

University of Colombo - 2012

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 University of Colombo as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standard.

1.2 Comments on Financial Statements.

1.2.1 Sri Lanka Public Sector Accounting Standards.

Fully Depreciated Assets

The fully depreciated assets of the University which were being utilized aggregating to a sum of Rs.212,758,120 had not been reviewed depending on their useful life span and disclosed in the statements of financial positions on a reasonable value.

1.2.2 Accounting Deficiencies

In the examination of the financial statements for the year under review the following accounting deficiencies were observed.

- (a) Even though a sum of Rs. 9,870,322 and Rs.18,640,016 respectively received as application fees for the external courses and registration fees during the year under review had to be brought to the accounts as income for the year under review, application fees amounting to Rs.961,500 and registration fees amounting to Rs.3,272,500 had been brought to the accounts as deferred income under non-current liabilities.

- (b) The Post Graduate course on Human Rights and Democracy in Asia Pacific Region (Asia Pacific Masters) 2011/2012 conducted by the Human Rights Education Centre of the Faculty of Law of the University of Colombo had been completed on 27 April 2012. Even though the entire income of the course amounting to Rs.12,075,047 should have been brought to the accounts as income, a sum of Rs.1,315,073 had only been credited to the Statement of Financial Performance after deducting a sum of Rs.6,520,945 for the expenses, transferring a

sum of Rs.1,407,736 to the funds and bringing to the accounts a sum of Rs.4,146,366 as deferred income.

- (c) Teaching activities for the 2010/2011 batch of the Post Graduate Course conducted by the Faculty of Education of the University of Colombo had been completed on 31 December 2012 and course fees amounting to Rs.13,644,002 deducting a sum of Rs.3,150,000 required for the teachers training programme had to be brought to the accounts as income. Instead, a sum of Rs.720,850 had only been credited to the Statement of Financial Performance while deducting a sum of Rs.7,764,237 as expenses and bringing to the accounts a sum of Rs.9,029,765 as deferred income.
- (d) The surplus income of 74 courses as at the final date of the year under review amounting to Rs. 71,520,554 had been credited to the Graduate Study Faculty Building Fund instead of crediting it to the University Fund.

1.2.3 Lack of Evidence for Audit.

Particulars pertaining to the researches carried out by 15 lecturers included in the tested sample of 100 lecturers had not been furnished to audit and a sum of Rs. 1,480,177 had been paid to the said lecturers in the year under review in respect of research allowances.

1.2.4 Accounts Receivable and Payable

Action had not been taken to settle the balances existed in inter current accounts as at the end of the year and surplus income of 217 courses amounting to Rs.124,038,130 had been included in the Statement of Financial Position as debtors and creditors.

1.2.5 Non-compliance with Laws, Rules and Regulations.

Following instances of non-compliance were observed.

Reference to Laws, Rules and Regulations

Non-compliance

(a) Section 6 (1) (a) of the Public Contract Act No.03 of 1987.

Although every tenderer should be registered with the Registrar of Public Contract in case of cost of a contract exceeds Rs.5 million, contractors and the contract agreements pertaining to the renovation and improvement of the New Arts

Theatre amounting to Rs.20,204,939 and the landscaping project of the Science Faculty amounting to Rs.9,026,077 had not been so registered.

(b) Section 99 (1) of the University Act No.16 of 1978

(i) Even though all the funds including entire income earned by the University shall be a portion of the University Fund, contrary to that the Colombo University had taken action to establish the University Development Fund on the decisions of the Council without the Treasury approval.

(ii) On the recommendation of the Financial Committee of the University Developments Funds had been established for various Faculties and Departments. A sum of Rs.119,069,767 had been collected by 75 of those funds at the end of the year under review and the expenditure had been a sum of Rs.73,754,623.

(c) Section 2.8.4 of Government Procurement Guidelines.

Even though the Technical Evaluating Committee shall include an expert member of the relevant subject, such a member had not been included in the Technical Evaluating Committee appointed for the contract for renovation and improvement of New Art Theatre valued at Rs.20,204,939.

(d) Section 5.2 of Chapter V of the Establishments Code of the University and Public Administration Circular No.09/2007 (1) dated 24 August 2007.

A member of the Non-academic staff can serve maximum up to the age of 60 years and an officer thus retired can be re- employed subject to a maximum period of 12 months. Three officers of the non-academic staff had been employed for a period of 01 to 04 years without an approval of the Cabinet of Ministers exceeding that limits.

(e) Management Services Circular No.45 dated 07 April 2011.

Without an approval of a recognized Research Committee a sum of Rs.58,366,090 had been

granted to 502 lecturers as research allowances. Further, 07 out of the above lecturers had not engaged in research activities and they had been paid a sum of Rs.524,571 as research allowances during the year under review.

(f) Section 3.1 of Chapter XX of the Establishments Code of the University and Section 1.6.1 of Chapter X of the Establishments Code.

Relevant books and registers required for the confirmation of attendance and departure and leave of the non-academic staff had not been maintained and as such the accuracy of the salaries and allowances amounting to Rs.587,716,629 paid during the year under review to the non-academic staff could not be confirmed.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the operation of the University for the year ended 31 December 2012 had resulted in a deficit of Rs.1,280,656,942 before taking into account the government grant for recurrent expenditure as compared with the previous year's deficit of Rs.1,194,550,697. The financial results of the year under review had become a surplus of Rs.33,033,435 after taking into account the government grant of Rs.1,313,690,377 for recurrent and maintenance expenditure. The previous year's surplus had increased up to Rs.69,382,819 due to taking into account the government grant for recurrent expenditure amounting to Rs.1,263,933,516. As such, a decrease of Rs. 36,349,384 after taking in to account the government grant for recurrent expenditure as compared with the previous year was observed.

