

Head 171 – Auditor General’s report of the Ministry of Higher Education and the Departments thereunder – Year 2013

This report comprises two Parts.

Part 1 - Summary Report on the Accounts of the Ministry and the Departments thereunder.

Part 2 - Detailed Report on each Head

Part I

Summary Report on the Accounts of the Ministry of Higher Education and the Departments thereunder.

1. Department under the Ministry

Head	Department
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214	Universities Grant Commission

2. Accounts

2:1 Appropriation Accounts

Total Provision and Expenditure

The total net provisions made for the Ministry and the Department under the Ministry amounted to Rs. 31,619,141,503 and out of that a sum of Rs.26,377,590,135 had been utilized by end of the year under review. Accordingly, the savings of the Ministry and the department amounted to Rs.1,153,456,368 and Rs.4,088,095,000 or 24 per cent and 15 per cent respectively of the total net provision. Details appear below.

<u>As at 31 December 2013</u>				
Head	Net Provision	Utilization	Savings	Savings, as Percentage of Net Provision
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	Rs.	Rs.	Rs.	
171	4,778,491,503	3,625,035,135	1,153,456,368	24
214	26,840,650,000	22,752,555,000	4,088,095,000	15
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Total	31,619,141,503	26,377,590,135	5,241,551,368	17
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2:2 Advances to Public Officers' Account

----- Limits Authorized by Parliament -----

The following limits authorized by Parliament for the Advances to Public Officers Account of the Ministry and the actual values are shown below.

Item Number	<u>Expenditure</u>		<u>Receipts</u>		<u>Debit Balance</u>	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
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	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
17101	4,500,000	2,473,725	2,300,000	2,847,318	18,000,000	12,235,297

2:3 General Deposit Account

The balance of the Deposit Account of the Ministry as at 31 December 2013 amounted to Rs.22,266,528.

Part 2

Detailed Report relating to each Head

1 Head 171- Ministry of Higher Education

1:1 Scope of Audit

The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Ministry of Higher Education for the year ended 31 December 2013 was carried out in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Secretary to the Ministry on 09 October 2014. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

1:2 Responsibility of the Chief Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statements in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Finance and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

1:3 Audit Observation

According to the Financial Records and Books for the year ended 31 December 2013, it was observed that except for the effects of the general observations appearing at (a) to (d) therein and other major findings appearing in paragraphs 1:4 to 1:7 below, the Appropriation Account and the Reconciliation Statements of the Ministry of Higher Education had been prepared satisfactorily.

(a) Excesses

The amount spent in excess of the provision allocated for a capital object and 19 recurrent objects was Rs.439,053,501, made up of Rs.437,077,279 and Rs.1,976,222 respectively.

(b) Budgetary Variance

The following observations are made.

- (i) The entire provision of Rs.579,320,000 allocated for 13 Objects remained unspent.
- (ii) There were overprovision in 11 Objects. As a result, the savings after utilization of provision ranged between 50 to 99 per cent of the net provision of those Objects.
- (iii) A sum of Rs.10 million had been provided for the “Project for Controlling Environmental Pollution and Developing Environmental Reference Technology in the Barren Land Reclamation Worksites”. A sum of Rs.10,281,323 had been paid as tax to the Sri Lanka Customs in connection with this Project. This had been noted in the Appropriation Account as an investment in the Educational Project for Knowledgeable Society” not commenced in 2013, by changing Objects. Accordingly, by making expenditure entries for the Project which had not been commenced, the expenditure of the Project concerned had been shown less by an equivalent value concerned and a sum of Rs.281,323 had been spent in excess of the net provision of local funds allocated for the Project.

(c) General Deposit Account

Action had not been taken in terms of Financial Regulation 571 with regard to 4 deposits aggregating Rs.403,244 which had exceeded a period of 2 years.

(d) Reconciliation Statement relating to the Advances to Public Officers' Account

According to the reconciliation statement relating to Item No. 17101 – Advance Account as at 31 December 2013, the balance of arrears remaining recoverable for over 5 years aggregated to Rs.307,980. The Ministry was unable to recover those arrears of balances.

1:4 Weaknesses in Implementation of Projects

1:4:1 Higher Education Project for the 21st Century

According to the Loan Agreement of the Higher Education Project for the 21st Century, the estimated total cost amounted to 40 million US Dollars and the amount had been funded by the International Development Association. It consists of 4 components. The activities of the Project which commenced on 01 November 2010 was scheduled to be completed by 31 December 2015. The following observations are made in this connection.

