

General Sir John Kotalawala Defence University 2010

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 General Sir John Kotalawala Defence University had maintained proper accounting records for the year ended 31 December 2010 and except for the effect on the financial statements of the matters referred to in paragraph 1.2 of the 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 General Sir John Kotalawala Defence University as at 31 December 2010 and the financial results of its operation and cash flows for the year then ended.

1:2 Comments on Financial Statements

1:2:1 Accounting Standard

Sri Lanka Accounting Standards No. 24

(a) Grants received from external institutions or individuals had not been brought to account in terms of Sri Lanka Accounting Standards No. 24 but, the balance amounting to Rs. 41,375 after incurring expenditure from the above grants had been shown by deducting from the total expenditure.

(b) Grants amounting to Rs. 150,000 received from the Bank of Ceylon for construction of a building had not been brought to account in terms of Sri Lanka Accounting Standards No. 24 and the value of building amounting to Rs. 114,987 constructed from the above funds had not been shown under fixed assets. The balance amounting to Rs. 35,013 had only been shown by deducting from the value of work in progress.

1.2.2 Accounting Deficiencies

The following deficiencies were observed.

- (a) Action had not been taken to identify separately and to show the foreign travel expenditure amounting to Rs. 1,888,881 included in the balance of the foreign travel expenditure in the income and expenditure account.
- (b) Equipment maintenance expenditure, membership fees, season ticket allowance and internet service expenditure amounting to Rs. 148,048 paid in the year 2009 in respect of the year 2010 had been still shown in the Balance Sheet as pre payments, Instead of bring to account as expenditure for the year 2010.
- (c) Clearance charges amounting to Rs. 342,875 paid to release a stock of imported books, which were sold at present, had been shown in the Balance Sheet as pre payments instead of being shown as an expenditure of the year.

1.2.3 Accounts Receivables

The following matters were observed.

- (a) Out of the unsettled advances amounting to Rs. 29.4 million as at 31 December 2010, advances amounting to Rs. 11.69 million had not been settled up to September 2011 whereas unsettled advances amounting to Rs. 1.2 million had not been identified. It was observed that the photo copies of the documents had been submitted as evidence for the unsettled advances amounting to Rs. 1.66 million.
- (b) Action had not been taken to recover balances amounting to Rs. 398,591 existed from previous years.

1.2.4 Lack of Evidence for Audit

A sum of Rs. 570,622 had been deposited in other institutions for various activities and it was unable to assure the correctness of the above balances due to the absence of deposit certificates, confirmation of balances, source documents thereon etc.

1.2.5 Non-compliance with Laws, Rules, Regulations, etc..

Although copies of the Corporate Plan approved by the Governing Board should be forwarded to the line Ministry, Department of Public Enterprises, General Treasury and the Auditor General 15 days prior to the commencement of each financial year in terms of Section 5.1.3 of the Public Enterprises Circular, No.PED/12 of 02 June 2003, action had not been taken to get it approved the Corporate Plan prepared for the period 2010 –2011 by the Governing Board or to forward to the relevant Divisions within the specified period.

2. Financial and Operating Review

2:1 Financial Review

2.1.1 Financial Results

According to the consolidated financial statements furnished in respect of the Sir John Kotalawala Defence University, Post Graduate Institute and the Self Finance Fund, an overall deficit of Rs.2,057,800 was disclosed. The corresponding deficit for the previous year amounted to Rs. 16,261,041. Increase of Government grants, other sundry income, income from sale of fixed assets by Rs. 20,695,519 had mainly effected for the improvement of financial results Rs. 14,203,241 as compared with the previous year.

2:2 Operating Review

2:2:1 Performance

(a) Underutilization of Physical and Human Resources

Year	Number of cadets applied from three armed forces	Number of cadets enrolled	Number of cadets enrolled less than applied	Out of the cadets enrolled, number of cadets given up their studentship	Number of overall vacancies	According to the cadets applied, percentage of vacancies
2006	130	109	21	12	33	25%
2007	122	92	30	10	40	33%
2008	205	151	54	17	71	35%
2009	239	209	30	8	38	16%
2010	187	168	19	4	23	12%

According to the above Note, and the examination of the progress of the enrollment of cadets for the last 5 years revealed that the enrollment of service cadets should have been equal to the number of officers applied annually from three armed forces. However, cadets enrolled for every year had been less than the number of cadets applied. Similarly, it was observed that there were vacancies for service cadets ranging from 12 per cent to 35 per cent from 2006 to 2010 when considering the number of students who were given up their courses out of the group of service cadets enrolled. There are 285152 members of armed forces in various grades belongs to three armed forces in Sri Lanka and those persons are consisted officers and other employees with various talents, abilities and educational qualifications. Accordingly, it is appropriate for increasing their abilities, obtaining best quality services by raising their job satisfaction, providing training opportunities for them and there from creation of

opportunities for promotions in the employment. As the higher educational institutions existed at present in the country had not implemented any suitable work plans, it appears that it is appropriate to study the opportunities to expand the activities of this University and implement it there for.

2.2.2 Management Inefficiencies

The following matters were observed.

- (a) As confirmations had not been received for the higher educational qualifications of individuals recruited to the posts of the University, an opportunity had been given to an individual to submit forged certificate and to engage in the service nearly one year period as a lecturer. Such situation will badly affect the goodwill of the University as well as the quality of the services provided by the University.

- (b) The University had taken time up to 14 August 2010 to complete the clearance activities of a cadet officer removed from the services of the armed forces based on the medical ground. As a result, those activities had indicated a delay of 7 months and 14 days.

2.2.3 Idle and Underutilized Assets

Thump mark printing machine for recording arrival and departure of the employees had been purchased in the month of July 2009 by paying Rs. 61,600 and it had not been effectively utilized up to the end of the current year due to some defects of the machine. Action had not been taken in respect of those defects until the expiry of its warranty period. In the mean time, action had been taken to purchase the same type of machine in the month of September 2010 for Rs. 61,600 without considering the defects of that machine.

2.2.4 Budgetary Control

The following matters were observed.

- (a) Provision had not been made through the budget for incurring the following capital expenditure carried out during the year.

	Value

	Rs.
Bodhi wall	112,169
Movable stage	623,788

	735,957
	=====

- (b) Variances from 10 per cent to 100 per cent were observed between the budgeted balances and actual balances thus, indicating that the budget had not been made use of as an effective instrument of management control.

3. Systems and Controls

Weaknesses observed in respect of systems and controls were informed to the Vice Chancellor through the audit queries from time to time and areas which needed special further attention are given below.

- (a) Presentation of Accounts
- (b) Receipts of Rations
- (c) Supplies and Services
- (d) Enrollments
- (e) Control of Assets