

University of Sri Jayawardanapura - 2015

The audit of financial statements of the University of Sri Jayawardanapura for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 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) and Section 108 of the Universities Act, No. 16 of 1978. My comments and observations which I consider should be published with the Annual Report of the 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 Auditing 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. Section 111 of the Universities Act, No 16 of 1978 gives 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 of opinion, the financial statements give a true and fair view of the financial position of the University of Sri Jayawardanapura as at 31 December 2015 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

Although the bond value that remained recoverable from the lecturers who proceeded abroad on academic leave and breached the agreements had been brought to account as an income receivable on accrual basis up to 31 December 2010, it had been disclosed by the notes to the accounts that the policy of accounting under the cash basis would be adopted with effect from 01 January 2011. As a result of changing of this policy, the bound value amounting to Rs.40,812,562 brought to account under the accrual basis for the years preceding the year 2011 had not been retrospectively adjusted and corrected as required by the Sri Lanka Public Sector Accounting Standard 03.

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) Action had not been taken to settle the advances amounting to Rs.1,310,000 paid to the Urban Council, Maharagama and brought forward from the year 1990 even up to the year under review.
- (b) Out of the advance of Rs.2,268,483 paid to the contractor for the renovation of laboratory building and the New Art Theater in the year 2011, a sum of Rs.1,764,013 remained recoverable in respect of the work not done had not been recovered even in the year under review.
- (c) Out of the advance amounting to Rs.400,000 obtained on 20 August 2014 by a lecturer for carrying out research study on the awareness of the reproductive health and the spread of sexually transmitted diseases among the inmates of the Welikada Prison, a sum of Rs.366,720 had not been settled even by August 2016 and the relevant research as well had not been carried out.
- (d) Advances of Rs.684,373 older than 10 to 14 years included in the balance of Rs.1,141,097 shown as the Sundry Advances in the financial statements as at the end of the year under review had not been recovered even in the year under review.
- (e) Out of 14 security bonds debtors totalling Rs. 93,549,873 as at the end of the year under review, a sum of Rs.16,411,708 remained recoverable for more than 15 years had not been recovered even in the year under review.

- (f) Out of the 18 quarters owned by the University, 16 quarters had been given to the officers without entering into agreements and out of the house rental amounting to Rs.321,300 remained receivable for the year under review, a sum of Rs.258,300 or 80 per cent had not been recovered.

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

The following non-compliances with Laws, Rules, Regulations and Management Decisions were observed.

Reference to Laws, Rules, Regulations etc.	Non-compliance
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(a) Section 3.1 of Chapter XX and Section 1.6.1 of Chapter X of the Establishments Code of the University Grants Commission and Higher Education Institutions.	Although instructions had been given to formulate a methodology to establish the arrival, departure and the leave of the academic staff at the Committee on Public Enterprises, action had not been taken accordingly.
(b) Section 2.1 of Chapter XXVI of the Establishments Code of the University Grants Commission and Higher Education Institutions.	A Board of survey on the library books had not been conducted after the year 2005.
(c) Treasury Circular No.IAI/2002/02 dated 28 November 2002.	A Register of Fixed Assets had not been maintained on the computers and computer accessories of the University.
(d) University Grants Commission Circular No. 803 dated 16 May 2002 and Third Paragraph of the Letter No.DMS/7777/TDP/SJP dated 16 September 2014 of the Director General of Management Services.	When recruiting the officers to the posts of Project Manager, Project Administrative Officer, Quantity Surveyor and the Technical Officer required to the Urban Development Project of the University, those recruitments had been made irrespective of the educational qualifications, experience and age limits and without being published the relevant vacancies.

2.5 Transactions not Supported by an Adequate Authority

The following observations are made.

- (a) Without obtaining the approval of the Universities Grants Commission in terms of Section 45.2 (XV) of the Universities Act, No.16 of 1978, a sum of Rs.153 million had been invested in fixed deposits during the year under review. Out of the funds usable for the physical and academic development of the University, the total amount thus invested in the fixed deposits as at the end of the year under review was Rs.862 million.

