

University of Peradeniya - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the University of Peradeniya for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No.19 of 2018 and the Finance Act, No.38 of 1971. 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 accompanying the financial statements give a true and fair view of the financial position of the University as at 31 December 2021, 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 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 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 intends to liquidate the Council 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 Auditor's Responsibilities 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 misstatements, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material

misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with the reference to particular Standard	Management Comment	Recommendation
(a) According to paragraph 47 of Sri Lanka Public Sector Accounting Standard 7, although changes in the fair value of property, plant and equipment may be revalued once every three or five years and adjustments may be made in the financial statements, 26 blocks of land of the University that had been revalued at Rs. 11,989,600,000 in the year 2015 had not been revalued and adjusted in the financial statements despite lapse of 06 years from the above revaluation.	That due to the Covid epidemic prevailed in the year 2021, arrangements could not be made for revaluation, a request for this purpose has already been referred to the Department of Valuation, and action will be taken to adjust the relevant assessed value in the final accounts of the year 2022.	Action should be taken in accordance with Sri Lanka Public Sector Accounting Standards.
(b) As the useful life of non-current assets had not been revised annually in terms of Paragraph 65 of the Sri Lanka Public Sector Accounting Standard 7, fixed assets costing Rs. 1,603,332,203 had still been in use despite being fully depreciated as at 31 December 2021. Action had not been taken to revise the error in the estimate in terms of Sri Lanka Public Sector Accounting Standard 3.	All the vehicles have already been revalued at present and action will be taken to revalue other fixed assets and state in the financial statements of the year 2022.	Action should be taken in accordance with Sri Lanka Public Sector Accounting Standards.
(c) According to Paragraph 38 of Sri Lanka Public Sector Accounting Standard 8, when it becomes probable that an outflow of future economic benefits or service potential will be required for an item previously dealt with as a contingent liability, provision should be recognized in the financial statements of the period in which the change in probability occurs. Nevertheless, provision had not been made for the arrears of salaries and allowances of Rs. 5,569,573 to be paid as at 31 December 2021 to the Chief Security Officer of the University who had been reinstated according to a Supreme Court decision received on 11 November 2021.	The decision of the reinstatement of this officer was received by the Accounts Division on 10 January 2022, accordingly action was taken to pay arrears of salaries and allowances along with the 2022 February salary of the officer, and sufficient information was not received by the Financial Division to make provisions of the year 2021.	Action should be taken in accordance with Sri Lanka Public Sector Accounting Standards.

1.5.2 Accounting Deficiencies

Audit Observation	Management Comment	Recommendation
(a) Although a sum of Rs. 1,001,000 charged in 03 years from 2018 to 2020 for providing university land to photograph wedding ceremonies should have been recognized as income in the respective year, it had been credited to misellaneous research account instead. Further, due to the total income being	Since this income credited to the misellaneous research account should be credited to a revenue account, that total income was transferred to the revenue account in the year 2021.	This error should be retrospectively corrected by taking action in accordance with Paragraphs 47 and 51 of Sri Lanka Public Sector

recognized as income of the year under review, the deficit of the year under review is understated by the same amount.

Accounting Standard 3.

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| (b) | Even though interest income of 11 fixed deposits for the year under review was Rs. 4,394,436, it had been brought to account as Rs. 5,850,842. Accordingly, the deficit of the year under review and the current assets as at 31 December 2021 had been understated and overstated by Rs. 1,456,406 respectively. | The interest income of Rs.1,456,406 that was understated in the accounts in the year 2020 has been brought to account as an income of the year under review. | This error should be retrospectively corrected by taking action in accordance with Paragraphs 47 and 51 of Sri Lanka Public Sector Accounting Standard 3. |
| (c) | A land of the University which is about 40 perches and located in the Gatambe area had been given to the Divinaguma Department on a 30-year lease from 31 December 1987 to 30 December 2017. Nevertheless, the arrears of lease amounting to Rs. 7,200,000 receivable as at 31 December 2017 and the lease receivable for the 04 years from 2018 to 2021 had not been computed and brought to account. | In order to recover the due amount and acquire the possession of the remaining building to the University, a case has been filed in the Kandy District Court and at the meeting held with the Divisional Secretary Gangawatakorale, he agreed to make necessary arrangements to recover this outstanding tax from the Divineguma Department. | This error should be retrospectively corrected by taking action in accordance with Paragraphs 47 and 51 of Sri Lanka Public Sector Accounting Standard 3. |

