

University of Sri Jayawardhanapura - 2013

The audit of financial statements of the University of Sri Jayawardhanapura for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of comprehensive income, 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 Section 107(5) of and Section 108 of the Universities Act, No. 16 of 1978.

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 judgments, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University’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 University’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 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.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my of opinion, except for the effects of the matters described in paragraph 2.2 of the this report, the financial statements give a true and fair view of the financial position of the University of Sri Jayawardanapura 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 Comments on Financial Statements

2.2.1 Sri Lanka Public Sector Accounting Standards

The following observations are made.

- (a) Action had not been taken to revalue and account for assets costing Rs.1,314,600,400 fully depreciated but being used at present.
- (b) Even though the land and building situated at Kohuwala purchased for Rs.61.5 million in the year 2001 had been transferred to the Institute of Aesthetic Studies of the University of Kelaniya on 17 October 2003 as it was not suitable for the purposes of the University, the adjustments relating to the transfer had not been brought to account.

2.2.2 Unreconciled Control Accounts

A difference of Rs.77,753 was observed between the balance of Advances Account (Faculty of Medicine) and the Schedule furnished for the Accounts.

2.2.3 Lack of Evidence for Audit

The following observations are made.

- (a) Even though a balance of Rs.90,249 was shown in the rehabilitation, laboratory and teaching equipment advances the particulars of the persons or the institution to whom the advances were granted had not been furnished to audit. It was revealed that the balance is an unidentified balance.
- (b) The files adequate for the confirmation of the capital advance of Rs.1,310,000 paid to the Maharagama Urban Council included in the statement of financial position had not been furnished to audit over a number of years.

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) Action had not been taken for the settlement of the balance older than 5 years amounting to Rs.3,818,485 included in the balance of Rs.94,690,359 shown as sundry advances in the statement of financial position.
- (b) Even though the money relating to unclaimed scholarships out the money received from the Mahapola Trust Fund for the grant of Mahapola Scholarships should be paid back immediately to the Mahapola Trust Fund, action had not been taken to settle the scholarship money amounting to Rs.11,753,550 relating to periods ranging from two years to five years.
- (c) A sum of Rs.4,060,069 older than 05 years and a sum of Rs.2,295,569 between two to five years remained in the Sundry Deposit Accounts and action had not been to identify those amounts for settlement or write back to income.
- (d) A sum of Rs.291,642 receivable from courses and projects over a number of years had not been received up to date and action had not been taken thereon.

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

The following non-compliances were observed.

Reference to Laws, Rules, Regulations, etc.	Non-compliance
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(a) Establishments Code of the Universities	
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| (i) Chapter V Section 7.6.1 | If the bonds value payable by the Lectures who had breached the agreements are not paid within the specified period it should be brought to the notice of the sureties within three weeks. But, it had not been so done. |
| (ii) Chapter V Section 7.8 | The parties to be informed of the Lectures who had proceeded abroad on whom action had been taken as vacated posts by breaching the agreements had not been so informed. |
| (iii) Chapter XX Section 3.1 and
Chapter X Section 1.6.1 | The records of arrival and departure had not been furnished to audit for the confirmation of a sum of Rs.1,087,509,732 as salaries and allowances paid in the year under review to the academic staff. Even though |

the Committee on Public Enterprises had advised that a methodology for the confirmation of the arrival and departure and the leave of academic staff should be prepared action had not been taken up to the date of audit for the preparation of a methodology.

- (b) University Grants Commission Circular No. 830 of 09 September 2003. Even though an employee should have been confirmed in the post for the employee to be eligible for grant of fees by the University for following courses, contrary to the circular 23 Teachers under probation had been paid course fees amounting to Rs.1,992,170 in connection with 26 courses.
- (c) Government Procurement Guidelines of 25 January 2006 Guideline 3.4(a) Even though the National Comparative Building Policy should be followed always, contrary to that bids for two canteens of the University for the year under review had been awarded by drawing lots among the employees of the University.
- (d) Treasury Circular No. 1A1/2002/02 of 28 November 2002. Even though a Register of Computers, Accessories and Software of the University should be maintained, it had not been maintained.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the University for the year ended 31 December 2013 had resulted in a surplus of Rs.20,507,333 as against the deficit of Rs.73,197,266 for the preceding year, thus indicating an improvement of Rs.93,704,599 in the financial results.

4. Operating Review

4.1 Performance

Recurrent expenditure amounting to Rs.1,813,208,326 had been incurred in the year under review for 10,455 students studying in the 04 Faculties of the University. As compared with that recurrent expenditure of Rs.1,436,252,349 had been spent for 9,619 students in the preceding year. Accordingly, the overall cost per student had increased from Rs.149,214 to Rs.173,429 by Rs.24,115 or 16 per cent. The cost per student of each Faculty is given separately below.