- (b) Without approval of the Ministry of Higher Education, the University had recruited 61 Temporary Demonstrators and Instructors exceeding the approved cadre of the academic staff included in the Human Resources Plan. It had been reported to audit that, the increase in the number of student enrollments and increase in the number of courses had attributed to the above recruitment.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the University for the year under review had resulted in a deficit of Rs.17,883,619 as against the surplus of Rs. 145,069,392 for the preceding year, thus indicting a deterioration of Rs.162,953,011 in the financial results during the year under review as compared with the preceding year. Although the Government Grants had increased by Rs.529,744,143, decrease in the internal income by Rs.41,135,151 and increase in 8 items of expenditure by Rs.636,061,991 had mainly attributed to the above deterioration.

An analysis of the financial results of the year under review and four preceding years revealed that, the surplus in the years 2011 had turned out to be a deficit in the year 2012 and it had gradually increased again and had become a surplus by the year 2014, whereas it had deteriorated by 112 per cent in the year under review. When taking into consideration the employees' remuneration and the depreciation for the non-current assets, the contribution amounting to Rs.2,629,820,066 in the year 2011 had gradually deteriorated up to a negative value by the year 2013 and thereafter it had gradually increased and had become Rs.2,234,235,101 by the end of the year under review.

3.2 Unusual Increase in the Expenditure

The travelling expenses amounting to Rs.9.97 million in the preceding year had increased up to Rs.27.59 million by Rs.17.62 million during the year under review. The expenditure for the foreign tours in the year under review amounted to Rs. 23.57 million and it represented 85.43 per cent of the total travelling expenditure.

3.3 Legal Cases Instituted Against the University

The following observations are made.

- (a) A case in respect of taking over a land for the expansion of the activities of the Examination Division had been filed against the University by the owner of the respective land in the Sri Lanka Human Rights Commission.
- (b) Three officers had filed 03 cases in the Labour Tribunal against the dismissal, termination and not granting service extension while another three officers had filed 03 cases against the University in the court in connection with sending retirement, treating as vacated the service and non-payment of Gratuity.

4. Operating Review

4.1 Performance

The following observations are made on the progress of the conduct of lectures according to the Lecture Norm Plan and the Action Plan of the Department of Social Sciences and Humanities.

- (a) The minimum number of lecture hours required to be allocated according to the Lecture Norm Plan had not been allocated to 11 lecturers out of the 18 permanent lecturers served in the Department. Accordingly, a female lecturer who is required to cover at least 12 hours in a week had not been allocated even a single lecture hour.
- (b) Although there were 11 lecturers who had not been granted the minimum number of lecture hours, the service of two visiting lecturers had been obtained for 150 lecture hours relating to 05 subjects.
- (c) It was observed that the coverage of the syllabus of 22 subjects within an academic period of 15 weeks had been at a lower range from 47 per cent to 73 per cent.

4.2 Management Activities

The following observations made.

- (a) In order to follow a Doctorate degree under the assistance granted by the National Center for Advanced Studies in Humanities and Social Sciences (NCAS) of the University Grants Commission, an agreement had been entered into with a professor of the Department of Sinhala and Mass Media on 08 November 2006 and provisions amounting to Rs.250,000 had been granted. Although the Doctorate degree had not been completed despite the lapse of 09 years by the end of the year under review, no action whatsoever had been taken by the University in that respect.
- (b) A block of land, 10.7 perches in extent belonging to the University had been leased out to the People's Bank for a period of 25 years and having reached to a concurrence to vest the relevant building with the University at the end of the period of lease, an agreement had been entered into by both parties. Nevertheless, that agreement had not been registered. Further, this building had not been assessed once in every 05 year as required by the agreement and the rental had been recovered on the assessed value pertaining to the year 2008. Accordingly, an adequate rental had not been recovered.
- (c) As cheques had been issued without correctly assessed the cash receipts and the time periods relating to those receipts, there were negative balances in the cash book in several instances during the year under review. Accordingly, instances where this negative balances had increased up to Rs.139 million were also observed.

4.3 Operating Activities

The following observations are made.

