

University of Sri Jayawardanapura – 2016

The audit of financial statements of the University of Sri Jayawardanapura for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 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 2016 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 Accounts Receivable and Payable

The following observations are made.

- (a) Advances of Rs.684,373 older than 10 years to 15 years included in the balance of Rs.1,403,810 and shown as the Sundry Advances in the statement of financial position as at the end of the year under review had not been recovered even in the year under review.
- (b) As the contractor had abandoned the renovation of Chemistry Laboratory building and the New Art Theater, contract had been cancelled on 25 April 2012. Nevertheless, out of the advance amounting to Rs.2,268,483 paid to the contractor, a sum of Rs.1,764,013 recoverable for the undone works had not been recovered from the performance bond and action had not been taken to recover that amount from the contractor even in the year under review.
- (c) The balance that remained receivable from 58 officers who proceeded abroad on academic leave and breached bonds as at the end of the year under review amounted to Rs.79,046,345. The following observations are made in this connection.
 - (i) Although a trend of recovery of the bonds value was shown in the preceding 2 years, the value of bonds hitherto unrecovered over a period from 01 year to 09 years amounted to Rs.43,498,359 and the value that exceeded 10 years amounted to Rs.35,547,986.
 - (ii) Although it had been stated that the balances of bonds totalling Rs.3,654,787 of 6 officers were expected to be offset against the Employees Provident Fund, provident funds totalling Rs.2,306,402 relating to 03 of the above officers had been released without being recovered the bonds.
- (d) The Distress Loans totalling Rs.516,709 due from 07 employees of the University who had vacated the service had not been recovered from their guarantors and out of that, the loan balances older than 5 years due from 6 officers totalled Rs.463,259.

- (e) The loan balances of Rs.168,850 due from a deceased employee had not been recovered either from the guarantors or the Provident Fund and loan balances totalling Rs.148,678 due from two employees dismissed from the service had remained outstanding for more than a period of 07 years.

2.3 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

- (a) Establishments Code of the University Grants Commission and Higher Education Institutions.

- (i) Section 4.1 of Chapter IX

In order to obtain overtime allowance, the Registrar of the University should personally satisfy that the overtime duties had been actually and fairly performed. Accordingly, a methodology for the conduct of inspections and maintenance of reports should be formulated and implemented to ensure that a sufficient amount of work is carried out and a payment is not made for the times idling during the period of overtime. Nevertheless, it was observed that the University was not maintaining such methodology.

- (ii) Section 6.5 of Chapter IX

In the payment of overtime, a part less than a quarter of an hour should not be taken into account therefor. Nevertheless, it was revealed in the examination of a sample consists of 15 officers that a sum of Rs.3,299 had been paid for 5 officers in 68 instances in respect of periods less than a quarter of an hour.

- (iii) Section 2.1 and 2.2 of Chapter IX

Although Overtime is payable only for work which has been specifically ordered, falls quite outside the normal work and is urgent, it was observed in the examination of a sample consists of 15 officers that 06 of the above officers had availed of leave on Monday after performing overtime duties during the weekends in 10 instances and 03 officers had availed of leave on Friday in 03 instances.

- (iv) Section 2.1 of Chapter XXVI
- Although all the goods and assets belonging to the institution as at the end of the financial year should be verified by a Board of Survey appointed for the relevant purpose, a Board of Survey on the library books of the University had not been conducted after the year 2005.
- (b) Chapter XXIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka.
- (i) Sections 3.7 and 3.8
- Although loan installments should be recovered from the employees continuously and monthly, the value of the loan installments which had not been properly and continuously recovered within the due periods in 03 instances during the year under review totalled Rs.306,655.
- (ii) Section 3.18
- Without being taken action either to recover the loans or make a satisfactory arrangement to recover the loans, 20 officers who had obtained Distress Loan amounting to Rs.1,841,820 had been granted no pay leave.
- (c) Public Finance Circular No.03/2015 dated 14 July 2015.
- (i) Advances amounting to Rs.2,632,831 had been granted to 11 Officers in 14 instances exceeding the maximum limit of the ad-hoc advance of Rs.100,000. Further, instead of issuing ad-hoc advances only for the Staff Grade Officers, advances had been issued to the officers who were not in the Staff Grade posts.
- (ii) Although an officer who obtained ad-hoc advances should settle it immediately after or within 10 days from the completion of the relevant work, 25 advances totalling Rs.972,425 had been settled after a delay of a period ranging from 13 days to 58 days. Further, imprests should be settled before 31 December of the financial year in which such imprest was issued, whereas 07 imprests valued at Rs.402,920 had not been settled as at 31 December 2016.