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation	Management Comment	Recommendation
(a) In order to recover the insurance compensation of Rs.400,000 of a vehicle due from the Sri Lanka Insurance Corporation for more than 09 years, sufficient steps had not been taken to release the relevant vehicle from the court even as at 31 December 2021.	As the residual value of this vehicle has been named as a product of a case filed in the Kandy Magistrate's Court, it is not possible to get this insurance compensation.	Action should be taken to recover the insurance compensation.
(b) No action had been taken to recover the hall fees and fines of Rs. 1,325,849 due from the students of 09 faculties of the university from 03 years to 40 years even by 31 December 2021.	That the present outstanding balance is Rs.1,163,889, that the relevant students have been informed to recover the hall fees and fines due from the students who are presently engaged in studies and that study certificates will be issued only to students who have completed the payments.	Action should be taken to collect the recoverable money and properly write off the unrecoverable amounts. Proper arrangements should be made to prevent these incidents in the future.

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| (c) | No formal procedures had been followed over a period of 02 years to 51 years to recover Rs.131,871,454 due as at 31 December 2021 from 111 teachers and other officials who had breached their bonds and agreements. | Action is being taken to write off very old balances due from 64 officers, recover the dues of 11 officers from their University Provident Fund and to file cases against 36 individuals. | Formal measures should be taken to recover the monies and to prevent these incidents in the future. |
| (d) | Although a sum of Rs.1,602,630 provided by the National Center for Advanced Studies as a grant for post-graduate studies should be collected from a lecturer due to the fact that the lecturer has become a person who has violated bonds and agreements, that money had not been recovered despite lapse of about a year. | That a case has been filed in the Kandy District Court to recover the bond value including this amount. | Action should be taken in accordance with the court decision. |
| (e) | No steps were taken to recover the distress loan amounting to Rs.744,607 due from 12 officials whose salary payments had been suspended due to various reasons during the period from 2008 to 2021. | Since there is a sufficient balance in their provident funds, action will be taken to recover the balance amount in the release of funds. | Action should be taken to recover the money as proposed. |
| (f) | No necessary measures had been taken to recover the loan balance of Rs.1,592,007 that remained outstanding for a period of 12 months to 105 months from 17 officers who had retired, left service and were transferred as at 31 December 2021. | Action is being taken to take over the loan balances of the officers who has left on transfers and to recover the loan balances due from the officers left the service and those who were interdicted from their provident funds. | Action should be taken to recover the money as proposed |

1.6.2 Payables

Audit Observation	Management Comment	Recommendation
(a) A sum of Rs. 3,162,267 to be paid to 06 contractors as at 31 December 2019 had not been settled even by the end of the year under review.	Not commented	Payable money should be duly settled.
(b) Although the retained amount of Rs.84,493,836 related to 50 contracts had elapsed from 01 to 05 years, it had not been released even up to the year under review.	Not commented.	The retained money which had elapsed the due period should be released properly.

1.7 Non-compliance with Laws, Rules and Regulations

Reference to Laws, Rules, Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Establishments Code of the Democratic Socialist Republic of Sri Lanka			
(i) Paragraph 5 of Chapter XIX.	As a rent less than the rates mentioned in the Establishments Code had been levied, rents for 319 government quarters had been levied by Rs.28,133,046 less than the due amount for the year under review alone.	As repair and maintenance work of the quarters are being carried out by paying special attention in this regard, the rent charges of the quarters are being revised and accordingly, the Council has given approval to increase the rent from the fixed rental value annually, and arrangements are being made to recover the relevant rental value.	Rent should be recovered in accordance with the provisions of the Establishments Code of the Democratic Socialist Republic of Sri Lanka
(ii) Paragraph 5.1 and 5.2 of Chapter XXXIII	Without seeking assistance and consulting the Attorney General and without following the procurement process, services of a lawyer had been obtained and court fees of Rs.750,000 had been paid in relation to a case filed against the university.	A lawyer with expert knowledge was selected based on the nature of the case with the approval of the Council.	Action should be taken in accordance with the Establishments Code of the Democratic Socialist Republic of Sri Lanka
(b) Government Procurement Guidelines			
i) Guideline 1.2.1	Thirty fingerprint scanners had been purchased at a cost of Rs. 3,649,589 from a supplier selected avoiding many requirements to be ensured by the procurement process and without being complied with such requirements.	The National Procurement Commission has also informed that the purchase of 30 fingerprint scanners has taken place without being complied with the procurement process and that action will be	A formal inquiry should be conducted and necessary action should be taken regarding the responsible officers who did not comply with the procurement

taken regarding this process.
matter in accordance
with the
recommendations of the
Audit and Management
Committee.

