

Sabaragamuwa University Of Sri Lanka – 2012

1. Financial Statements

1.1 Qualified Opinion

Except for the effect on the financial statements on the matters referred to in paragraph 1.2 of this report, I am of opinion that financial statements have been prepared in accordance with Sri Lanka Public Sector Accounting Standards, give a true and fair view of the state of affairs of the Sabaragamuwa Provincial University of Sri Lanka as at 31 December 2012 and financial results of its operation and cash flows for the year then ended.

1.2 Comments on Financial Statements

1.2.1 Sri Lanka Public Sector Accounting Standards.

Following observations are made.

(a) Sri Lanka Public Sector Accounting Standard No.01

- (i) Although a comparison of approved budgeted data with actual or budgeted figures should be given in a separate column, such information had not been furnished.
- (ii) Although accumulated surplus or deficiency should be shown separately under net assets/equity, accumulated deficiency had been added to the General Reserve without being classified in such manner.

(b) Sri Lanka Public Sector Accounting Standard No. 02

- (i) Value of 03 items totaling to Rs. 64,693,041, not taken to consideration in determining the deficiency shown in the financial performance, had been taken into account in determining the net cash flow generated from operational activities. Due to that, a cash inflow of Rs. 27,364,799 and a cash outflow of Rs. 37,328,242 had been overstated.
- (ii) Two Items of cash inflow amounting to Rs. 13,011,699 had been understated and one item of cash outflow amounting to Rs. 62,864,463 had been overstated under Investment and Financial Activities in the Cash Flow Statement.

- (iii) Although the increase in current liabilities to be adjusted to the net deficit had been Rs. 3,136,008, it had been shown as Rs. 2,404,193 in the Cash Flow Statement. Due to that, cash outflow had been understated in a sum of Rs. 731,815.
- (iv) While the amount provided for gratuity relating to the year 2012 had been shown as Rs.15,395,535, in the statement of Financial Performance, it had been adjusted as Rs. 14,886,506 to the net profit shown in the Cash Flow Statement. Due to that, cash inflow shown in the Cash Flow Statement had been overstated in a sum of Rs. 509,029.

1.2.2 Accounting Deficiencies

Following observations were made.

- (a) Instead of capitalizing Properties, Machinery and Equipment belong to the Education Faculties amounting to Rs. 63,173,244 at Buththala and Rahangala, vested in the Sabaragamuwa University in 2006, that value had been credited to the Assets Revaluation Account. Action had not been taken to correct this erroneous entry pointed out in audit since the year 2006, up to end of the year 2012.
- (b) Value of vehicles revalued on 25 September 2011 had been accounted in the year 2012. In adjusting depreciation for the year 2011, depreciation had been calculated for the whole year, instead of making adjustment from the date of revaluation and a sum of Rs. 5,297,7300 had been debited to the General Reserve.

1.2.3 Accounts Receivable

It had not been possible to recover staff loans amounting to Rs. 1,340,190 granted to 13 employees of the University up to 15 June 2013. The Vice Chancellor informed that these loans will be recovered from the Provident Fund.

1.2.4 Noncompliance with Laws, Rules, Regulations and Management Decisions.

Following non compliances were observed.

Reference to Laws, Rules, Regulations Noncompliance
etc.

(a) Treasury Circulars

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| (i) | Circular No. 842 dated 19 December 1978 | Register of Fixed Assets furnished to audit had not been prepared in terms of circular instructions. |
| (ii) | Circular No. IAI/2002/02 dated 28 November 2002. | A Register had not been maintained for Compute Equipment. |
| (iii) | Management Audit Department's Circular No. DMA/2009 (2) dated 01 September 2009. | Although the procedure to be followed with regard to the maintenance of Fixed Assets had been stated in the Circular, proper attention had not been made in that connection. |

- (b) Public Finance Director General's Circular No. 441 dated 09 December 2009 as amended by Letter No. PF/Boards of Survey No.01 dated 17 December 2010.
- Although Annual Board of Survey works have to be done before 15 March of the ensuing year and reports should be submitted to the Auditor General, Board of Survey Reports relating to the years 2011 and 2012 had not been submitted up to 24 June 2013.

- (c) University Grants Commission's Circular No. 408 dated 25 October 1989.
- While sabbatical leave granted to a professor had exceeded by 08 months contrary to the provisions in the circular, University had to provide a sum of Rs. 214,800 for air tickets along with that. While it had been decided to recover the financial loss occurred to the University, from the professor concerned, he had filed a case against that. Any steps had not been taken against the officers computed and approved such incorrect leave.

