

Sri Lanka Uva Wellassa University - 2013

The audit of financial statements of the Sri Lanka Uva Wellassa University for the year ended 31 December 2013 comprising the statement 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 - section 107(5) of the Universities Act, No. 16 of 1978. My comments and observations which I consider should be published with the Annual Report of the Uva Wellassa University in terms of Section 108(1) of the Universities Act 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 judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risks 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.

2. Financial statements

2:1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Sri Lanka Uva Wellassa University as at 31 December 2013 and the 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 Unreconciled Control Accounts

Bursaries and Advances Receivable Account for the year 2013 amounted to Rs 3,611,200 and it was shown as Rs.3,781,521 in the Schedule furnished along with the financial statements. Thus a difference of Rs.170,321 was observed.

2.3 Accounts Receivable and Payable

The following observations are made.

- (i) Action had not been taken even by 26 May 2014 to recover hostel fees of Rs.59,870 and surcharge of Rs.365,677 receivable from 98 students who resided in hostels in the academic years 2007/2008 and 2008/2009 and left the University after sitting the final year examination.
- (ii) Research allowance of Rs.93,546 paid for the period from January to July 2011 on reimbursable basis to a Professor who was transferred to this University from University of Peradeniya had not been recovered from University of Peradeniya.
- (iii) Distress loan balance totalling Rs 238,275 given to three officers in the years 2007,2008 and 2010 included in the total distress loan balance of Rs.6,753,253 as at 31 December 2013 had not been recovered even by 31 December 2013.
- (iv) It was observed that according to the financial statements, a festival advance balance of Rs.11,000 given in April of the years 2010, 2011 and 2012 included in the total festival advance balance of Rs.108,000 as at 31 December 2013, remained without being recovered.

2.4 Lack of Evidence for Audit

The following evidence indicated against each item were not made available for audit.

Item	Value	Evidence not made available
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	Rs	
Security Deposits Receivable	3,325,000	Security Bonds
Employees Security	50,000	Register of Employees Security/ Detailed Schedules.

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

The following non – compliances were observed in audit.

Reference to Laws, Rules and Regulations etc.	Description
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(a) Finance Act, No.38 of 1971 Section 14(1)	A copy of the Draft Annual Report of the year under review had not been furnished to the Auditor General
(b) Financial Regulations of Democratic Socialist Republic of Sri Lanka.	
(i) Financial Regulation 71	Employees had been recruited from the year 2006 to 2013 on assignment basis for the post of “Operating Assistant” which was not included in the approved cadre of the University and a sum of Rs.26,111,450 had been paid as fees for such employees for the above period.
(ii) Financial Regulation 135(1)	Responsibilities had not been assigned among several officers in a manner to delegate the functions of the preparation of salaries for maintaining effective internal control, while the preparation of salaries and payments had been done by the Shroff himself.
(iii) Financial Regulation 320	The keys of the four fire resistant safes valued at Rs.258,048 purchased on 30 June 2010 had misplaced and action thereon had not been taken in terms of the Financial Regulations.

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| (c) Treasury Circular No.IAI/2002/02 of 28 November 2002. | The Computers and accessories valued at Rs.1,577,800 purchased during the year under review had not been included in the Register of Computers and Accessories. |
| (d) Circular No.DMA/2009(2) of Department of Management Audit dated 01 September 2009 | A Register of Fixed Assets had not been maintained. |
| (e) Paragraphs 7.1 and 7.2 of Chapter 7 of the Public Enterprises Circular on Good Governance Guidelines No. PED/12 of 03 June 2003. | Operating Manuals had not been prepared so as to cover the main operating areas of the University. |

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 deficit of Re.123,412,661 as compared with the corresponding deficit of Rs.55,571,620 for the preceding year, thus indicating a deterioration of Rs.67,841,041 in the financial results as compared with the preceding year. Non – receiving income from Self- Finance Programmes, increase in personal emoluments, travelling, contractual services expenditure and depreciation of fixed assets had mainly attributed for this deterioration.

4. Operating Review

4.1 Performance

The following observations are made.

- (a) The cost incurred for academic activities of 1,423 students during the year under review amounted to Rs.401,635,931 and cost per student amounted to Rs.282,246 and as compared with the preceding year the academic cost for 1,787 students amounted to Rs.355,121,855 for that year and cost per student amounted to Rs.198,725. As such the cost per student had increased by Rs.83,521 or 42 per cent as compared with the preceding year .
- (b) Out of 538 students enrolled in the University for the year under review 59 students had abandoned the courses.
- (c) The lecturer, student ratio of the Sri Lanka Uva Wellassa University as at 31 December 2013 had been 1:14 as compared with the lecturer student ratio of 1 : 18 of the other Universities of the Island in the year 2013.

4.2 Management Inefficiencies

The following observations are made.

- (a) A sum of Rs.1 million out of the income earned from external courses in every month from June 2013 to December 2013 had remained idle in a Bank Current Account without earning interest.
- (b) Even though 14 Lecturers and 87 Junior Lecturers were in the service of the University in the year 2013 only 15 Lecturers had conducted researches using provisions made for Research Aid. As such it was observed that adequate action had not been taken by the Research Committee to encourage the conduct of researches which is the main objective of the University.

4.3 Utilization of Funds

The following observations are made.

- (a) Fifty per cent, 80 per cent and 54 per cent had not been utilized out of the recurrent provisions made in the Annual Budget for internal researches in the year 2011, 2012 and 2013 respectively.
- (b) A sum of Rs.362,170 only had been utilized out of the budgeted capital provisions of Rs.1,790,000 made for encouraging researches. Accordingly provisions of Rs.1,427,830 had been saved and it was 80 per cent of the provisions.