(a) Financial Performance

According to the financial statements, the accumulated expenditure as at 31 December 2013 amounted to Rs.1,780,679,075 and 38 per cent of financial progress of the expected expenditure had been achieved. However, 61 per cent of the project period had ended and as such it was observed that there was a position of unable to reached planned target by the time the project comes to an end.

Source	Utilization of Funds						Utilization of funds, as a percentage of provision
	Amount agreed to be financed as per loan agreement		Budgeted provision for 2013	Funds utilized in 2013	Funds utilized upto 31 December 2013		
	US Dollars (Mn)	Rs. (Mn)	Rs. (Mn)	Rs. (Mn)	US Dollars (Mn)	Rs. (Mn)	
I.D.A.	40	4,650	890	841.87	14.06	1780.68	38
Total	40	4,650	890	841.87	14.06	178.68	

(b) Performance of Components

The progress relating to the financial performance of components of the project was not satisfactory. Details are shown below.

Details	Accumulated provision as at 31.12.2013	Accumulated expenditure as at 31.12.2013	Accumulated expenditure as at 31.12.2013, as a percentage of accumulated provision
	Rs.	Rs.	
Development of a suitable framework for National Higher Education for the Higher Education Sector	16,650,000	2,709,470	16
Establishment of a Quality Certification Machinery for the overall Higher Education Sector	80,656,000	29,264,998	36
Quality and Innovation Grants	666,797,363	123,013,581	18
Modernization and Management of the Sri Lanka Higher Technology Institute Programmes	231,900,000	37,108,796	16

(c) Improvement of the Teaching and Learning Capabilities

Out of the provision allocated for 4 years as Universities' Development Grant with regard to all Universities to develop their economic related activities pertaining to higher education under the component named Improvement of Teaching and Learning Capabilities, the minimum target expected to be utilized by end of the year under review was 75 per cent. However, 6 Universities had utilized less than 40 per cent of the provision by the end of 2013. Meanwhile, out of the provision allocated for external degree programmes for 4 years, less than 40 per cent had been utilized by end of the second year.

(d) Physical Performance

The following observations are made.

- (i) A sum of Rs.2,709,470 had been spent by 31 December 2013 for activities relating to preparation of an Act, for development of a National Qualification Framework of Courses and an institutional framework of the Sri Lanka Higher Educational Sector under the Component named Established Norms for the Higher Educational Sector. However, those activities had not been completed even by 31 December 2013. Nevertheless, the Universities Grant Commission had issued a circular named Sri Lanka Qualification Framework. However, the Sri Lanka Institute of Advanced Technology Education had not taken action in this regard.
- (ii) The activities relating to the establishment of the Leadership and Quality Development Centre (LQDC) expected to be completed in 2013 through Sri Lanka Institute Advance Technology Education(SLIATE) Modernization Project had not been fulfilled even by 30 April 2014.

- (iii) Six Lecturers of 5 Universities who obtained grants under the Human Resources Development, Regularization and Evaluation and Academic and Media Component were expected to complete their teaching activities during the year under review. However, their activities had not been completed even by 30 April 2014.
 - (iv) The cost of the Programme relating to upgrading of merits of the English and Information Technology Degree candidates was Rs.8,543,252. The number of candidates who were eligible for the examination concerned was 7,471. Of them, 2,177 candidates alone had appeared for the speaking tests and 1,699 candidates alone had completed all the four stages.
- (e) Uneconomic Transactions
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- Gratuities aggregating Rs.386,818 had been paid to 4 employees who had left their services immediately after completion of the project service period of 3 years, contravening Payment of Gratuities Act, No. 12 of 1983.

1:4:2 Project for Improving and Updating Technology Education

According to the loan agreement of the project for improving and updating technology education, the objective of the project was to improve and update the technology education of Higher Technology Institutions at Mattakkuliya and Labuduwa. The total estimated cost of the Project was 27.6 Euro Million. (Rs.4,307.07 Million) The activities of the Project commenced on 31 December 2008 and was expected to be completed on 31 December 2011. The expenditure of the Project in 2011 was Rs.307,108,910 while the accumulated expenditure as at 31 December 2011 was Rs.3,442,926,331.

The following observations are made in this connection.

