

University of Ruhuna- 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 Ruhuna 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 Standards.

1.2 Comments on Financial Statements

1.2.1 Accounting Deficiencies

The following observations are made.

- (a) Seventeen vehicles belonging to the University had not been revalued and brought to account whereas only the residual value of them had been shown. Out of these vehicles, the value of 16 vehicles had been included in the accounts as Rs.33,000. Further, the value of a bus, an ambulance, 04 three wheelers, 05 motor cycles and one tractor and trailer which are being used at present and existing in running condition had not been brought to the Account of Motor Vehicles as at 31 December 2012 as fixed assets.
- (b) Even though the balances of accounts of the financial assets and liabilities should have been converted at the exchange rate prevailed at the end of the accounting period and the profits or losses incurred thereon should have been adjusted to the Income and Expenditure Account when converting the foreign currency transactions of the Institute into the local currencies, the losses as at 31 December 2012 identified in that manner amounted to Rs.325,722 and it had not been brought to account. Similarly, the income for the year under review relating to that account amounted to Rs.44,185. However, it had been brought to account as Rs.52,915 and as such the income for the year had been brought to account overstating by Rs.8,730.
- (c) The custom duty and harbour charges amounting to Rs.3,210,395 to be paid at the time of importation of micro bus obtained through the JAICA Project had only been paid by the

- University. Accordingly, the total value of the vehicle (Including the Value Added Tax) amounted to Rs.8,400,000. However, it had been brought to account as Rs.11,610,395. Therefore, it was observed that the import duty amounting to Rs.3,210,395 had been brought to account twice.
- (d) A sum of Rs.4,655,664 spent during the year under review for making fence to the Gam Udawa land which was handed over to the Faculty of Agriculture, had been debited to the buildings account instead of being debited to the lands account.
- (e) The value of 03 plots of lands in extent of 378.3 perches acquired from the lands belonging to the University in the years 1982, 1985 and 2006 had not been assessed and included in the accounts.
- (f) The loan balances which could not be recovered from the monthly salaries of the employees had been entered in a separate account named HO 3030 with the expectation of recovering from the Provident Fund. Even though the balance of this account should have been Rs.3,466,532, it had been entered as Rs.3,242,581 and as such a difference of Rs.223,951 was observed. Further, it was decided to recover these loan balances from the Universities Provident Fund. However, it was observed that there were no balances in the provident fund accounts of 11 employees when making reconciliation with the list of balances of Provident Fund as at 31 December 2012 computed and forwarded by the University Grants Commission. Accordingly, alternative action had not been taken up to now to recover a sum of Rs.385,025 remained outstanding. In this connection computation of interest had also not been made.

1.2.2 Unreconciled Control Accounts

The following observations are made.

- (a) There was a difference of Rs.1,427,390 between the balances according to the subsidiary records relating to 10 projects maintained by the University and the balances according to the accounts.
- (b) The daily egg collecting register and egg yield register maintained at the Mapalana Farm had not been properly maintained and always there were differences between those registers. A difference of 1,764 eggs was observed between those registers in the month of September 2012 itself and the value of those was Rs.26,460.

1.2.3 Unsettled Accounts

Advances amounting to Rs.109,414 granted for 03 projects 03 years ago and advances amounting to Rs.151,392 granted to 06 officers and one institution in the year 2012 had not been settled even up to 31 December 2012.

1.2.4 Unexplained Differences

According to the schedules of the final accounts and schedules submitted by the Academic Institution Division, two differences of Rs.3,247,201 and Rs.3,073,555 respectively were observed between the amount recovered and amount to be recovered from the Lecturers who had violated the agreements.

Faculty	Amount received as at 31 December 2012 from Lecturers who had violated the agreements			Amount remained outstanding as at 31 December 2012 from Lecturers who had violated the agreements		
	Balance according to the Schedule of the Educational Institute Division	Balance according to the Schedule of the Final Accounts	Difference	Balance according to the Schedule of the Educational Institute Division	Balance according to the Schedule of the Final Accounts	Difference
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Faculty of Science	739,383	1,604,682	865,299	1,252,726	989,043	263,683
Faculty of Engineering	2,774,582	4,508,926	1,734,344	1,339,780	1,205,684	134,096
Faculty of Humanities and Social Science	-	645,268	645,268	-	-	-
Faculty of Management and Finance	-	-	-	751,185	2,520,319	1,769,134
Faculty of Fisheries, Marine Science and Technology	-	-	-	5,464,416	5,460,538	3,878
Faculty of Agriculture Science	-	-	-	186,858	-	186,858