- (d) 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.
- (e) Circulars of the University Grants Commission
- (i) Circular No. 803 dated 16 May 2002 and the Letter No.DMS/7777/TDP/SJP dated 16 September 2014 of the Director General of Management Services. A proper methodology had not been adopted in making recruitments to the posts of Project Manager, Project Administrative Officer, Quantity Surveyor and the Technical Officer required for staff of the Urban Development Project of the University.
- (ii) Circular No.806 dated 22 July 2002
- (i) Although the officers arrive on sabbatical leave from another University should be recruited only to the relevant post on contract basis, contrary to that, officers in the two lower grade posts had been recruited to two upper grade posts in 02 instances.
- (ii) For covering up vacancies occurred in an equal post of another University during the period of sabbatical leave, appointment can be made on contract basis only if the officer served in the relevant post is on no-pay leave. Nevertheless, the Bursar of the University of Colombo had been appointed as the Bursar of this University during the period of full-pay sabbatical leave of the former Bursar. Accordingly, for the post of Bursar, a sum of Rs. 2,328,598 and Rs.1,731,280 had been paid as salaries to a permanent officer and a temporary officer respectively relating to a same period of time.
- (iii) Circular No.04/2016 dated 01 March 2016.
Section 8.4.2
- Although approval of the University Grants Commission should be obtained for the self-financing courses conducted by the University, such approval had not been obtained for 04 Courses of the Faculty of Humanities and Social Sciences, 05 courses of the Faculty of Management Studies and Commerce and 15 courses of Faculty of Graduate Studies.

Section 5.1.6

Although 0.01 per cent of the self-financing course income less direct cost should be remitted to the University Grants Commission under the Financial Activity Object, it had not been so remitted.

Section 5.5

The Self-financing Courses Income and Expenditure Account had not been prepared in terms of the format No.1 of the Circular.

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.156,499,651 as compared with the corresponding deficit of Rs.17,883,619 for the preceding year, thus indicting a deterioration of Rs.138,616,032 in the financial results during the year under review as compared with the preceding year. Although the Government Recurrent Grants had increased by Rs.238,159,842 in the year under review as compared with the preceding year, decrease in the internal income by Rs.16,019,106 and increase in salaries and allowances and provisions for gratuity by Rs.243,468,389, contractual services and maintenance expenditure by Rs.102,555,787 and travelling expenses by Rs.18,527,675 had mainly attributed to the above deterioration.

An analysis of the financial results of the year under review and four preceding years revealed a continuous deterioration in the deficit from the year 2012 and that deficit had been Rs.51,493,938 by the year under review as compared with the year 2012. However, when re-adjusting the employees' remuneration and the depreciation for the non-current assets to the financial result, the contribution amounting to Rs.1,254,759,552 in the year 2012 had continuously increased up to Rs.2,394,246,291 by the year 2016.

3.2 Analytical Financial Review

The travelling expenses amounting to Rs.9.97 million in the year 2014 had increased up to Rs.27.59 million by Rs.17.62 million during the year 2015 and it had further increased up to Rs.46.12 million by 67 per cent in the year under review as compared with the preceding year. The expenditure for the foreign tours amounting to Rs.6.09 million in the year 2014 had increased up to Rs.41.31 million by 578 per cent by the year under review and it represented 89.56 per cent of the total travelling expenditure.