- (ii) Guideline 5.4.4(i) Even though mobilization advance is to be paid subject to a maximum of 20 per cent of the contract value, a sum of Rs.108,727,596 which is equal to 29 per cent of the contract value of Rs.374,803,764 for the construction of paramedical clinical building of the Faculty of Medicine had been paid as the mobilization advance. The mobilization advance of Rs.108,727,596 has been recovered at present. A formal inquiry should be conducted and necessary action should be taken regarding the responsible officers who did not comply with the procurement process.
- (iii) Guideline 7.7.1(a) Although separate bids had been invited for the fingerprint scanners and the necessary software, as the bid evaluation was carried out by combining both the bids, 04 bidders who submitted bids only for the machines were withdrawn from the evaluation thus causing disadvantages to those bidders. Although it was observed that the specifications of the software solutions offered by the two suppliers who had submitted bids for both the needs of machines and software were similar, the Technical Evaluation Committee had rejected the lowest bidder stating that the software solutions of the bidder were not compatible with the expected conditions of the university. The loss incurred due to the selection of the highest That the engineering estimate of this work is Rs. 39,067,600 without Vat, that the technical evaluation committee has corrected the mathematical errors and awarded the contract at the value of Rs.36,232,344, and the awarded contract value is less than the engineering estimate after correcting the mathematical errors and as such, the University has not incurred any financial loss in the award of this contract. A formal inquiry should be conducted and necessary action should be taken regarding the responsible officers who did not comply with the procurement process.

bidder and the purchase of 30 fingerprint scanners and the necessary software at a cost of Rs.3,649,587 was Rs. Rs.529,587.

(iv) Guideline 7.9.2 As the Technical Evaluation Committee had not carefully scrutinized the bids for mathematical errors, the contract for installation of elevators for 04 buildings of the Faculty of Arts had to be awarded for Rs. 36,229,143 thus causing a loss of Rs. 2,079,143 to the university. The Technical Evaluation Committee has once again examined the price proposal of the tenderer and given its recommendation based on the paragraph 02 of the awarding letter dated 15 June 2020 and the contractor's letter dated 25 June 2020. A formal inquiry should be conducted and necessary action should be taken regarding the responsible officers who did not comply with the procurement process.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the financial result for the year under review was a deficit of Rs. 218,226,526 as compared with the corresponding deficit of Rs. 915,187,815 of the preceding year. Accordingly, an improvement of Rs. 696,961,289 in the financial result was observed. The increase in the Mahapola grant, research grants and government grant by Rs. 211,386,282 and decrease in the operating expenditure by Rs. 634,201,155 had mainly attributed to the above improvement.

3. Operational Review

3.1 Identified Losses

Audit Observation	Management Comment	Recommendation
(a) For the purchase of 159 clinical lockers, a sum of Rs.2,911,774 had paid to the supplier during the last year. However, due to making payments irrespective of the fact that the lockers without the agreed brand had been supplied or only 80 lockers instead of 159 lockers had been supplied, a sum of Rs. 1,446,730 had been overpaid to the supplier.	That the goods were entered in inventories based on the certificate submitted by the Goods Receiving Committee to the effect that 159 lockers were received, that the payment was made as it had been certified that the relevant lockers were of the required standard and size, later it was revealed that only 80 lockers were received and the relevant model and warranty period had not been provided in accordance with the prescribed specification and that the State Trading (General) Corporation was notified in writing to provide the remaining 79 lockers.	A formal inquiry should be conducted regarding the activities of the Goods Receiving Committee and necessary steps should be taken against the officers those who are responsible for making overpayments.

- (b) Although 23 research projects had been canceled due to non-completion of research activities within the prescribed period, the amount of Rs. 5,254,280 paid thereon had not been recovered even 31 by December 2021. Further, the Senate Research Committee had recommended that Rs.8,669,237 paid for 15 such research projects be credited to the University Research Fund, but the money had not been recovered even by 31 December 2021.
- When the decision of the research committee regarding the canceled research is communicated to the relevant researcher it has been informed that any amount, if any, will be charged, that the arrangements are being made to take necessary measures in that respect and if the period of the research grant has expired, the grantee has been informed to cancel the grant and collect money, and to submit progress reports or final reports if the period of the research grant has not expired.
- Action should be taken to get the research completed within the prescribed period or recover the money by expediting the proposed strategies.