Total	3,247,911	2,357,649
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1.2.5 Lack of Evidence for Audit

The following observations are made

- (a) Even though the value of stocks of animals of the Mapalana Farm as at 31 December 2012 had been assessed as Rs.1,779,000, it was unable to correctly verify the value of stocks of those animals due to improper maintenance of register of animals of the farm . Further, the entire stock of animals of the farm should have been included in the financial statements. However, the value of products prevailed at the stall of the farm as at that date had not been shown in the financial statements under the closing stock. Similarly, information relating to the value of animal foods amounting to Rs.2,454,406 purchased during the year under review and the value of closing stock of animal medicines amounting to Rs.44,828 had not been shown in the financial statements.
- (b) A Register of Fixed Assets prepared properly so as to include all the assets of the University had not been submitted for audit.

1.2.6 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non-compliances were observed.

<u>Reference to Laws, Rules, Regulations etc.</u>	<u>Particulars</u>
(a) Section 45(2)(1)(i) of the Universities Act and Section (2) of the Public Enterprises Circular No.95 dated 14 June 1999.	Contrary to the above mentioned Section and the Circular instructions, an allowance of Rs.333,625 had been paid only on the basis of approval of the Senate for 14 lecturers including the Director of the Distance and Continuous Education Unit and Senior Assistant Registrar for checking the correctness of marks of the first examination of the

Bachelor of Arts (2010) of the above Unit.

- (b) Employees Provident Fund Act No.08 of 1971 and Employees Trust Fund Act No.46 of 1980
- Even though sums of Rs.338,400 and Rs.55,260 should have been paid as contributions of the Employees Provident Fund and the Employees Trust Fund respectively for 08 farm labourers of the Faculty of Agriculture Science from December 2011 to July 2012 and for 08 officers of the Faculty of Medicine from July to November 2012, it had not been paid accordingly.
- (c) Sections 5.2 and 5.6 of Chapter XIX of the Establishments Code of the Democratic Socialist Republic of Sri Lanka.
- A percentage of 12.5 from the salary of a married officer and a percentage of 7.5 from the salary of an unmarried officer should have been recovered as rent for the occupation of the permanent quarters. Otherwise, the valuation report from the Chief Valuer and approval thereon from the Secretary of the Ministry should have been obtained if a fixed rent is recovered. However, the University Fund had incurred a loss of about Rs.3,103,188 in the year 2012 due to recovery of fixed rents from the officers of the University who had occupied the official quarters. Further, quarters should be allocated only to a limited period. It was not obvious that on which basis the quarters had been allocated due to occupation in the quarters for long period, and not maintaining a waiting list of applicants of the quarters.
- (d) Financial Regulations of the
- Action had not been taken in terms of the

Democratic Socialist Republic of
Sri Lanka 570 and 571

Financial Regulations in respect of deposits
amounting to Rs.9,352,916 remaining for a
period over 02 years as at 31 December 2012.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the activities of the University for the year ended 31 December 2012 had resulted in a deficit of Rs.1,431,816,000 while this deficit had become a surplus of Rs.112,332,000 as a result of grant of Rs.1,544,148,000 received from the Government for recurrent expenditure. The deficit for the preceding year was Rs.1,202,969,000 before taking into consideration the Government grant and the deficit had become a surplus of Rs.263,947,000 as a result of the Government grant of Rs.1,466,916,000 for recurrent expenditure for that year. The surplus for the year under review had decreased by Rs.151,615,000 as compared with the preceding year.

2.2 Analytical Financial Review

A summary of Income and Expenditure is given below.

Particulars	2012	2011	Increase/ (Decrease)	Percentage of Increase/ (Decrease)
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	(Rs.000)	(Rs.000)	(Rs.000)	%
Income	67,065	78,607	(11,542)	(14.7)
Expenditure (except depreciation)	1,498,881	1,281,576	217,305	16.9
Deficit	1,431,816	1,202,969	228,847	19.0
Government Grants	1,544,148	1,466,916	77,232	5.3
Surplus after Government Grants (Prior to depreciation)	112,332	263,947	(151,615)	(57.4)

The following observations are made in this connection.