3.3 Legal Cases Instituted Against or By the University

The following observations are made.

- (a) A former lecturer had filed a case in the District Court against his removal from the post of Senior Lecturer while two employees against the dismissal from the service and one employees against not granting service extension had filed 03 cases against the University in the Labour Tribunal.
- (b) In order to recover a sum of Rs.5,103,826 receivable for breaching bond securities, the University had filed a case against a former lecturer in the Gangodawila District Court.

4. Operating Review

4.1 Performance

The following observations are made.

- (a) A sum of Rs.2,896,912,408 had been spent as recurrent expenditure for 11,609 students studied in 4 Faculties other than the Faculty of Engineering, Faculty of Technology, External Examination Branch and Faculty of Post Graduate Studies during the year under review and correspondingly, a sum of Rs.2,526,314,151 had been spent for 11,568 students in the preceding year. The cost per students computed after dividing the relevant expenditure according to the Faculties is given below. Accordingly, the average cost per student had increased by Rs.32,617 or 15 per cent.

<u>Faculty</u>	<u>Cost per Student</u>	
	2016	2015
	Rs.	Rs.
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Faculty of Applied Sciences	314,288	271,122
Faculty of Humanities and Social Sciences	216,341	181,542
Faculty of Management Studies and Commerce	185,827	160,194
Faculty of Medical Sciences	542,176	497,261
Average Cost per Student	251,005	218,388

- (b) According to the information included in the reports maintained by the University Grants Commission and the University, an analysis on the enrollment of students for 03 preceding academic years is given below.

Academic Year	Number of Students Proposed to be enrolled	<u>Number of Students Enrolled</u>		Difference
		According to the University	According to the University Grants Commission	
2013/2014	2,750	2,886	2,937	(51)
2014/2015	2,800	2,915	2,990	(75)
2015/2016	3,260	3,271	3,213	58

The following observations are made.

- (i) It was observed that a greater number of students than the number of students indicated in the reports of the University Grants Commission had been enrolled relating to the academic year 2015/2016 and lesser number of students had been enrolled for the preceding academic years. The non-maintenance of accurate information in these two institutions had adversely affected in taking decisions on the enrollment of students.
- (ii) In taking into consideration according to the Faculties of the University, information relating to the number of students not enrolled though there were possibilities to enroll students to each Faculty within the preceding 3 academic years is given below.

Academic Year	<u>Number of students not enrolled</u>				Total
	Faculty of Medical Sciences	Faculty of Applied Sciences	Faculty of Management Studies and Commerce	Faculty of Humanities and Social Sciences	
2013/2014	18	-	-	-	18
2014/2015	13	222	06	-	241
2015/2016	01	51	05	07	64
Total	<u>32</u>	<u>273</u>	<u>11</u>	<u>07</u>	<u>323</u>

It was observed that more than 94 per cent of the students who had not been enrolled represented the medical science and science streams and the failure to enroll 323 students despite the existence of adequate space in the University had become unfavourable in economic and social terms.

- (c) The researches conducted by a University will result in upgrading the standard of that University and it will make an immense contribution to the national economy, too. As such, an extensive amount of provisions are annually made by the Government in order to grant research allowances to the lecturers and a sum of Rs.172.78 million including Rs.97.03 million as research grants had been spent during the year under review. However, it was observed according to the following matters that the methodology adopted by the University to award research grants for various research proposals out of the relevant provisions and the progress thereof remained at an unsatisfactory level.