02. Financial Review

2.1 Financial Results

According to the Financial Statements presented to audit, financial results from the operational activities of the University for the year ended 31 December 2012 resulted in a deficit of Rs. 677,230,009 before taking in to account the Government Grant for Recurrent

Expenditure, while the corresponding deficit for the preceding year amounted to Rs. 565,899,027. Due to the Government Grant of Rs. 580,597,980 for Recurrent Expenditure, deficit for the year under review had reduced to Rs. 96,632,029 while corresponding deficit for the preceding year had reduced to Rs. 131,450,782 due to the Government grant of Rs. 458,946,140 received for that year for Recurrent Expenditure. Accordingly, financial result for the year under review had been improved by a sum of Rs. 34,818,753.

03. Operational Review

3.1 Performance

During the year under review, a sum of Rs. 575,946,435 had been spent as Recurrent Expenditure for 3,164 students studied in the five faculties of the University, while the corresponding expenditure for the preceding year for 3,774 students had been Rs. 490,177,119. Accordingly, cost per student is shown below.

Faculty	Cost per Student	
	2012 Rs.	2011 Rs.
Faculty of Agricultural Science	309,714	211,626
Faculty of Applied Science	174,344	121,467
Faculty of Management	139,669	101,608
Faculty of Social Science	184,353	127,366
Faculty of Geological Science	223,987	173,834

3.2 Management Inefficiencies

Following observations were made.

- (a) A lady officer whose service had been suspended for submitting fake educational certificates had made a complain to the Sabaragamuwa Zonal Commissioner of Labour. Any person had not participated to represent the University at that inquiry resulting a waiver of rights of the University. Although it was possible to file objections against the ex parte recommendations of the Commissioner of Labour, subsequent to that, such action too had not been taken.
- (b) Documents to support legal ownership of Land and Buildings valued at Rs. 244,221,885 were not made available to audit.

(c) Cabinet approval had been given by Cabinet Decision No. 2005/ED/HE/56 dated 24 August 2005 for the construction of Information Technology Building and Women’s Hostel. Approval for the construction of Administrative Building had been given by Cabinet Decision No. 05/0600/035/033 dated 24 May 2005. Without any commencement for the construction of these buildings, up to 30 June 2013, a sum of Rs. 3,633,909 had been spent for those works.

(d) Non compliances with the decisions/instructions of the Committee on Public Enterprises are shown below.

Audit Paragraph -----	Decision/Instruction of the Committee on Public Enterprises -----	Present Position -----
(i) Payment of Rs. 60,000 out of university funds for a damage occurred in the university ground to the private vehicle belongs to the Head of Agricultural Faculty	Recovery of that amount and submission of a detailed report to the Committee.	Action had not been taken as instructed.
(ii) Recovery of a sum of Rs. 2,225,981 given to a contractor for preliminary expenses due to non performance of work by the contractor.	Taking legal action against the relevant bank for not settlement of that amount on the basis of the mortgage bond placed.	Legal action had not been taken.
(iii) Going abroad and resigning from service without settling a loan taken by a lady officer who had been holding a post of Stenographer, Grade ii.	Taking legal action	Legal action had not been taken.

3.3 Idle and Underutilized Assets

Following observations were made.

(a) Six buildings with a space of 7926 Square Feet used for conducting lectures of the Applied Science Faculty had been idle since 24 June 2013.

(b) Three items of Machinery and Equipment valued at Rs. 4,360,206 for a period of 02 years and, a machine valued at Rs. 749,472 for a period of six months had been idle.

3.4 Staff Administration

The Administrative Authority of the University had failed to fill the vacancies of 04 Professors in 02 faculties of the Educational Staff, Posts of Bursar, Senior Assistant Registrar and one vacancy in the Internal Audit Unit of the approved cadre of the University.

04. Accountability and Good Governness

4.1 Corporate Plan

Although the Corporate Plan for the years from 2011 to 2015 had been prepared in terms of Paragraph 05 of Public Enterprises Circular No. P.E.D. / 12 dated 02 June 2003, it had not been timely reviewed and updated.

4.2 Operational Plan

Annual Operational Plan

An Annual Plan had not been prepared with a view to achieve the matters referred to in the Corporate Plan.

05. Systems and Controls

Deficiencies in systems and controls observed during the course of Audit were brought to the notice of the vice chancellor of the University from time to time . Special attention is needed to the following areas of control.

- (a) Accounting
- (b) Fixed Assets Control
- (c) Approval of Leave Abroad
- (d) Renting out Hostels
- (e) Vehicle Control