3.2 Management Inefficiencies

Audit Observation

Management Comment

Recommendation

- (a) Due to the non-implementation of a centralized administrative system regarding vehicles, vehicles had been obtained on rental basis from external institutions to maintain the daily academic and operational activities of each faculty and other sub-units, and sums totaling Rs. 13,599,388 had to be paid as vehicle rent to those institutions between the year 2016 and 30 June 2021.
- Due to the suspension of the purchase of vehicles for government institutions since 2014 as per the decision of the government and the provision of vehicles under the operating lease basis, the university was unable to purchase vehicles, money had to be so paid to external institutions for a period of 06 years from 2016 to 2021, However, a vehicle management information system has been established involving all the faculties and units of the university and steps have been taken to utilize vehicles to the maximum extent to meet the transport needs.
- Vehicles should be utilized with maximum efficiency to minimize obtaining vehicles on rent basis.
- (b) When comparing the number of approved students for the Faculty of Veterinary Medicine with the number of students registered, 218 students less than the number of students to be registered had been registered during the last 12 years.
- After sending the list of students elected to this faculty by the University Grants Commission to the Faculty every year, if there are further vacancies, the Dean has informed the University Grants Commission from time to time to take the necessary step to fill those vacancies immediately.
- Necessary maximum arrangements should be made to enroll the approved number of students.
- (c) The Faculty of Veterinary Medicine received 50,000 Euros or Rs. 9,837,250 in September 2019 under the first phase of the Supporting Evidence Based Intervention (SEBI) project, which had planned to use a grant of 125,000 Euros. But due to not presenting the progress of the project in the first year within the specified period, the research agreement was terminated and as a result the grant of
- As it had taken more than 06 months to get the approvals to be obtained before the implementation of the project owing to the long procedure to be followed in obtaining foreign aids, it was not possible to achieve the expected targets of the project within the relevant project period, out of the 125,000 Euros that should have been received according to the original agreement of the project,
- The total funds received for the researches should be used with maximum efficiency and the expected objectives should be achieved.

75,000 Euros that was to be received under the second phase was lost. Therefore, the desired objectives of the research could not be achieved.

50,000 Euros provided by the relevant funding agency have been spent and the relevant research activities have been completed, and having referred the final reports to the funding agency, the project activities have been completed.

(d) Even though the Faculty of Veterinary Medicine of the University received Rs.2,443,650 in the year 2019 for the PATH AMR project, the project could not be implemented due to the inability to reach agreements.

One of the objectives of this project was to provide the necessary technical and infrastructural facilities for the laboratory maintains for animal health, to make the perform the laboratory work efficient and to constantly monitor its ARM (Antimicrobial Resistance) activities, that the PATH institute provided Rs. 2,443,650 to the Peradeniya University to initiate the basic activities of the project, that although the University has carried out the activities stated accordingly, payment has not so far been made due to not receiving the Cabinet approval for this research agreement, action will be taken to refer the expenditure so far incurred to the PATH institution and to return the remaining funds to the PATH institution.

Research projects should be completed within the prescribed period.

3.3 Transaction of Contentious Nature

Audit Observation

Management Comment

Recommendation

(a) During a lecturer on probation was on compulsory leave and did not provide any service to the University during the period from September 2020 to November 2021, she had been paid Rs. 2,602,720 rupees as salary and allowances for that period, and Rs.1,383,283 had also been paid as study and research allowances, although she had not made an active contribution to University studies or research activities during that period.

According to the decision reached at the Council meeting held on 29 January 2022 in relation to the investigations regarding the disciplinary misconduct alleged to have been committed by the lecturer who worked in the Zoology Department of the Faculty of Agriculture, a formal disciplinary investigation was not conducted regarding this lecturer, and it was allowed to accept the letter she submitted by her as a pleading apology and accordingly allow her to report to the service.

Action should be taken to recover salaries and allowances paid without providing the service.

(b) Without any consideration or prudence to the initial objections raised by the accused party during the initial investigation conducted against the former chief security officer of the

That the letter of termination of service issued to this officer was repealed and made null and void by the court order, and that the said order

This amount should be surcharged against the responsible officers who had terminated

university, he had been terminated. As a result, the officer had been reinstated according to a Supreme Court judgment and Rs. 5,569,573 had to be paid as arrears of wages and allowances for the period from 28 November 2015 to 31 December 2021.

was referred to the Attorney General for advice, that after considering the order of the Hon. Supreme Court and the advice of the Attorney General's Department, action was taken to reinstate the Chief Security Officer according to the recommendation made to that effect by the Council meeting held on 24 October 2021 and accordingly, this amount has been paid.

the service of the security officer without any consideration or prudence for the initial objections raised by the accused during the preliminary investigation.