3 Operating Review

3.1 Management Inefficiencies

Surplus of the external courses and consultation charges of the Kothalawala Defense College are the sources of income of the University Development Fund which was established under the University Council Memorandum No.88/10 without a Treasury approval. However, surpassing the said requirements a sum of Rs.26,775,342 representing 10 per cent of the budgeted income of

the external courses had been credited to the Development Fund by various faculties under the University of Colombo Circular No.21 of 21 October 2000 during the year under review. The above contradictions of the management with regard to management of the income of the external courses were observed as unfavorable condition of the financial control.

3.2 Contract Services.

A sum of Rs.30,314,352 had been paid for the security services of the University during the year under review. It was observed in the course of physical verification conducted at 11 a.m on 04 December 2012 that 12 officers had not been deployed to 09 locations according to the scheduled plan.

3.3 Amount due from Lecturers who had breached Agreements

Thirty seven lecturers had breached the agreements by the end of the year under review and the amount recoverable was a sum of Rs.41,597,721.

A sum of Rs.11,966,890 recoverable from 11 lecturers due to failure to ascertain their particulars and failure to comply with the Court verdicts despite they had been granted, a sum of Rs.4,337,122 which had been indicated that action was being taken to recover from the University Provident Fund and recoverable from 13 lecturers and sum of Rs. 1,790,241 recoverable from the lecturer who had discontinued the service had not been recovered for a long period of time.

3.4 Idle and Underutilized Assets.

Following observations are made.

- (a) The Generator valued at Rs.350,000 installed at the Faculty of Graduate Studies had been idle since 07 years.
- (b) Office equipment valued at Rs.13,268,669 had been purchased for the medical clinic building. Since this equipment had been purchased before the completion of the contract activities of the building, they had been idle for more than a period of 1 ½ years.

- (c) Approved cadre of the drivers of the University is 24 and the actual cadre is 21. Accordingly, the number of vacancies is 03. The total number of drivers is 16 and vehicles allocated as one vehicle for the Vice- Chancellor, 10 vehicles for other staff and additional 5 vehicles for the medical faculty. The number of drivers who could be deployed to drive remaining 16 vehicles out of the 32 fleet of vehicles was 05. This situation had been an obstacle for the efficient performance of the activities of the other Sections and 11 vehicles had been underutilized constantly.

3.5 Inefficiencies in the Contract Administration.

Following matters are observed.

- (a) The contract of the building constructed for learning and examination activities of Clinical Science Division of the Faculty of Medicine had been awarded to a value of Rs.47,644,945 to a private construction company on 17 December 2004. In terms of the contract agreement even though it had been scheduled to be completed in 18 months, the contract had been completed on 08 April 2013 after a lapse of more than 8 years. A sum of Rs.92,353,867 had been incurred by the University for this construction and it exceeds 93.8 per cent of the initial contract value.
- (b) Substandard chairs had been purchased at a cost of Rs.7,227,023. It was observed at the physical verification that, rubber bushes, arms and cushions of most of the chairs had detached and reverse of the seat of the chairs had been covered with stapler pins and the tables purchased had been devoid of the required standard.

3.6 Reconstruction and Control of Hostels

Following observations are made.

- (a) The Thelawala hostel which is capable of accommodating nearly 500 students situated in a land extent of 01 acre 01 rood and 32.58 perches and repaired at a cost of Rs.22 million, remained closed from 2010. The cost of these assets as at 31 December 2012 had been indicated as Rs.25,352,000 in the financial statements and the Vice-chancellor had

informed that repairs had been initiated since April 2013 in order to convert this hostel into a women hostel.

- (b) Abnormal usage of water was observed from several hostels and the use of water per student had ranged between Rs.2,317 to Rs.9,861.
- (c) Abnormal usage of electricity was observed from several hostels and the use of electricity per student had ranged between Rs.1,341 to Rs.8,953.
- (d) The Green Path Bikku Hostel which is capable of accommodating 50 Bikku students had been obtained on monthly rental basis of Rs.130,000 and an adjacent building has also been obtained on 01 July 2011 by paying consolidated monthly rental of Rs.205,000. However, only 37 students had been provided with hostel facilities by May 2012. Hostel facilities for these bikku students could have been provided within a one hostel.

04 Accountability and Good Governance

4.1 Action plan -----

Particulars on the landscaping project amounting to Rs.9,026,077 had not been included in the Action Plan prepared for the year 2012.

4.2 Procurement Activities -----

Following observations are made.

- (a) A Master Procurement Plan including activities expected to be fulfilled at least within a period of three years in terms of the Section 4.2.1. (a) and 4.2.3 of the Procurement Guidelines had not been prepared and the procurement schedule including time frames and steps of each Procurement Plan had not been included in the Procurement Plan prepared for the year under review.

- (b) Notwithstanding the source of funds in terms of the Section 1.3.2 of the above circular even though all the procurement activities should be included in the Procurement plan in terms of the Section 4.2 said plan, purchasing amounting to Rs.84,276,916 made during the year under review had not been included in the said plan.

4.3 Staff Vacancies.

There were 216 vacancies in the academic and non- academic staff of the University during the year under review. Accordingly, 136 vacancies existed in the academic staff and out of which 73 had obtained sabbatical leave. The University had incurred a sum of Rs.12,264,835 in respect of visiting lecturers during the year under review.

05. Systems and Control

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 in respect of following areas of control.

- (a) Purchasing
- (b) Contract Administration
- (c) Library Administration
- (d) Accounting
- (e) Courses income