Faculty -----	Cost per Student	
	<u>2013</u>	<u>2012</u>
	Rs.	Rs.
Faculty of Applied Science	218,901	196,706
Faculty of Humanities and Social Science	156,310	136,144
Faculty of Management and Commerce	123,438	106,007
Faculty of Medicine	355,329	279,361

4.2 Management inefficiencies

The following observations made.

- (a) Despite the payment of rent for the hostel procured from a private institution up to August 2014, an advance of Rs.1,000,000 had been granted on 13 March 2014 in respect of September and October 2014. The balance sum of Rs.640,920 had been paid to the institution on 13 June 2014. The need for making payments for future periods had not been explained to audit.
- (b) In addition to the salaries and allowances approved by the University Grants Commission, the non-academic staff had been paid allowances amounting to Rs.3,152,491 out of the income received from the External Project Courses conducted by the University extraneous to the Public Enterprises Circular No. 95 of 14 June 1994.
- (c) The value of the bonds of 41 Lectures who had proceeded abroad on academic leave and breached the agreements amounted to Rs.85,304,889 and a further sum of Rs.71,633,636 out of that remained recoverable as at 31 December of the year under review. Action had not been taken to initiate legal action against the officer or the surety in connection with the long outstanding bonds referred to above.
- (d) In terms of paragraph 3 of the Circular No. 1/2001 dated 20 April 2011 of the Ministry of Higher Education, the research allowance for the ensuing year could be paid only if the Research Committee is satisfied with the contents of the research reports of the preceding year. Nevertheless, research allowances amounting to Rs.84,110,368 had been paid in the year 2013 without paying attention to the research reports of the year 2012.
- (e) The approval of the Cabinet of Ministers had been received on 06 August 2003 for the Project on the Disposal of Waste Water of the University costing Rs.70 million and a sum of Rs.2,336,090 had been paid to the National Water Supply and Drainage Board for the preparation of the preliminary plans for constructions. According to the comment made by the Committee on Public Enterprises, the Waste Water Collection Network planned for construction in place of that project had not been commenced up to date.

- (f) Action had not been taken for the recovery of electricity charges for the year under review amounting to Rs.597,888 recoverable from 04 employees canteens consuming electricity exceeding 250 units. Legal action in terms of the agreements had not been taken for the recovery of electricity charges amounting to Rs.3,116,772 recoverable in respect of the years 2009 to 2012.
- (g) Even though a sum of Rs.1,147,412 had been paid to a private company in the year 2005 for the preparation of a Register of Fixed Assets, the Register of Fixed Assets had not been prepared up to the date of the financial statements.
- (h) As a result of the payments made contrary to the decision of the Cabinet of Ministers dated 23 December 2004 on the renting of hostels from an institution, overpayments amounting to Rs.12,868,737 had been made to the institution concerned up to the end of the year under review. Action had not been taken to revise the Cabinet decision in connection with the increased rent.
- (i) Even though the reimbursement of a sum of Rs.1,690,141 out of the salaries paid over a number of years to two lecturers released for service in the Government or Government affiliated institutions on the basis of reimbursement of salaries, should be obtained, the institutions concerned had informed that the money cannot be reimbursed. Even though the salaries should be recovered from the respective Lecturers, no action thereon had been taken up to the end of the year under review.
- (j) The motor vehicles, distress and employees loan balances amounting to Rs.2,201,370 granted to the employees up to the end of the year under review remained without being recovered over a number of years.

4.3 Operating Inefficiencies

The following observations are made.

- (a) Out of the 147 Teachers who had presented proposals for the conduct of researches from the year 2005 to the year 2012 the submission of research reports by 45 Teachers who had obtained research grants amounting to Rs.14,305,845 had been delayed for periods from one year to eight years.
- (b) A sum of Rs.24 million had been paid up the year 1998 in 03 installments for a block of 05 acres from the Methsevana land allocated for the Faculty of Medicine. Nevertheless, land 1 acre 34.2 perches in extent only had been taken over up to date. The balance block of land had not been taken over up to date. The sum of Rs.24 million paid had been shown in the financial statements as unsettled advances over a number of years.

4.4 Underutilization of Funds

Out of Rs.25,371,411 in 69 Endowment Funds, a sum of Rs.18,537,995 had been withdrawn and invested. Action had not been taken for the investment of Rs.6,833,416 remaining in the Funds.

4.5 Idle an Underutilized Assets

The tenure of the land 41.31 perches in extent situated in Boralesgamuwa had been transferred to the University for the purpose of providing hostel facilities for 300 students, on 06 August 2003 by the Divisional Secretary, Kesbewa after the payment of a sum of Rs.1.6 million to the Western Provincial Council. The land had not been used for a useful purpose since that date up to the end of the year under review and any development work had not been done.

6. Systems and Controls

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

- (a) Fixed Assets
- (b) Control Accounts
- (c) Petty Cash
- (d) Management of Self Financing Courses
- (e) Stores Control
- (f) Agreement and Bonds