- (a) For the project initiated by the University of Sri Jayawardenapura in the year 2011 under the world university project implemented with the objective of upgrading the local universities to a higher standard among the universities in all over the world, provisions amounting to Rs.121.69 million had been granted by the end of the year under review. The following observations are made in this connection.
- (i) Although a sum of Rs.117.24 million had been spent from the inception of the project up to the end of the year under review, a sum of Rs.22.76 million of that sum had been utilized for the expenses outside the estimate and irrelevant to the project.
 - (ii) In the gradation of the world universities, as 60 per cent marks are allocated for the researches and citation, 24 researches had been planned to achieve that target and the provisions of Rs.54.06 million had also been made. Out of that, only 05 researches had been completed by the end of the year under review and another 05 researches had been abandoned halfway. Not even a progress report had been presented relating to two out of the remaining researches operated at a slow pace.
 - (iii) Although laboratory equipment valued at Rs.68 million had been purchased with the intention of providing common laboratory facilities for the promotion of researches, those equipment had been under the custody of the Faculty of Applied and Medical Sciences even by the end of the year under review. Although a sum of Rs. 495,664 had been spent for the reservation of space facilities for the common laboratory, it had been abandoned subsequently.
 - (iv) The University which stood at the 5330 rank among the other universities in the world in the year of commencement of the project in 2011 had advanced up to the rank of 2758 in the year 2012 and it had declined up to the rank of 3091 by June in the preceding year. According to the reports published in September of the year under review, the rank of the University had further gone down up to 4268.

Accordingly it was observed that, the University had failed to achieve an operating performance sufficient to satisfy the measurements and components required for upgrading the Sri Jayawardenapura University to a higher rank within the world university grading even during the year under review.

- (b) For 17 consultants appointed for the proposed Faculty of Engineering and Technology, a sum of Rs.8,025,000 had been paid as allowances up to 30 June in the year under review. When enquiring about the approvals of the University Grants Commission and the Department of Management Services and the basis used for the determination of the allowances, it had been reported to audit that the relevant expenditure had been incurred as preliminary expenses of the Faculty of Engineering and Technology on the approval of the Council.

4.4 Underutilization of Funds

Although the Reward Funds comprising the funds granted by the donors for awarding rewards to the students who demonstrate various skills should be invested to maintain those funds without turning into the zero in value, out of 73 Reward Funds totalling Rs.22,525,707 as at the end of the year under review, only a sum of Rs.17,636,055 had been invested.

4.5 Idle and Underutilized Assets

The following observations are made.

- (a) Although the tenure of the land, 41.31 perchs in extent purchased with the objective of providing hostel facilities for 300 students at Rs.1.6 million on 05 May 1998 had been vested in the University on 06 August 2003, the land had not been utilized for the relevant purpose even up to the end of the year under review.
- (b) The stock balance of toners purchased for the computer printers and the photocopy machines included the obsolete and slow moving stocks valued at Rs.4,323,216 and as a result of purchasing 19 kinds of toners despite the availability of a considerable stock and without placing orders in keeping with the requirements, a stock of toners valued at Rs.2,021,408 had remained in the stores unattended.
- (c) There was a stock of paints valued at Rs.191,416, textiles valued at Rs.377,087 and computer diskettes valued at Rs.73,138 older than 05 years, whereas action had not been taken to properly dispose of those stocks or to take other suitable steps.

4.6 Identified Losses.

The approval of the Cabinet of Ministers had been granted for the Drain Water Disposal Project of the University with the contract valued at Rs.70 million on 06 August 2003 and a sum of Rs.2,336,090 had been paid to the Water Supply and Drainage Board for the preparation of preliminary plans relating to the said constructions. Without being recovered the money paid for this project which had been discontinued halfway, it had been brought forward in the Work-In-Progress Account.

4.7 Personnel Administration

The following observations are made.

- (a) The approved cadre of the University as at 31 December of the year under review stood at 1853, out of which the posts relating to 293 officers had remained vacant. It included 121 vacancies of the posts of Lecturer and it had been an impediment to achieve the objectives of the University.
- (b) Although permanent appointments had been granted for 9 Senior Professors, 51 Professors promoted on merit basis and 7 Associate Professors, the approval of the Department of Management Services had not been obtained for those newly created posts.