- (i) Even though 90 lecturers had obtained research grants from the year 2007 to 2014, the final reports on the relevant researches had not been presented even up to April 2017.
- (ii) The University had allocated a sum of Rs.13,790,181 for 18 lecturers who had presented their research proposals during the period from the year 2012 to the year 2015 and out of that, a sum of Rs.10,288,614 had been obtained by the respective lecturers as research grants. Nevertheless, the aforesaid lecturers had not forwarded the research reports even by 31 March 2017 and this delay had existed over a period ranging from 01 month to 25 months.
- (iii) According to the Letter dated 18 March 2016 of the University Grants Commission, a sum of Rs.60 million had been allocated for the conduct of researches under 05 sectors of nationally importance during the year under review. Out of that, Rs.10 million had been allocated to carry out researches on kidney diseases, whereas the relevant researches had not been initiated even by the end of the year under review.
- (iv) According to the conditions set out in the letter relating to the award of research grants presented by the Research and Publication Committee, the date on which the research activity was commenced or scheduled to be commenced should be informed to the Academic Students Affairs and Publication Branch through the Deputy Registrar. Nevertheless, 13 lecturers who had obtained provisions amounting to Rs.2,905,995 had not so informed the date of commencement of the researches and as such, it could not be precisely identified the delays of the reports.
- (v) The relevant divisions had not maintained the files relating to research grants in an updated manner so as to reveal the comprehensive details on the payment of research grants.
- (vi) Due to the reasons such as not submitting the research proposals on due dates by the lecturers who obtained the research grants, not furnishing the research reports, and not timely presenting the progress reports it is problematic as to whether researches had been authentically carried out and as to how far is it effective the research reports furnished with delays. Further, it was problematic in audit as to whether the objectives expected by the research grants had been achieved.
- (d) For the special project implemented from the year 2011 with the objective of upgrading the local universities to a higher standard among the universities in all over the world, provisions amounting to Rs.125.38 million had been granted for the year under review and out of that, a sum of Rs.120.98 million had been spent. Nevertheless, according to the World University Ranking the position of the University of Sri Jayawardenapura stood as follows.

Year	Owner Grade
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2012	2758
2013	5869
2014	3090
2015	4282
2016	3752

It was observed according to this classification that the University was not at a satisfactory position and the observations with regard to the special project implemented from the year 2011 are indicated below.

- (i) As 60 per cent marks are allocated for the researches and citation in the world ranking of universities, action should have been taken to improve performance of the researches of the University in order to achieve that target. Nevertheless, the project had not paid an adequate attention in that connection.
- (ii) Although a sum of Rs. 495,664 had been spent for the purchase of laboratory equipment and reservation of building space facilities with the intention of providing common laboratory facilities for the promotion of researches, the relevant work had been abandoned subsequently.
- (e) It was observed that 40 research grants projects valued at Rs.23,976,680 had remained inoperative as at 31 December 2016.
- (f) There are 42 hostels comprising 15 hostels owned by the University and 27 hostels obtained on lease rent and it had been planned to provide internet facilities with all the hostels from 8 p.m. to 8 a.m. and to complete the relevant work in the year 2015. Nevertheless, internet facility had been provided only for 2 hostels even by 31 May 2017.
- (g) Even though it had been planned to commence and maintain 9 new degree courses, one post graduate course and 16 diploma and certificate courses by the Faculty of Applied Science, Faculty of Humanities and Social Sciences, Faculty of Management Studies and Commerce and Faculty of Medical Sciences and 7 new post graduate courses and 5 post graduate diploma courses by the Faculty of Post Graduate Studies, action had not been taken to commence those courses even by 31 May 2017.
- (h) Even though it had been planned to construct a shopping complex, family training centre, Dengue Research Centre and an auditorium under the Urban Development Project of the University at a cost of Rs.436 million by the end of the year 2016, works had not been initiated even by 31 May 2017.
- (i) Although the Botanical Department of the Faculty of Applied Science should have established a plant production centre and the Department of Food Science and Technology should have established Food Technology and Analysis Unit by the year 2015, those had not been commenced even by 31 May 2017.

4.2 Management Activities

The following observations are made.

