

Wayamba University of Sri Lanka

1. Financial Statements

1:1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Wayamba University of Sri Lanka had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 1.2 of this report, the financial statements have been prepared in accordance with Sri Lanka Accounting Standards and give a true and fair view of the state of affairs of the Wayamba University of Sri Lanka as at 31 December 2010 and the financial results of its operations and cash flows for the year then ended.

1:2 Comments on Financial Statements

1:2:1 Accounting Policies

Income and income from interest had not been accounted on accrual basis. Further, consistency basis had not been adopted for preparation of accounts.

1:2:2 Non-compliance with Sri Lanka Accounting Standards

The fair value of an asset at the balance sheet date should be revalued over an adequate period of usage so as to confirm that it does not vary with the carrying value. However, action had not been taken to revalue property, plant and equipment which continues to be used effectively for the operational activities of the institution though their values at the balance sheet date had been shown as zero.

Few examples are shown below.

Included in these were, 6 vehicles purchased for Rs.4,244,850 a photocopy machine valued at Rs.2,418,785, a steel cupboard valued at Rs.937,755 and office equipment valued at Rs.3,584,734.

1:2:3 Omissions in Accounts

According to the provisions in Section 5.5 of Chapter XIX of the Establishments Code of the Democratic Socialist Republic of Sri Lanka, 5 % of the salary should be recovered as house rent from the officers who jointly occupies the official residences of the University given for academic and non academic staff. However, rent had been calculated and recovered on the basis decided by the staff hostel Committee of the University contrary to that provision. As a result, the house rent of Rs.8,047,170 due to the University for the year under review had not been recovered.

1:2:4 Accounts Receivable and Payable

The following observations are made.

- (a) Advances given for periodicals are settled when the periodicals are received at the zonal library. However, advances amounting to Rs.1,368,211 given for purchasing periodicals from 1999 to 31 December 2009, had not been settled even as at 31 December 2010.
- (b) Balances of supplies creditors continues to be brought forward prior to 2005 had not been settled even during the year under review.
- (c) It was observed that the balances of distress loan of Rs.552,030 granted to 4 officers and the balances of computer loans amounting to Rs.31,500 give to two officers had become irrecoverable. Action had not been taken to recover the balances of vehicle loans amounting to Rs.106,000 recoverable from 2 officers, even during the year under review too.

1:2:5 Lack of Evidence for Audit

Title deeds of land valued at Rs.113,150,248 and schedules pertaining to assets of the water supply programme valued at Rs.8,266,742 had not been furnished to audit.

1:2:6 Non-compliance with Laws, Rules and Regulations

 The following instances of non compliance were observed.

Reference to Laws, Rules, Regulations -----	Non-compliance -----
(a) Acts -----	
(i) Section 99 (c) of Chapter XIII of the Universities Act No.16 of 1978.	All income, earned from any source, should be credited to the Universities Fund. However, the sum of Rs.19,306,246 received from 5 courses and a project had not been credited to the Universities Fund, deviating the instructions.
(b) Circulars -----	
(i) Public Administration Circular No.09/2009 dated 26 April 2009.	All employees should use the finger print machines for their arrivals and departures. However, the University had not used a finger print machine.
(ii) Public Enterprises Circular No.PED 50 dated 28 July 2008	Officers obtaining fuel allowances had travelled 1285 kilometers by using the vehicles of the pool for additional travel without obtaining the permission of the head of the institution.
(c) Financial Regulations of the Government of Sri Lanka -----	
(i) F,R 371(2)	Ad hoc imprests should be settled immediately after the fulfilment of the purpose. However, service advances of Rs.1,214,072 and contract advances of Rs.4,119,363 obtained on 85 instances had not been settled even as at 31 December 2010.