- (a) A sum of Rs.4,435,730 had been returned to the Ministry by the end of 2011 without being used for project activities.
- (b) One hundred per cent of the foreign aid loans and foreign aid grants allocated to the Project as per annual budgetary estimates 2011 and 74 per

cent of the local funds relating to foreign aid remained unspent as at end of 2011.

- (c) A quarterlywise and a halfyearlywise detailed overall plan with the objective of financial and physical target of the Project should be prepared during the specified period by utilizing the funds allocated for the project in order to ensure achievement of objectives of the Project. However, such a plan had not been prepared and implemented.
- (d) The period of the Project ended on 31 December 2011. However, the Sri Lanka Institute of Advanced Technology Education had not acquired the equipment amounting to Rs.2,039,485,875 received from the Project. Meanwhile, there was a balance of Rs.772,987 in the bank account of the Project even by 31 December 2013.

1:4:3 Project for Development of the South Eastern University of Sri Lanka Stage 1-B

According to the agreement No. 836 of 20 December 2011 entered into between the Democratic Socialist Republic of Sri Lanka and the Kuwait Fund for Arab Economic Development, the total estimated cost of the Project was Rs.1,812 million. The Kuwait Fund for Arab Economic Development consented to finance 3 Million Kuwait Dinars of this which was equivalent to Rs.1,421 million. The contribution of the Sri Lanka Government was Rs. 391 million. The Project commenced its activities on 01 September 2012 which was scheduled to be completed by 31 December 2015. The financial progress achieved by 31 December 2013 by spending Rs.29.95 million was 1.65 per cent. The physical progress was nil.

1:4:4 Delay in Commencement of Projects

During the year under review, two projects namely, the establishment of an Engineering Faculty at Kilinochchi and the Community Based Empowerment of Women of the Northern Province estimated at a cost of Rs.306.7 million were to be commenced by the Ministry of Higher Education. Although provision aggregating Rs.133.3 million had been allocated during the year under review, the projects had not been commenced due to various reasons.

1:5 Performance

The performance report of the Ministry had not been prepared in accordance with the Annual Corporate Plan and the Action Plan.

1:6 Transactions of Contentious Nature

The number of foreign scholarships awarded during the academic year 2013/2014 were 174 whereas the actual scholarships accepted were 147. Accordingly, 27 scholarships had not been accepted which was 16 per cent of the scholarships awarded.

1:7 Human Resources Management

(a) Approved Cadre and the Actual Cadre

The position relating to the cadre as at 31 December 2013 appear below.

Category of Employees	Approved Cadre	Actual Cadre	Vacancies
(i) Senior Level	24	17	07
(ii) Tertiary Level	02	01	01
(iii) Secondary Level	114	72	42
(iv) Primary Level	40	35	05
(v) Others (Casual/ Temporary/ Contract Basis)	<u>06</u>	<u>05</u>	<u>01</u>
Total	<u>186</u>	<u>130</u>	<u>56</u>

The Ministry was unable to fill 56 vacancies by end of the year under review.

(b) Human Resources obtained from Other Parties

Three casual labourers of the Sri Lanka Institute of Advanced Technology Education had been engaged for duties at the Ministry without being released from those institutions.

2. Head 214 – Universities Grant Commission

2:1 Scope of Audit

The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Universities Grant Commission for the year ended 31 December 2013 was carried out in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

2:2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statements in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Finance and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

2:3 Audit Observation

According to the Financial Records and Books for the year ended 31 December 2013, it was observed that except for the effects of the general observations appearing at (a) and other major findings appearing in paragraphs 2:4 below, the Appropriation Account and the Reconciliation Statements of the Universities Grants Commission had been prepared satisfactorily.

(a) Budgetary Variance

Thirty two per cent of the provision, allocated for capital expenditure of 2013 remained unspent.

2:4 Human Resources Management

Approved Cadre and the Actual Cadre

The position relating to cadre as at 31 December 2013 appears below.

Category of Employees	Approved Cadre	Actual Cadre	Vacancies
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(i) Senior Level	62	38	24
(ii) Tertiary Level	21	21	--
(iii) Secondary Level	156	98	58
(iv) Primary Level	50	43	07
(v) Others (Casual/ Temporary/ Contract Basis)	04	04	--
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Total	293	204	89
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The Commission was unable to fill 89 vacancies by end of the year under review.

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