- (a) Income had decreased as compared with the year 2011 and the decrease of income from Mapalana Farm by Rs.2,731,000 and decrease of income from external courses by Rs.11,275,000 was the reason for this. However, miscellaneous income had increased by Rs.2,745,000.
- (b) Expenditure had increased by Rs.217,305,000 as compared with the year 2011 and the increase of salary expenditure, expenditure on supplies and utilities and maintenance and contractual services by Rs.188,933,000, Rs.13,002,000 and Rs.19,387,000 respectively was the reason for this.
- (c) Advances paid for capital activities had increased by 249 per cent in the year 2012 and payment of advances amounting to Rs.17,338,186 for purchasing research vessel to the Faculty of Fisheries, Marine Science and Technology was the reason for this.
- (d) Trade and other receivables had increased by 32 per cent due to increase of advances on transport expenditure and advances receivable on international researches. These balances had increased on the basis of non-reimbursement of expenditure for air ticket provided to the lecturers who had gone abroad on study leave (Based on reimbursement from the University Grants Commission) up to 09 May 2013.
- (e) The balance of gifts and donations had increased by 56 per cent due to receipt of cash during the year for new projects and Green Dyke Project.
- (f) The balance stock had increased by 38 per cent due to increase of stocks purchased to the Head Office by 58 per cent and increase of stocks purchased to the Faculty of Engineering by 183 per cent.

2.3 Legal Action Initiated against the Institute and by the Institute.

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- (a) Eighteen cases had been filed in the courts against the University requesting compensation amounting to Rs.32,972,272 in respect of matters such as not taking action in terms of agreements, decisions of the Board of Control and the Board of Appeal, not making

payment of contribution to the Employees Provident Fund and decisions taken by the Board of Control.

- (b) A case had been filed at the Supreme Court by the University against the verdict given by the Appeal Court for dismissing a lecturer on probationary from the service in connection with a cash fraud.

2.4 Working Capital Management

Current ratio and quick assets ratio had decreased from 3.13 to 1.45 and from 2.98 to 1.32 respectively due to decrease of current assets by 26 per cent and increase of current liabilities by 60 per cent in the year 2012 as compared with the year 2011.

3. Operating Review

3.1 Performance

3.1.1 Academic Activities

Important data relating to academic activities of the University for the year under review are given below.

Degree Courses conducted	Number of Courses	Number of students who sat the Degree Examination during the year	Number of graduates produced in the year	Number of failed / referred students	Number of fresh students enrolled in the year	Overall number of students as at the end of the year	Cost per student for the year
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Bachelor of Arts	13	529	509	20	660	1,511	121,857
Bachelor of Business Administration	03	279	245	34	320	1,262	49,658
Bachelor of Science	08	251	170	81	222	936	196,612
Bachelor of Agricultural Science	07	160	110	50	251	519	259,853
Bachelor of Medicine	15	156	121	35	242	1,005	255,388
Bachelor of Engineering	03	197	188	09	252	790	141,076

Science								
Bachelor of Fisheries and	03	32	22	10	50	162	209,521	
Marine Science								

Students failed at the examination of the Faculty of Science, Faculty of Agriculture Science and the Faculty of Fisheries, Marine Science and Technology were 32 per cent, 31 per cent and 31 per cent respectively. Accordingly, it was observed that out of the total candidates, 1/3 of the candidates had failed the examination.

3.1.2 Cost per Student as Compared with the Previous Year

Faculty	Total Cost	2012		Total Cost	2011		Variance in the cost per student (Increase)
		Total number of students	Cost per student		Total number of students	Cost per student	
	Rs.		Rs.	Rs.		Rs.	%
Humanities	184,125,286	1,511	121,857	149,230,838	1,532	97,409	25
Management and Finance	62,668,710	1,262	49,658	48,668,440	1,575	30,900	60
Science	184,028,885	936	196,612	159,669,039	1,184	134,855	46
Agriculture Science	134,863,916	519	259,853	111,059,808	566	196,219	32
Medicine	246,615,373	1,005	245,388	183,805,447	995	184,729	33
Engineering	111,450,213	790	141,076	91,873,018	789	116,442	21
Fisheries and Marine Science	33,942,389	162	209,521	29,092,671	165	176,319	19
Postgraduate Degree	2,520,895	-	-	-	-	-	-

The cost per student of the Faculty of Agriculture Science which bearing the highest cost per student, was at a higher percentage of 423 per cent as compared with the cost per student of the Faculty of Management and Finance which bearing the lowest cost per student. This was a higher value of 84 per cent exceeding the cost per student of the Faculty of Engineering. On the whole, there was an increase in the cost per student of all the faculties.