- (c) Although approval had been obtained only for 210 posts of Temporary Lecturer, Demonstrator and the Tutors, 54 persons exceeding that amount had been recruited.
- (d) Nine posts of Typists and 8 posts of Stenographer which were not currently important had been in vacant, whereas attention had not been drawn on the creation of timely important posts in lieu of those posts.
- (e) The total number of staff recruited permanently and temporarily to the approved and unapproved posts was 1681. Accordingly, the cost per employee of the year under review was Rs.1,152,475 and it was Rs.914,638 in the preceding year, thus indicating an increase of Rs.237,837 in the cost per employee.
- (f) In terms of to Section 20.5 of Chapter X of the Establishments Code of the University Grants Commission and the Higher Education Institutions, the Saturdays, Sundays and public holidays fall within the period of no pay leave should be reckoned as the days on no pay leave. Nevertheless, certain employees who were on no pay leave on Fridays and Mondays had not been dealt with considering the Saturdays and Sundays as the days on no pay leave.
- (g) A Probationary Lecturer recruited for a vacancy of a post of lecturer in the Department of Finance on 15 July 2015 on a request of the Head of the Department had been granted academic leave for a period of 5 years with effect from 11 August 2015, which was, 6 days after he assumed duties. In granting approval for this lecturer ,who was expeditiously recruited for making the affairs of the Department of Finance easy, to proceed abroad on full pay leave subsequent to a service of 6 days, no attention had been drawn on taking steps in a manner not to hindrance the maintenance of affairs of the University.
- (h) Although a Probationary female Lecturer who had been recruited on 06 April 2006 should be obtained a post graduate degree within a probationary period of 03 years and submit the research report in accordance with Section 21.1.1 of Chapter III of the Establishments Code relating to the University Grants Commission and Higher Education Institutions, the post graduate degree had not been obtained within the period of probation. Although the above Section further specifies that the service should be terminated in case of failure to obtain the post graduate degree within 6 years, contrary to that, further period of 03 years had been granted.

4.8 Vehicles Utilization

The following observations are made.

- (a) There were 15 allocated vehicles and 30 pool vehicles belonging to the University as at 31 December of the year under review and 05 of which had been at condemned position. Although all other vehicles except the vehicles reserved for the officers should be included in the pool and maintained properly, some vehicles had

been deployed for the affairs of the academic departments without proper supervision.

- (b) In the preparation of vehicle log books and daily running charts according to the Financial Regulation 1645 and monthly summary on the tours according to the Financial Regulation 1646, adequate care had not been exercised on the instructions in the Financial Regulations.

5. Accountability and Good Governance

5.1 Internal Audit

An adequate number of officers had not been deployed for the Internal Audit Division and the staff consisted of the Deputy Internal Auditor and 3 officers of the Clerk Grade only.

5.2 Budgetary Control

While the actual internal income was Rs.305.84 million in the preceding year, the internal income of the year under review had been estimated at Rs.188.01 million. However, the actual income of the year under review was Rs.443.68 million and an income exceeding 136 per cent of the estimation had been earned. Accordingly, it was observed that income estimates had not been prepared realistically so as to use the budget as a financial control instrument.

5.3 Unresolved Audit Paragraphs

The following observations are made.

- (a) The academic allowances of Rs.1,437,882 included in the salaries paid to a female lecturer released for service in the Government or Government affiliated institutions on the basis of salary reimbursement and had been informed that it could not be reimbursed from the institution concerned and as such it had not been recovered from the relevant lecturer.
- (b) A sum of Rs.24 million had been paid to the Western Provincial Council in the year 1994 for the purchase of a block of land 05 acres in extent from the Methsevana land for the Faculty of Medicine. Nevertheless, the activities relating to the taking over of the relevant land were progressing slowly and without assessing the block of land already taken over and bringing it to account, the total amount paid had been further shown in the financial statements as unsettled capital advances.
- (c) Even though the land and the building situated at Kohuwala purchased for Rs.61.5 million in the year 2014 had been transferred to the Institute of Aesthetic Studies of the University of Kelaniya as they were not suitable for the requirements of the University, this transfer had not been brought to account and an asset which was not being used by the University had been included in the financial statements.

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.

Areas of System and Control	Observations
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(a) Fixed Assets Management	Failure to update the Register of Fixed Assets and not paying attention on the revaluation of assets.
(b) Accounting	Deviation from the accrual basis and accounting of depreciations.
(c) Personnel Administration	Failure to make recruitments properly.
(d) Management of Self Financing Courses.	Failure to use surplus money properly.
(e) Internal Control over Research Assistance.	Poor follow-up action on the utilization of Research Assistance and progress reviewing at a weak level.
(f) Recovery of Agreements and Bonds	Failure to adequate steps to expedite the recovery process.
(g) Contract Administration	Failure to draw attention on the Procurement Guidelines.