

Eastern University, Sri Lanka - 2011.

1. Financial Statements

1.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the financial position of the Eastern University, Sri Lanka as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with the Sri Lanka Accounting Standards.

1.2. Comments on Financial Statements.

1:2:1 Presentation of Financial Statements

Financial Statements of the Eastern University, Sri Lanka for the year ended 31 December 2011, which should have been rendered for audit within 60 days after the closure of financial year in terms of Section 6.5.1 of the Public Enterprises Guidelines for Good Governance Circular No PED/12 dated 02 June 2003 had been rendered to audit only on 16 May 2012.

1.2.2 Accounting Deficiencies

The following accounting deficiencies were observed in audit.

- (a) Although Improving Relevance and Quality of Undergraduate Education (IRQUE) Project had been completed and assets transferred to the University, the value of assets had not been disclosed in the financial statements.
- (b) Laboratory equipment valued at Rs. 9,555,427 received as donations from Central Environmental Authority during the year 2006 had not been brought to accounts.
- (c) Action had not been taken by the University to investigate and to make appropriate adjustments in the accounts relating to the direct credits and direct debits valued at Rs 10,692,587 and Rs 4,985,165 respectively shown in the bank reconciliation statements.

1:2:3 Non- compliance with Laws, Rules, Regulations and Management Decisions.

Instances of non- compliance with Laws, Rules, Regulations and Management Decisions observed in audit are given below.

<u>Reference to Laws, Rules, Regulations and Management Decisions</u>	<u>Non compliance</u>
(a) <u>Financial Regulations</u>	
(I) F.R 102	Action had not been taken in respect of losses amounting to Rs 17,860,815 sustained during the year 1990.
(II) F.R 371	Action had not been taken to recover the advances aggregating Rs. 66,480,590 lying in the accounts for a period ranging from 01 year to 15 years .
(III) F.R 569	A deposits ledger had not been maintained.
(IV) F.R 702 (3)	Copies of the contract agreements had not been forwarded to the Auditor General.
(V) F.R.756	A physical verification of the assets of the University had not been carried out as at and of the year under review.
(VI) F.R 1646	Daily running charts had not been rendered for audit in respect of vehicles attached to the University.
(VII) F.R 1647(b)	Board of Survey for the year under review on vehicles had not been carried out.
(b) <u>Establishments Code for the University Grants Commission and Higher Educational Institutions</u>	
(i) Section 20.6 Chapter- X	All leaves without pay had not been reported

monthly to the Auditor General in form
General : 96

- (ii). Section 3:1 Chapter- XXVII An attendance register had not been maintained in respect of the academic staff of the University to mark the time of arrival and departure.

2. Financial Review.

2.1 Financial Results

According to the financial statements presented, the activities of the University during the year under review had resulted in a deficit of Rs. 464,498,837 after taking into account the Government Grant of Rs. 437,448,075 for recurrent expenditure as compared with the corresponding deficit of Rs. 411,635,687 for the preceding year after taking into account the Government Grant of Rs. 393,635,000 for that year thus indicating a further deterioration in the financial results by Rs.52,863,150 due to increase in operating expenditure by Rs.56,922,395.

3. Operating Review

3.1. Performance

(a) Results of Examinations held

According to the information made available, the details of examinations held during the year under review are given below.

<u>Faculty</u>	<u>Period of Examination held</u>	<u>No of Students sat for the examinations</u>	<u>No of Students passed</u>
Agriculture	March, April, October, November and December 2011	136	81
Arts	March, April June, July,	293	282

	October and November 2011		
Commerce and Management	February ,March, April, May, June, July, September, November and December2011	724	519
Science	February ,March, April, October, November and December2011	59	47
Total		<u>1,212</u>	<u>929</u>

(b) Cost Per Student

Total number of students registered for 07 courses of the University was 2,786. Total recurrent expenditure incurred during the year under review amounted to Rs. 364,049,548. The average recurrent cost per student for the year was Rs.130,671.

<u>No. of Students</u>	<u>Total Expenditure</u> <u>Rs</u>	<u>Cost per Student</u> <u>Rs</u>
2,786	364,049,548	130,671

(c) Mahapola and Bursaries

A sum of Rs. 11,981,100 had been paid as Mahapola to 597 students and a sum of Rs. 17,399,400 had been paid as Bursary to 1326 students during the year under review.

(d) Library Administration

515 books had not been returned within the stipulated period by the students, academic staff and non academic staff who had obtained books from the Library. No proper action had been taken in order to get back these books and proper action had not been taken with regard to damaged books.

3.2 Management Inefficiencies

The following observations are made.