(c) Due to the failure on the part of the management to take correct decisions according to the laws, rules, regulations and administrative rules, Rs. 2,224,800 had to be paid as court fees in respect of 33 cases decided against the university and Rs. 1,170,895 had to be paid as compensation in respect of 04 cases during the period of 2010 – 2018.

That the compensations have been paid after receiving recommendation and approvals of the Council given in accordance with the judgments of the respective cases.

Management should take steps to minimize the occurrence of lawsuits by making correct decisions in accordance with laws, rules, regulations and administrative laws.

3.4 Underutilization of Funds

Audit Observation

Management Comment

Recommendation

(a) The research grants of Rs.12,932,112 deposited in the bank account started in the year 2018 for the purpose of promoting research activities remained idle for more than 03 years as at 31 December 2021. Further, no information whatsoever regarding Rs. 5,949,271 existed as at 31 December 2021 in a research grant bank account was submitted to audit.

That the guidelines for utilization of development funds were approved in the Finance Committee meeting held on 13 August 2020 and the Council meeting held on 24 October 2020 and accordingly, action will be taken to use this funds productively on the relevant approved purposes in due course.

Funds should be utilized with maximum efficiency and the information required for the audit should be furnished.

(b) A research fund of Rs. 10,132,868 relating to 15 funds under the other research funds of the university had not been utilized for more than a period of one year.

That tasks expected to be done using these funds could not be fulfilled as desired in the face of the Covid epidemic that prevailed throughout the year and at present, these funds are being used for the expected purposes.

Funds should be used with maximum efficiency and productivity.

(c) A sum of Rs. 7,304,324 received for 08 various research projects had not been used for more than a year by the end of the year under review.

Funds issued for the cancelled researches will be recovered.

Action should be taken to complete all the researches during the prescribed period.

3.5 Idle Expenditure

Audit Observation	Management Comment	Recommendation
(a) The university had provided a training on software for 06 officers at a cost of Rs. 5,325,800 in Tianjin maritime College, China in the year 2015. Although 02 officers who received this training had been appointed for the Computer Software System Regulatory and Evaluation Committee, any contribution related to this project had not been obtained from the remaining 04 officers.	As three out of these 04 officers had left the university service and the other officers had been temporarily dismissed from the university service from January 2021, their contribution could not be obtained.	Maximum benefits should be obtained from the human resources.
(b) Rehabilitation project expenses of Rs.27,297,463 incurred during the period from 2003 to 2017 for 20 projects that had been abandoned by 31 December 2021 and the capital project expenses of Rs. 77,692,338 incurred during the period from 2009 to 2017 were observed as idle expenses.	A sum of Rs.27,297,463 spent related to 12 rehabilitation projects and Rs.77,692,338 related to 08 capital projects could not be capitalized since those expenses had not been certified by the Work Engineer.	Funds should be utilized with maximum efficiency and suitable measures should be taken by finding out the reasons for abandonment of the works.

3.6 Deficits in Contract Administration

Audit Observation	Management Comment	Recommendation
(a) After an agreement was entered into on 08 January 2018 for contract value of Rs.45.8 million for the renovation of Arunachalam hostel, a sum of Rs. 7,102,351 had been paid as mobilization advance in July 2019. Even though a period of 2 ½ years had elapsed by 31 December 2021, works had not been commenced.	Necessary steps will be taken with regard to the advances paid for this project of which works have not so far been commenced.	Formal measures should be taken regarding the breach of contract agreement and the recovery of advances.
(b) Although the period of contract of the renovation of Wijewardana hostel had been extended by about 20 months on 02 occasions from 17 April 2020 to 07 December 2021, the physical progress was only 65 per cent.	That as the hostels were provided for the final year students' academic activities, the hostel could not be emptied and made available to the contractor at the same time, that renovation was delayed due to the Covid epidemic, health guidelines and the ban on traveling, that since the Project Manager has already recommended the extension of the contract period from 08 December 2021 to 12 October 2022, it has been scheduled to forward the recommendations to the Council	Necessary steps should be taken to complete the constructions within the contracted period.

meeting held in June 2022 and refer it to the Secretary to the Ministry of Education for approval.