3.1.3 Obtaining Study Leave and Sabbatical Leave by the Academic Staff

Total academic staff of the University was 448. Out of these, 101 officers had obtained study leave during the academic year 2012 whereas 27 officers had obtained sabbatical leave during the academic year 2012. Accordingly, 29 per cent of the entire academic staff had obtained study leave and sabbatical leave.

The following observations are made in this connection.

- (a) Even though study leave and sabbatical leave should have been approved for lecturers so as to carry out the academic activities of the University continuously without any obstacle, in several instances study leave and sabbatical leave had been approved for more than 50 per cent of the academic staff of the Departments. Further, this situation had exceeded the level of 80 per cent in certain Departments.

Example:-

- There were 06 academic staff at the Department of Geological Science and out of them, 05 persons had obtained study leave.
- There were 05 academic staff in the Department of Pharmacology of the Faculty of Medicine and out of them 03 persons had obtained study leave and one person had obtained sabbatical leave.

- (b) Owing to granting study leave and sabbatical leave to the academic staff without any control, external lecturers had to be recruited for covering up the lecture hours of those lecturers. Accordingly, a sum of Rs.2,260,500 had to be spent (Except travelling expenditure) in the year 2012 for external lecture fees for 04 Departments only.
- (c) According to the test check, 47 lecturers of 07 Departments belonging to 05 Faculties had conducted lectures for 4,277 hours in the academic year 2011/2012. Among these, 14 lecturers had conducted 651 lecture hours and it had represented an average value of 1.9 hours per week.
- (d) The entire approved lectures hours of 16 hours had not been conducted relating to 04 subjects of the Department of Surgery of the Faculty of Medicine.

3.2 Underutilisation of Funds

Among the research projects implemented at the University, 17 projects had not been implemented in the year 2012 and as such a sum of Rs.3,409,451 allocated for these projects had remained idle. Out of Rs.4,844,945 provided for 05 projects, only a sum of Rs.17,116 had been spent during the year under review.

3.3 Idle and Underutilised Assets

Stocks valued at Rs.338,037 and Rs.245,796 had remained at the main stores and at the Faculty of Agriculture Science respectively for long period without issuing due to purchasing of stock without identifying the requirement.

3.4 Uneconomic Transactions

Inquiry of an officer interdicted for irregularities taken place and referred to disciplinary action had taken nearly a period of 02 years for completion. A surcharge of Rs.100,710 had been paid at the time of releasing gratuity due to accepting his request for retirement during that period.

3.5 Personnel Administration

Division / Faculty	Staff Grade		Non- staff Grade		Minor Employees		Vacancies/ (Excesses)		
	Approved	Actual	Approved	Actual	Approved	Actual	Staff Grade	Non-staff Grade	Minor Employees
Administrative Division	32	19	155	101	256	132	13	54	124
Faculty of Postgraduate Degrees	01	01	02	01	01	-	-	01	01
Faculty of Humanities and Social Science	01	01	23	23	13	16	-	-	(03)
Faculty of Management and Finance	01	01	10	06	07	08	-	04	(01)
Faculty of Science	01	01	33	32	49	42	-	01	07
Faculty of Medicine	02	01	94	93	74	92	01	01	(18)
Faculty of Engineering	04	03	50	46	43	55	01	04	(12)
Faculty of Agriculture Science	04	03	24	33	60	68	01	(09)	(08)
	46	30	391	335	503	413	16	56	90

3.6 Utilisation of Vehicles

The following observations are made.