- (a) A sum of Rs. 70.98 million received from lecturers who had violated bonds and obligations had been shown under other reserves in the financial statements instead of action being taken in terms of University Grants Commission Circular No.737 dated 18 August 1998 to account all receipts from violation of agreements and bonds to the University and invested in interest earning assets such as fixed deposits and Treasury bills.
- (b) A sum of Rs 14,559,150 had been paid on 03 August 2010 for the procurement of 155 Computers and 06 UPS under Improving Relevance and Quality of Undergraduate Education (IRQUE) Project during the year 2010. It was observed in audit that an order had been placed for the procurement of 155 computers including 155 license keys (Windows Vista Business downgraded to XP Professional original OEM license) , which were estimated at Rs 5,186,455 even though there were sufficient stock of license keys received as donation from an international software company. However, license keys so purchased were returned to the supplier in exchange for 15 personal computers and 15 UPS valued at Rs. 1,395,000. As a result of this transaction, a loss of Rs, 3,791,455 had been sustained by the University due to excessive purchase of license keys.
- (c) A penalty of Rs 58,490 had been paid by the University to a lecturer following a ruling of Labour Tribunal due to non-payment of gratuity in time.
- (d) The University had granted study leave to a senior lecturer from 08 May 2007 to follow PhD Degree at the University of Reading, United Kingdom. However, study leave had been extended from 08 June 2010 to 07 September 2010 with pay and from 08 September 2010 to 07 December 2010 on no- pay. However, a sum of Rs. 316,401 had been overpaid to the senior lecturer due to the computation of no-pay leave as with- pay leave.

3.3 Operating Review

The following observations are made.

- (a) The University had not maintained proper individual records in respect of each research grant project. The records maintained had not contained the details relating to the projects, approval of the Research Committee and the research reports. In the absence of above, it was not possible to ascertain in audit as to whether the intended objectives were achieved from the utilization of those research grants.
- (b) An advance of Rs. 900,000 had been paid to a Coordinator for conducting 9th Annual Research Session of the Faculty of Arts and Culture. The following observations are made in this regard.
- (i) Approval from the Council had not been obtained.
- (ii) Procurement procedures had not been followed in terms of Section 2:14:1 of the Procurement Guidelines-2006.
- (iii) It was noted that this advance had been deposited in the personal name of the Coordinator in a Bank.

(c) **Procurement of Medical Equipment**

Medical equipment to the value of Rs 13 million had been procured during the year 2011 for the use of Faculty of Health Care Sciences (FHCS) from the supplier in Chennai. The following observations are made in this regard.

- (i) Instead of 05 quotations, only 03 quotations had been obtained. Two bids were forged. Out of 03 bids, one bidder was found to be a garment accessories supplier.
- (ii) Tender documents had been posted from the same post office and date stamp placed in the letters from Chennai was the same date.

- (iii) Bids had been called for by the Head of the Department of Human Biology of FHCS and bids had been addressed to his personal name.
- (iv) Departmental procurement committee had recommended to purchase medical equipment from Indian supplier without ascertaining the genuiness of the bid documents. Further, approval had not been obtained from the Council of the University.
- (v) A Technical Evaluation Committee had not been appointed in this regard.
- (vi) Ultrasound Scanner purchased in the above equipment for Rs 4 million could not be utilized due to technical defect.
- (vii) Prices of those equipment were higher than the prevailing market prices at international market for medical equipment. A few of those prices are given below.

<u>Item name</u>	<u>Market price (USD)</u>	<u>Purchased price (USD)</u>
Mortuary Refrigerator (Mortuary Chambers)	1320- 7900(Range)	26,000
Ultra-sound Scanner	8,000-15,000	36,324
Binocular Microscope	2,123-4,425	9,015

- (viii) Advance of Rs 669,000 had been paid to a cargo clearance company without any agreement or approval.

4. Accountability and Good Governance

4.1 Corporate Plan and Action Plan.

Although the Corporate Plan for the periods 2003-2007, 2007-2011 and 2010-2015 had been prepared, the relevant information in terms of the Public Enterprises

Circular No.PED/12 of 02 June 2003 had not been contained in the Corporate Plan and Plan had not been updated annually.

4.2 Budgetary Control

Major variations were observed between the budgeted expenditure and actual expenditure, thus indicating that the Budget had not been made use of as an effective instrument of management control.

4.3 Audit Committee

07 Audit Committee meetings had been conducted during the year under review. The Committee in several meetings had recommended to reply audit queries. However, action had not been taken to reply 07 audit queries issued by the Auditor General.

5. Systems and Controls

Deficiencies observed in systems and controls 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 in respect of the following areas of control.

- (a) Accounting
- (b) Fixed Assets
- (c) Inventory
- (d) Payments and Settlement of Advances
- (e) Procurements