the purchase of "goods and services" exceeding Rs. 500,000, contracts are being made with qualified suppliers.</p>	<p>To follow procurement guidelines.</p>
<p>b. On several occasions, arrangements were made to purchase the necessary raw materials for the campus president's house and the cadet officer's house that were being built in the southern campus. Accordingly, Rs. 3,980,725 was spent for the wood required for the campus president's house and Rs. 6,222,018 for the purchase of coiled steel wire for the cadet officer's house and these purchases were made on 07 and 08 occasions respectively. Furthermore, 24 beds valued at Rs.2,124,000 for the cadet officer residence were purchased from the same supplier on 03 occasions and the price advantage that could have been obtained for the overall purchase had been lost.</p>	<p>It is informed that the majority of procurements carried out by the Regional Procurement Committee are carried out under procurement guidelines 3.4 (Shopping), Since the time required for these purchases to be made by the Ratmalana premises is high, the purchases were made in stages due to the inability to complete the project work within the period to be opened. Since these items are different items, the same item in these files has not been re-requested. The technical evaluation committee did not have to bear additional expenses.</p>	<p>To follow procurement guidelines.</p>

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| <p>c. Although clear specifications should be prepared as per Section 5.6 of the Procurement Guidelines, Without preparing such specifications, prices were obtained and in the purchase of chemicals for the control of insects in the Southern campus and an audio visual system (Audio Visual System) for the Metropolitan Campus institute, at a cost of Rs.907,280 and Rs.934,000 respectively.</p> <p>Further, no formal contractual agreement was entered into in terms of 8.9.1 of the Procurement Guidelines for the purchase of the audio visual system.</p> | <p>Bids were invited on the basis of square feet in the bidding related to insect control, and the bidders completed the bidding sheet on the basis of square feet without conducting an on-site inspection. Metropolitan Campus (Guarantee) Ltd. has done and approved the work in progress and bid documents have been prepared and submitted to the suppliers as per the approved application.</p> | <p>To follow procurement guidelines.</p> |
| <p>d. For the purchase of 03 desktop computers for the technical faculty, the prices had to be called four times. There was a delay due to the lapse of 1 ½ years and due to the time delay, an overpayment of Rs.827,100 had been made due to the change in their prices. This was caused by not preparing a procurement plan according to Section 4.2.2 of the Procurement Guidelines Code. The total cost estimate had not been updated to take account of the unusual lapse of time as per the Section 4.3.3 of the Procurement Guidelines. Further, as per the 5.3.10 of procurement guidelines, the bid validity period should be a maximum of 49 days, but the period for that was stated as 120 days.</p> | <p>Agreed. As per 4.2.2 of the Procurement Guidelines no procurement schedule has been prepared and all responsible parties involved in the procurement have been informed in this regard. The cost estimate shall be updated as per 4.3.3 of the Procurement Guidelines. But this firm's estimated value is used only for selecting the procurement method.</p> | <p>To follow procurement guidelines.</p> |

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| <p>e. Construction of the auditorium was estimated to be completed in three phases in 2010, 2011, and 2012, but construction was not completed until 2015. From 2015 to 2019, the construction work of this building was stopped during a period of 04 years, and as a result, for repairing the damage to the building, amounted to Rs. 8,458,531 had been spent. Furthermore, although the remaining work was estimated to be completed within 14 months, as at 31 August 2021, the university was unable to complete the work even by February 2024. In this case, contrary to Section 5.3.11 of the Procurement Guidelines, bid security was not obtained in the purchase of Tor steel worth Rs.5,670,000 for the Auditorium. Also, it was revealed in the sample audit that procurements worth Rs. 25,345,980 were made for this building on 9 occasions without entering into a contract agreement contrary to Section 8.9.1 of the Procurement Guidelines Code.</p> | <p>The current consulting firm has indicated that the strength of the structural members should be increased. In the first phase, the concrete parts constructed under their supervision were not strong enough, so they were dismantled and rebuilt. I point out that the amount of Rs. 8,458,530.58 was not due to the construction supervision and supervision of the professionals who carried out the construction work in the first phase and the quality of the construction was at a poor level and other reasons also affected it. Due to the urgent need to purchase SAGE accounting software, and for the payroll processing and other accounting activities of the accounting department of the University's treasurer's office, the market price quotation method has been used.</p> | <p>To follow procurement guidelines. Proceed as per procurement manual.</p> |
| <p>f. Contrary to Chapter 3 of the Procurement Manual, market price comparison method was used for the purchase of SAGE accounting software worth of Rs.11,036,177, which had lost the advantages that could have been achieved by inviting quotations from international/national competitive bidders.</p> | <p>Due to the urgent need to purchase the SAGE accounting software, and for the payroll processing and other accounting work of the accounting department of the university's treasurer's office, the market price quotation method has been used.</p> | <p>The procurement manual should be followed.</p> |

g. Although the procurement award letter dated 09 May 2022 states that the SAGE 300 ERP Solution computer software should be installed on or before 25 June 2022, and as at 19 June 2024, the Payroll Processing Module was established but was not at functional level. As per Section 2.4 of the Procurement Manual, the validity of the report of the Technical Evaluation Committee held on 06 May 2022 was not satisfied due to absence of signature of one member.

The Payroll Module has been installed properly but as we are doing the data entries that we need to do, this module can be used live after the data entries are completed and checked.

The procurement manual should be followed and all modules of the software should be put into use promptly.