- (a) Due to the defects found in the software used for the preparation of salaries of the University, issues had cropped up on the accuracy of the employees remunerations paid to the Staff during the year under review. According to the observations of audit conducted in that connection it was revealed that the 466th Council held on 10 August 2017 had decided to rectify the defects of the currently used half automated salary package prepared by the Computer Division of the University and update that system, conduct a system audit thereon and upgrade the standard of the software within or less than 06 months and to introduce a new computer system so as to enhance the quality and the reliability of the entire accounting system as immediately as possible.
- (b) As expenditure had been incurred without being correctly assessed the cash receipts and the time frame relevant to those receipts, there were negative balances from Rs.7,221,447 to Rs.80,855,247 daily in the cash book from February to December of the year under review.
- (c) The following observations are made on the recovery of PAYEE Tax according to the tax tables specifically set out for each assessment year by the Commissioner General of Inland Revenue in terms of Section 114 of the Inland Revenue Act, No.10 of 2006.
 - (i) In the employment of the officers who arrive on sabbatical leave from another Universities, the prescribed tax table had not been applied for deducting the PAYEE Tax from their remunerations and as such, tax had been recovered with a short of Rs.330,110 from the remunerations of 6 officers.
 - (ii) Service of 205 Visiting Lecturers had been obtained for the various Faculties of the University during the year under review and it was observed that the total of the contractual remunerations had exceeded Rs.37,153,200. Nevertheless, there was no proper methodology to discover the information on their permanent service stations and PAYEE Tax had been recovered under the dual employment only from the persons who had furnished the information.
- (d) For the administration activities of the daycare centre and the nursery established with the intention of providing welfare facilities at an initial cost of Rs.1,032,118 in the year 2014 for the early childhood children of the members of the University staff, a statute had been approved. Nevertheless, action had not been taken according to that statute and Management Board meetings and Executive Committee meetings had not been held. Recovery of charges, preparation of income and expenditure accounts, presentation of those accounts for the approval of the Management Board and audit had not been properly carried out. Further, the resources used for the normal activities of the University had also been used for the daycare centre, whereas a large number of management weaknesses such as not maintaining proper reporting system on the above matter and absence of a specific standard on the staff recruitment and training and administration were observed.

- (e) As advances obtained for the various purposes of the University had not been used for the relevant task, 9 instances were observed that from 55 per cent to 92 per cent of the advances had been retained in hand. Accordingly, it was observed that advances had been granted without being recognized the expenditure.
- (f) Directives had been made at the Committee on Public Enterprises held on 07 September 2010 that a methodology should be formulated in terms of Section 3.1 of Chapter 20 and Section 1.6.1 of Chapter X of the Establishments Code of the University Grants Commission and the Higher Education Institutions for the establishment of arrival and departure of the academic staff. Nevertheless, as methodology had not been so formulated, it could not be established the accuracy of the salaries and allowances of Rs.1,778,988,859 paid to the academic staff during the year under review. Any methods used by the other Government institution for marking arrival and departure were not adopted in relation to the academic staff of the University and it had been stated as replies to the audit queries that since the lecturers were properly participating in the lectures, there was no such requirement. Nevertheless, according to the matters revealed at the examination carried out on the lecturers' participation in the lectures in several academic departments, it was observed as per the following matters that there was no a satisfactory control system in that connection.
- (i) In the examination of the performance of the Department of Political Science for the 2014/2015 half year, it was revealed that time tables had not been prepared proportionately to the number of lecture hours required to be conducted for each subject within half year according to the Lecture Norm Plan and the lecturers had been conducted less than the number of lecture hours indicated in the timetables. Accordingly, when comparing the Lecture Norm Plan with the time tables and the signature registers relating to 17 subjects, it was observed that lectures had been conducted with a short of 176 lecture hours and documents had not been maintained in a manner able to precisely identify the lecturers who had properly participated in the lectures and those who did not do so.
- (ii) In the examination of the progress of the conduct of lectures of the Department of Geography according to the Lecture Norm Plan and the time tables, it was observed that the minimum number of lecture hours required to be allocated according to the Lecture Norm Plan had not been allocated to 06 lecturers out of the 09 permanent lecturers served in the Academic Department in 15 instances. Further, it was observed that 04 lecturers who should cover 30, 06, 04 and 04 lecture hours respectively for the first half year had not conducted at least a single lecture and in the conduct of lectures, there were instances that the lecture hours relevant to the permanent lecturers had been covered by the visiting lecturers. Further, instances were observed that having allocated 02 lecture hours from the Lecture Norm Plan for the permanent lecturer 28 lecture hours had been granted to a temporary lecturer.

