

University Grants Commission - 2013

The audit of financial statements of the University Grants Commission for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Sub-sections 12(1), (4) and (7) of the Universities Act, No. 16 of 1978. My comments and observations which I consider should be published with the Annual Report of the Commission appear in this report.

1:2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1:3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000- 1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

2. Financial statements

2:1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the University Grants Commission as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Accounts Receivable and Payable

The following observations are made.

- (a) Advances amounting to Rs.26,401,600 granted for the payment of bursaries during the years 2012 and 2013 had not been settled even by 30 June 2014.
- (b) Action had not been taken for the settlement of expenditure totaling Rs.893,271 incurred in the year 2011 on behalf of the line Ministry.
- (c) The Scholarship funds amounting to Rs.64,600 existing from the year 2011 without being paid to students' remained in the Scholarship Funds Payable Account even by the end of the year under review.

3. Financial Review

3.1 Financial Results

According to the financial statement presented, the operations of the Commission for the year ended 31 December 2013 had resulted in a surplus of Rs.17,835,677 as compared with the corresponding surplus of Rs.5,175,131 for the preceding year, thus indicating an increase of Rs.12,660,546 in the financial result for the year under review. The increase of rehabilitation and improvement grants by Rs.10,038,892, the increase of contribution grants for the South Asia Universities by a sum of Rs.40,861,843, receipt of grants for property loans amounting to Rs.17,105,414 and the decrease of expenditure on Universities and Institutions of Higher Education by a sum of Rs.577,081,455 had been the main reasons for the improvement.

3.2 Legal Proceedings instituted against the Commission

Eighty six legal cases had been pending against the University Grants Commission in the Courts and other institutions as at end of the year under review.

4. Operational Review

4.1 Performance

The following observations are made.

- (a) A summary of the number of students enrolled to the Universities and recurrent expenditure incurred during the last 3 years is given below.

		2010/2011	2011/2012	2012/2013
		-----	-----	-----
Number of Students qualified for University entrance	}	142,516	141,411	144,816
Number of Students selected for the University enrolments	}	22,016	28,937	22,943
Selected Students for Universities, out of the qualified Students as a percentage	}	15	20	16
		2011	2012	2013
		-----	-----	-----
Recurrent Expenditure incurred (Rs.'000)		14,972,000	17,587,000	21,655,000
Total Number of Students		77,657	73,295	80,380
Average Recurrent Expenditure per Student (Rs.)		192,796	239,948	269,407

Even though the number of Students qualified for University admission in the year under review as compared with the preceding year had increased by 2 per cent, the number admitted had decreased by 21 per cent and the average recurrent expenditure per Student amounted to Rs.269,407.

- (b) **Uplifting of six National Universities to World Rank Universities**
-

Even though a sum of Rs.285 million had been allocated to six universities for the above purpose, according to the International Financial Positioning Index, conducted in July 2013, only the University of Ruhuna was in a high rank in the International Positioning Index and Colombo, Moratuwa, Sri Jayawardanapura, Kelaniya and Peradeniya Universities were in lower positions of that index.

4.2 Management Inefficiencies

The following observations are made.

- (a) According to the investigation carried out relating to 4 Universities, it was observed that the bond value receivable from the officers who breached the agreements amounted to Rs.273,491,143. Even though the courses of action to be taken for the recovery of this money are given in Sections 7.6, 7.7 and 7.8 of Chapter v of the Establishments Code of the Universities, the Commissions had not implemented a methodology to direct the Universities for that purpose and for follow up action.
- (b) An aggregate amount of Rs.16,612,390 related to 4 Special Fund balances, under the purview of the Commission, remained idle without being utilized for the achievement of the objectives of the Funds.

4.3 Transactions in Contentious Nature

The following observations are made.

- (a) According to the University Grants Commission circulars, money recovered for the breach of agreements should be credited to the Universities Fund. But, each University had been maintaining a Fund of the Lecturers who breached the Agreements even without Treasury approval and utilized the income received from such Funds for sundry expenses of the Universities. The total of such Funds of 13 Universities and the University Grants Commission totaled Rs.593,760,767.
- (b) The Commission had obtained Internet facilities from a private company without entering into an agreement and a sum of Rs.1,985,324 had been spent in that connection during the year under review.
- (c) The University Grants Commission had issued Circulars No.06/2014 of 26 March 2014 and No. 05/2011 of 24 May 2011 on the settlement of entertainment expenses and telephone expenses without the concurrence of the Treasury.

4.4 Staff Management

The approved and actual cadre of the Commission as at 31 December 2013 had been 293 and 206 respectively. Thus a shortage of 87 members of the cadre was observed.

5. Accountability and Good Governance

5.1 Budgetary Control

A budget for the year under review had not been prepared in accordance with Section 5.2.1 of the circular No. PED/12 of 02 June 2003. Variances ranging from 21 percent to 228 percent existed between the budgeted expenditure and the actual expenditure, thus indicating that the budget had not been made use of as an effective instrument of financial control.

5.2 Tabaling of Annual Reports

According to Section 16 of the Universities Act No. 16 of 1978, Annual Reports should be tabled in the Parliament before lapse of 6 months after closing of the financial year. However, the Annual Report of the University Grants Commission for the year 2012 had not been tabled in Parliament.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairperson of the Commission from time to time. Special attention is needed in respect of following areas of control.

- (a) Accounting
- (b) Utilization of Capital Provisions
- (c) personnel Management
- (d) Stock Control