- (ii) F.R. 371(2)(b) The maximum ad hoc imprest that could be granted at one instance is Rs.20,000. However, advances amounting to Rs.722,900 had been granted on 10 occasions, exceeding that limit.
- (iii) F.R. 571(2) Action had not been taken in terms of the financial regulation with regard to deposits valued at at Rs.3,583,124 which had exceeded a period of 2 years from the date of deposit.
- (iv) F.R. 756 Board of survey had not been conducted with regard to library books valued at Rs..82,853,801 and 4 items of fixed assets valued at Rs.1,037,450,869.
- (v) F.R. 1646 Copies of monthly running charts and monthly summaries of other vehicles, except 4 vehicles, had not been furnished for audit even by 30 June 2011.

1:2:7 Transactions without Authority

The total estimated value of construction of side walls around the playground amounted to Rs.7,523,275. Action had been taken to get the approval on a departmental level by separating it into stage I and stage II, as it had exceeded the limit of Rs. 5 million.

2. Financial and Operating Review

2:1 Financial Review

2:1:1 Financial Results

According to the financial statements presented, the financial results of the activities of the University during the year ended 31 December 2010 had resulted in a deficit of Rs.419,030,000 before taking into consideration the government grant for recurrent expenditure as compared with the previous year's deficit of Rs.371,446,000. The deficit of the year under review had decreased to

Rs.91,495,000 after taking into consideration the government grant of Rs.327,535,000 obtained for recurrent expenditure as compared with the decrease in deficit of the previous year amounting to Rs.70,801,000 after obtaining the previous year's government grant for recurrent expenditure amounting to Rs.300,645,000. The increase in expenditure of personal emoluments by Rs.20,763,000 and the increase in depreciation amounting to Rs.28,820,000 had mainly attributed to the increase in deficit of the year under review.

2:2 Operating Review

2:2:1 Management Weaknesses

The following instances were observed.

- (a) Proper action had not been taken with regard to the staff occupying hostels though the agreed period had ceased. In this connection, the Vice Chancellor had informed the audit that the lease period had been extended for a period of 3 months subjected to covering approval by the Procurement Committee.
- (b) Payments had been made without the approval of the Procurement Committee while purchasing library books for Rs.1,657,667. Of these, the Vice Chancellor's approval alone had been obtained for purchases amounting to Rs.768,154.
- (c) The work relating to 7 contracts valued at Rs.10,577,626 should have been completed in 2007 as per agreement. But the work had not been completed. The amount uncured had not been recovered from the performance bond. Further, legal action too had not been taken for breach of agreement.

2:2:2 Action as per Action Plan

The following items of work expected to be fulfilled as per action plan for 2010 furnished to audit, had not been completed. Action had not been taken according to the procurement calendar.

Item of work	Estimated Provision	Balance brought forward from previous year	Provision obtained for 2010	Total Provision	Actual Expenditure 2010	Amount unspent as at 31.12.2010	Savings, as a percentage of total provision
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	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	%
Construction of the Administrative Building	10,000,000	590,705	6,000,000	6,590,705	-	6,590,705	100.00
Furniture and Office Equipment	32,750,000	50,626	31,000,000	31,050,626	21,328,125	9,722,501	31.31
Books and Publications	10,000,000	2,993,701	7,000,000	9,993,701	5,034,600	4,959,101	49.62

The following observations are made.

- (a) According to the action plan, no construction work had been carried out using the money obtained in 2010 for construction of the administrative building.
- (b) A sum of Rs.32.750,000 had been provided in 2010 for furniture and office equipment. Of this, a sum of Rs,31,000,000 had been obtained and goods had been purchased for Rs.21,328,125 only. The balance of Rs.9,722,501 had not been spent for the required objective as per action plan. The Vice Chancellor had informed the audit that this amount would be carried forward for the ensuing year.
- (c) It was planned to purchase books and publications during the year under review. In this connection, a sum of Rs.7,000,000 had been obtained from the Treasury. The amount spent was Rs.5,034,600 only.

2:2:3 Identified Losses

The following observations are made.