4.3 Operating Activities

The following observations are made.

- (a) The University had spent a sum of Rs.350.18 million for the contractual services during the year under review and out of that, a sum of Rs.106.37 million or 30 per cent had been spent on the maintenance of cleaning services. In the selection of service suppliers for the disposal of solid waste for which more contribution of the above expenditure had been made, Procurement Guidelines had not been properly adopted and calling for quotations and entering into agreements had been carried out without properly studying the services required to be supplied. The following deficiencies were observed therein.
 - (i) As the amount of solid waste disposed and the number of Gully Bowsers had not been properly monitored and entries had not been made a sum of Rs.528,846 and Rs.4,554,000 had to be overpaid respectively thereon.
 - (ii) The University had not paid an adequate attention to measure the capacity of the septic tanks and make payments accordingly and compare the solid waste disposals with the records of the Security Units and make payment accordingly and on the waste management.
- (b) With the objective of carrying out the improvement of the standard of the University education and the research development in combination with the environmental, social, cultural, ethnic and economic development of the nearby community, the Cabinet approval No. 13/1730/521/056 dated 14 January 2014 had been obtained for the implementation of 37 University Urban Development projects in keeping with the internationally recognized University urban development concept within the period from the year 2013 to 2015. The following observations are made on the current position of this programme which was being implemented under the Treasury Funds of Rs.2057 million and an estimate of other funds of Rs.187 million.
 - (i) Although it had been scheduled to complete 37 projects by the end of the preceding year, even the procurement process had not been commenced on 27 projects of estimated cost amounting to Rs.1.174.1 million by the end of the year under review.
 - (ii) Only 6 projects including the preparation of main plan of the University Urban Development Project had been completed by the end of the year under review and a sum of Rs.157.58 million had been spent for the above project the estimated cost of which was Rs.151.2 million.
 - (iii) A sum of Rs.27.4 million had been allocated for the project of renovation of Soratha Mawatha and construction of walls and gates without being prepared the correct estimates, whereas a sum of Rs.85.48 million had been spent for the completion of the relevant project.

- (iv) Although a sum of Rs.137 million had been allocated for the construction of a Dengue Research Centre and supply of research equipment, only the supply of equipment valued at Rs.22.78 million had been carried out.
- (v) Although a sum of Rs.10 million had been allocated for the construction of a drainage system for flowing rain water near the Faculty of Medical Science and the Administration Complex, more than a sum of Rs.4.05 million had been spent only for carrying out its planning and procurement activities. Nevertheless, the project had not been completed.

4.4 Idle and Underutilized Assets

The following observations are made.

- (a) The stock balance of the goods included the obsolete and slow moving toner stocks valued at Rs.3,895,026 and as a result of making purchases despite the availability of a considerable stock in the stores and without making demand for the goods, there were 19 kinds of toners valued at Rs.2,021,408 remaining in that stock.
- (b) 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.
- (c) With the objective of providing hostel facilities for 300 students, a land, 41.31 perches in extent situated at Boralesgamuwa had been purchased by paying at Rs.1.6 million to the Western Provincial Council on 05 May 1998 and the Divisional Secretary, Kesbewa had vested the tenure of the land in the University on 06 August 2003. Nevertheless, the land had not been utilized for any effective purpose from that day and any development activity had also not been carried out.