- (a) Even though 02 vehicles of the Faculty of Agriculture and the Faculty of Engineering had been underutilized, hired vehicles had been obtained and paid sums of Rs.58,390 and Rs.370,900 respectively. Further, leave had been approved for drivers without considering the service requirement. Opportunity had been given to the drivers of the Head Office, Wellamadama for remaining idle without deploying in the service.
- (b) A cab vehicle of the Faculty of Agriculture Science was condemned from 05 May 2010. Even though a period of nearly 2 ½ years had elapsed after taking action to repair, it had remained idle due to not taking a decision by the Control Authority to repair it.
- (c) Even though it was shown that test should have been carried out for consumption of fuel of all the vehicles in terms of Section 08 of Chapter XXVII of the Establishments Code of the University Grants Commission and the Institute for Higher Studies, these tests had not been carried out in respect of vehicles belonging to the University whereas fuel had been balanced under various values. Further, information that should be recorded in the reverse of the running chart in Form General 268 had not been shown. In addition to this, a Register of Vehicles and a Register of Vehicle Repairs had not been maintained.
- (d) Entering vehicle accidents in the Register of Losses and Damages and reporting to the Auditor General in respect of vehicle accidents had not been done in terms of Financial Regulation 110.
- (e) Even though daily running charts and monthly summary reports relating to vehicles should have been submitted to the Auditor General before 15 days of the ensuing month in terms of Financial Regulation 1646, running charts and monthly summary reports completed as per requirement had not been submitted relating to 45 vehicles out of 49 vehicles belonging to University.

4. Accountability and Good Governance

4.1 Corporate Plan - 2011 - 2015

The following observations are made.

- (a) Even though it was shown that a special degree course in business administration and a diploma course on local government had been started in addition to the courses existing at present keeping with the aim of increasing the opportunity of entrance to the education in the academic year 2012 at the Faculty of Management and Finance, it was unable to achieve that aim during the academic year 2012.

- (b) Even though it was shown that a special science degree on food technology and courses such as preservative agriculture and geological management had been started in addition to the courses existing at present keeping with the aim of increasing the opportunity of entrance to the education in the academic year 2012 at the Faculty of Agriculture Science, it had not been achieved.

- (c) Even though it was targeted to achieve the objectives such as commencing a new postgraduate course, providing laptops for all the lecturers, starting 03 degree programmes in collaboration with the Sri Lanka Navy, starting 03 courses in diving and swimming, establishment of Language Teaching Unit, starting multi-cultural courses and establishment of Faculty Development Fund and Department Development Fund in the year 2012 with the aim of increasing the opportunity of entrance to the education at the Faculty of Fisheries and Marine Science, these targets had not been achieved.

- (d) A period of time expected to achieve the targets of the Faculty of Humanities and Social Science, Faculty of Engineering and Faculty of Medicine had not been specifically shown.

4.2 Audit Committees

The meetings of the Audit Committee had been conducted in 04 times during the year under review and it was observed that some of the decisions taken at the Audit Committee were not in a position to implement them.

4.3 Procurement Plan

A Procurement Plan had not been prepared during the year under review.

4.4 Budgetary Control

It was observed that attention had not been drawn in respect of Corporate Plan when preparing the Budget. Further, some of the financial data had not been included in the Corporate Plan and as such it could not be compared with the Budget.

4.5 Tabling of Annual Report

Annual Report for the year 2011 had not been tabled in Parliament.

4.6 Observations on Unsettled Audit Paragraphs

Even though the Committee on Public Enterprises had discussed and given directives to carry out, the following directives had not been carried out up to 09 May 2013.

Matters taken for Review

Recovery of house rent in various denominations such as Rs.600, Rs.350, Rs.200, Rs.150 and Rs.100 without recovering economical rent in terms of Establishments Code from the officers who had occupied the official quarters.

Even though an officer had been recruited in the year 2005 for preparing register of fixed assets, an officer who had obtained sabbatical leave had been appointed to the post of Deputy Bursar for carrying out the above

Directives Given

To recover economical rent when recovering house rent from the officers in terms of Government Establishments Code.

To expedite the updating of register of fixed assets.

The Present Position

It had not been implemented up to 09 May 2013.

The Register of Fixed assets had not been completely updated up to 09 May 2013.

activity and paid salaries. However, the Register of Fixed Assets had not been updated.

Granting study leave and sabbatical leave for academic staff without any control and recruitment of external lecturers for covering those syllabuses.

Divisional Heads should accept the responsibility of covering up the syllabus by the staff from the same Department while granting study leave and sabbatical leave for those who need it.

Study leave and sabbatical leave had been granted for academic staff without any control even during the year under review and external lecturers had been recruited for covering those syllabuses.

5. Systems and Controls

Weaknesses revealed in the areas of systems and controls were brought to the notice of the University through audit queries. Special attention is needed in respect of the following areas of control.

- (a) Control over vehicles
- (b) Recovery of house rent
- (c) Taking action in terms of agreement and recovery of cash in respect of lecturers who had gone abroad by getting study leave but not returned back to the country.
- (d) Granting study leave and sabbatical leave.