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| (c) | Although the concrete side wall constructed at a cost of Rs. 4,275,000 in March 2020 prior to build the presently constructing building of the Geography Department of the Faculty of Arts had totally collapsed on the wall of the building, no necessary steps had been taken to construct the side wall even by the end of the year under review. | That the removal of the collapsed building has been started at present, re-planning and constructions are being done by the contractor and that the further activities will be carried out under the supervision of the Engineering Faculty representatives and the project office. | Reasons for collapsing the concrete side walls constructed in March 2020 should be ascertained and further action should be taken accordingly, and new constructions should be carried out in accordance with the prescribed standards. |
| (d) | For the renovation of Sarasavi Medura 01 and Sarasavi Medura 02 hostels, agreements at Rs. 1,853,984 each had been entered into with the contractor and the both the contracts should have been completed by 26 July 2019. A sum of Rs. 1,254,028 had been paid for the 02 contracts by 31 August 2022. Although nearly a period of 03 years has elapsed from the expiry of the period of agreement, the physical progress thereof were 33 per cent and 30 per cent only. | Although it was required to install electric plugs to cover hostel walls and the students study tables, due to the delay in the supply of furniture to the hostel, contract could not be completed, and since the situation remained unchanged at present, it has been proposed to temporarily suspend the project. | Action should be taken to complete the construction within the contracted period. |
| (e) | For the construction of staircase of the Ramanadan Hall, an agreement worth Rs. 2,083,940 had been entered into with the contractor and it should have been completed by 04 June 2020 with the extensions given on two occasions. Nevertheless, the physical progress was about 80 per cent by 31 December 2021. | Due to lack of raw materials according to the Bill of Quantity and an exorbitant increase in the prices of the raw materials, completion of the work has been delayed and it has been agreed to construct the concrete columns and complete the remaining works by 30 June 2022. | Action should be taken to complete the construction within the contracted period. |
| (f) | Although an agreement for a contract value of Rs. 177,799,018 was signed with the contractor for the renovation of Wijewardana hostel in April 2018 and Rs.40,017,474 was paid as the mobilization advance, the site had been entrusted to the contractor on 08 February 2019 after a lapse of 09 month from the payment of mobilization advance. | Not commented. | Mobilization advances should not be paid before the site is handed over to the contractor and suitable measures should be taken regarding the persons who made rooms for the misappropriation of government funds. |
| (g) | For the construction of a seven storied building in the Arts Faculty of the university, an agreement worth Rs.397,329,388 was entered into and the Cabinet approval had been obtained to construct the height of a floor at 14 feet. | Not commented. | Action should be taken to obtain Cabinet approval. |

Nevertheless, the building had been constructed at 12 feet in height of a floor by reducing 02 feet per floor thus reducing 12 feet in height for 06 floors and the Cabinet approval had not been obtained thereof.

- (h) Since the engineer in the Works Department had involved in all cases of preparing cost estimates, recommending, certifying, acting as a member of the technical evaluation committee and checking the bills of the contract worth Rs. 36,229,143 relating to the installation of 04 elevators in the Faculty of Arts, the transparency and independence of the procurement process could have been affected.
- That at present the said Engineer has not been appointed as a member of the Technical Evaluation Committees relating to repairs or other projects of which estimates have been prepared by the Works Engineer.
- Action should be taken in accordance with guidelines of the Government Procurement Guidelines.
- (i) For the development and installation of a computer software for accounting activities and payment of salaries of the university, an agreement with a contract value of Rs. 7,514,311 had been signed with a private company. Sums totaling Rs.8,350,096 had been paid to the contractor comprising Rs.2,644,286 as advance, Rs.3,311,876 as first interim payment and Rs.2,393,934 for annual license renewal. The project period had been extended on 5 occasions for a period of 27 months and despite lapse of 06 months beyond that period by 31 December 2021, it had not been possible to complete the task. Further, as per the terms of the agreement the licence fees and licence renewal fees should be paid only after 03 months of installation of the system and after entering into a service agreement. Nevertheless, the licence fees and licence renewal fees related to the years 2019, 2020 and 2021 amounting to Rs.729,788, Rs.806,307 and Rs.857,838 respectively had been paid to the supplier whose work had not been completed even as at 31 December 2021.
- Arrangements are being made with the relevant service provider to restructure and establish this project from the year 2022, that the service provider has agreed to install this software at trial level from June 2022, and as the licence renewal fees for the first year should be paid to the relevant company within a period of three months after the establishment of the SAP Software License in the university as per the agreement, arrangements have been made to pay a sum of Rs. 729,788 to the relevant company on 13 August 2020.
- Works should be completed within the contracted period and action should be taken in accordance with the terms of the agreements.