- (a) The institution had lost a sum of Rs.410,536 as a result of not obtaining the commission which could have been obtained while purchasing library books.

- (b) The University had lost a sum of Rs.60,000 as a result of obtaining a months valuation instead of an annual valuation while obtaining a report from the Department of Valuation for hostels obtained for academic staff.

2:2:4 Uneconomic Transactions

Although the Vice Chancellor had informed the audit that the amount valued had exceeded by Rs.963,000 only during obtaining 4 student's hostels for rent in the vicinity of Kuliypitiya and payments had been made after obtaining the approval from the Board of Control. Meanwhile, a further sum of Rs.855,000 had been paid for supervision, cleansing and protection, exceeding the conditions in the agreement entered into with the owners of hostels.

2:2:5 Fruitless Expenditure

The following observations are made.

- (a) Open chess sports stadium constructed in the vicinity of Makandura by spending Rs.517,828 remained idle without being used from 2008 to June 2011.
- (b) The first stage of the Animal Control Unit constructed in 2009 to meet the needs of the Livestock Fisheries Nutrition Faculty in the vicinity of Makandura by spending Rs.630,071 had not been utilized till 31 December 2010.

2:2:6 Conducting Postgraduate Courses

The following observations are made.

- (a) Unidentified deposits of Rs.259,500 had been shown in the bank reconciliation relating to the Kuliypitiya Banka of Ceylon Current Account maintained for postgraduate courses from December 2007 to December 2010.
- (b) Advances had been obtained for conducting various workshops in a place externally situated from the University and Rs.136,000 had been spent on midday meals and tea. The relevant bills had not been furnished.

2:2:7 Cost per Student

- (a) The information pertaining to expenditure incurred on each faculty and student during 2010 is shown below.

		Business Studies and Finance Faculty	Applied Science Faculty	Plantation Management Faculty	Livestock Fisheries Nutrition Faculty
Expenditure in 2010	Rs.	36,210,522	44,409,963	47,493,277	45,811,647
No of Students		980	407	363	283
Cost per students	Rs.	36,950	109,115	130,835	161,878

The following observations are made in this connection.

- (i) The cost per student of the Livestock Fisheries Nutrition Faculty and the Plantation Management Faculty during the year 2010 was very high as compared with the number of students.
- (ii) The trend observed among many of the students selected for 2 faculties at Makandura was to get transferred to other Universities.

		No. of students registered	No. of students gone on transfers to other Universities	Percentage
Livestock Fisheries Nutrition Faculty				
	2007	63	30	47.61
	2008	62	16	25.80
	2009	88	19	21.59
	2010	143	38	26.57
Plantation Management Faculty				
	2007	94	14	14.89
	2008	111	24	21.62
	2009	131	32	24.42
	2010	156	37	23.71

(b) Enrollment of Students

Although the Vice Chancellor had reported to the University Grant Commission about the non participation of 63 students in educational activities of the Agriculture and Plantation Management and Livestock Fisheries Nutrition Faculty and Home Gardening Faculties at the commencement itself and the non participation of 22 students in the Applied Science Faculty, the University Grants Commission had not taken action to enroll students to fill the vacancies concerned. As a result, the number of student engaged in educational activities was less than the approved number of students.

2:2:8 Budgetary Control

It was observed from the following instances that the annual budget had not been made use of as an instrument of effective financial management control.

- (a) Over estimates had been prepared for 31 items.
- (b) Expenditure in excess of the budget had been incurred in 13 items.
- (c) The entire amount provided for 4 items had not been spent.

3. Systems and Controls

The deficiencies in systems and controls observed in audit were brought to the notice of the Vice Chancellor by audit queries. Special attention is needed in respect of the following areas of control.

- (a) Purchase of Library Books
- (b) Construction Contracts
- (c) Accounting
- (d) Advances
- (e) External Courses
- (f) Stock Control
- (g) Staff
- (h) Budget
- (i) Procurement