4.4 Idle and Underutilized Assets

The following observations are made.

- (a) Five fire resistant safes valued at Rs.322,560 purchased on 30 June 2010 had been idle without being utilized even by 31 December 2013.
- (b) 3 – Axis CNC machine valued at Rs.14,060,480 purchased in the year 2012 for the use of the Engineering Workshop had remained idle without being utilized.
- (c) The building constructed for Sculpture Development Laboratory had been utilized for indoor stadium since 02 years.

4.5 Identified Losses

The following observations are made.

- (a) Surcharges amounting to Rs,1,765,472 had been paid due to failure in making payment in contributions on the due dates for the period from 2006 to 2011 in terms of the

provisions in the Employees` Provident Fund Act No.15 of 1958 and a sum of Rs.1,439,044 had been paid to the Employees Provident Fund as the contribution of 8 per cent which should be recovered from employees by the University.

- (b) Surcharges amounting to Rs.193,816 had been paid to the Employees` Trust Fund due to non – submission of half yearly returns on the due dates from the year 2006 to January 2012 and non – payment of contributions on the due dates.

4.6 Non – execution of Projects.

The following projects to be commenced in 2010 and to be completed in 2011 had not been commenced even by 31 December 2013.

Construction Works	Due Date of Commencement	Due Date of Completion	Value
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			Rs.
Sewerage System	16 August 2010	15 August 2011	17,800,000
Storm Water Drainage System	02 August 2010	28 January 2011	23,190,000

4.7 Human Resources Management

The following observations are made.

- (a) Recruitment had not been made for 07 posts of Professors and 48 posts of Senior Lecturers of the approved cadre of the University as at 31 December 2013.
- (b) The approved cadre for the posts of Probationary Lecturers of the University as at 31 December 2013 stood at 69 while actual cadre stood at 87 and as such 18 posts had been in excess.
- (c) The posts for Librarian and Bursar of the University in terms of the Section 33 of Part vi of the Universities Act, No.16 of 1978 had remained vacant since the year 2006.
- (d) Eighty nine posts out of 211 posts in academic staff and 83 out of 126 posts in non – academic staff approved as at 31 December 2013 had not been filled.
- (e) Instead of recruiting officers for 27 vacancies of Computer Application Assistants connected to the Combined Clerical Service, employees had been recruited from time to time on assignment basis since the year 2005 to the post of Operating Assistant not included in the approved cadre of the University. Operating Assistants so deployed in the service as at 31 December 2013 had been 21.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

Even though the financial statements for the year ended 31 December 2013 should have been presented to the Auditor General within 60 days after the close of the financial year in terms of Public Finance Circular No.PF/PE. 21 of 24 May 2002, the financial statements for the year under review had been presented to audit only on 07 May 2014. After the audit observations made, the amended financial statements had been presented to audit on 11 July 2014 and 21 November 2014.

5.2 Corporate Plan

The following observations are made.

- (a) Material deviations were shown in 12 projects included in Corporate Plan for the period from 2013 to 2017 and Action Plan for the year 2013 of the University approved by the decisions of the Board of Control Nos.79/25 and 79/24 dated 01 February 2013.
- (b) A review of operating results for preceding 03 years had not been included in the Corporate Plan prepared for the period from the year 2013 to 2017 in terms of the Section 5.1.2 of the Public Enterprises Circular No. PED/12 of 02 June 2013. Further, the financial values of the targets to be achieved had not been indicated and as such the Corporate Plan had not been prepared in a manner to enable the evaluation of the annual progress.

5.3 Action Plan

Performance Reports had not been prepared from the second quarter in order to measure the physical progress of the Action Plan for the year 2013.

5.4 Internal Audit

Internal audit functions for the year 2013 had been carried out by two Operating Assistants recruited on contract basis while no permanent and experienced staff had been deployed.

5.5 Procurement Plan

The Master Procurement Plan had not been updated and a Procurement Time Schedule had not been prepared in terms of the Sections 4.2.1 (e) 4.2.2 of the Procurement Guidelines 2006.

5.6 Budgetary Control

The following observations are made.

- (a) A sum of Rs.126,033,453 had been saved out of the provisions of Rs.390,790,000 made for capital expenditure of the Budget Estimates for the year 2013 and that represented 32 per cent of the overall capital provisions.
- (b) Variances ranging from 23 per cent to 81 per cent of the provisions made for 05 recurrent expenditure items and significant variances ranging from 23 per cent to 96 per cent of the provisions made for 05 capital expenditure items were observed in the comparison of the estimated expenditure with the actual expenditure, thus indicating that the budget had not been made use of as an effective instrument of management control.

5.8 Observations on Unresolved Audit Paragraphs

The University had failed to rehabilitate the Waste Water Recycling Project up to the date in accordance with the instructions given by the Committee on Public Enterprises at the meeting held on 21 September 2012.

5.9 Fulfilment of Environmental and Social Responsibilities

Waste Water Recycling Project

The contract for construction of Waste Water Recycling Project had been awarded for a sum of Rs.23,190,000 to Central Engineering Consultancy Bureau on 05 October 2010. As the project completed and handed over to the University on 03 January 2011 had been unsuccessful the Central Engineering Consultancy Bureau had re-commenced the rehabilitation works in June 2013, but the works had been stopped halfway. Thus it was observed that the untreated water had been released to the environment at present.

6. Systems and Controls

Weaknesses in the 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) Accounting
- (b) Assets Management
- (c) Stores Control
- (d) Financial Management and Control of Expenditure
- (e) Human Resources Management