4.5 Personnel Administration

The following observations are made.

- (a) There were 481 vacancies of the permanent cadre and 34 vacancies of the contract and temporary staff and out of that the number of vacancies of the academic cadre was 217. The existence of situation of this nature in a University is unfavourable and instead of making recruitment for this vacancies, action had been taken to obtain the service of the officers in the permanent cadre as the External Instructors and obtained the service of the officers of the other Universities who are on sabbatical leave.
- (b) In obtaining approval for the cadre, recruitments for the posts of Computer Technology Instructor and Computer Programmer had been made on permanent and temporary basis, whereas without precisely identified the number of permanent and temporary posts, approval had been obtained as a combined number of posts.

4.6 Vehicles Utilization

The following observations are made.

- (a) There were 11 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 other than 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) Ten motor vehicles and a Jeep had been allocated for 11 officers who were entitled to use assigned vehicles of the University and fuel valued at Rs.2,300,640 had been supplied within the approved fuel limit. Except for the Vice Chancellor, according to the nature of the duties of the other 10 officers, they were not required to engaged in long distance official tours in large scale, whereas the official vehicles had been used for their private tours without control and they had been provided with the vehicles with high fuel consumption and as a result, a sum of Rs.1,728,920 had to be spent for addition fuel in addition to the above fuel limit. Further, in obtaining approval for the additional fuel, action had not been taken to furnish the information on each tour together with separate details to the Governing Authority by the officer himself and the all the fuel expenses that exceeded the monthly approved limit had been forwarded to the approval of the Council by the officer in charge of the Transport Division.

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. Further, in the payment of University Provident Funds, as the prior audit activities on the relevant files are carried out and replies for the audit queries issued by the Auditor General are given, it had not been possible to conduct an adequate internal audit.

5.2 Procurement Plan

The following observations are made in terms of the Paragraph 4.2 of the Government Procurement Guidelines dated 25 January 2006.

- (a) Although a Procurement Plan had been prepared for the year under review, an adequate attention had not been paid on the procurement period.

- (b) In the purchase of capital assets, action had not been taken in accordance with the Procurement Plan prepared at the beginning of the year and as such 50 purchases valued at Rs. 97,033,847 had been made on 30 December 2016.

- (c) Without paying attention on the requirement and the priority, 43 purchases of the assets of the recurrent nature had been made on 30 December 2016 by paying attention only for the money that remain at the end of the year and a sum of Rs.15,806,053 had been spent thereon.

5.3 Budgetary Control

After arising financial liabilities, the budget estimate had been prepared in proportionate to those value contrary to the Section 102 of the Universities Act, No.16 of 1978 and as such, the budget had been revised in 16 instances during the year under review.

5.4 Unresolved Audit Paragraphs

The following observations are made.

- (a) For the purchase of a block of land 05 acres in extent from the Methsevana land for the Faculty of Medicine, a sum of Rs.74 million comprising Rs.24 million in 03 instances from the year 1998 to the year 2010 and Rs.50 million in the year under review had been paid to the Western Provincial Council according to the Cabinet Decision taken on 29 June 1994. Nevertheless, the activities relating to the taking over of the relevant land had not been carried out up to 31 August 2017.
- (b) 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.
- (c) 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 plans relating to the said constructions. When the enquiries were made by the Auditor General's Report,2011 relating to failure in the commencement of the constructions, it had been stated as the reply that the decision was taken to stop the relevant project. Nevertheless, that balance had been stated under the Work-In-Progress in the accounts.
- (d) Although it had been stated that a sum of Rs.1,310,000 brought forward as an advance from the year 1990 had been paid to the Maharagama Urban Council, action had not been taken to settle that advance even in the year under review.
- (e) As it had been informed that the academic allowances of Rs.1,437,882 included in the salaries paid to a female lecturer released to the Defence Ministry in the year 2009 for service in the Government or Government affiliated institutions on the basis of salary reimbursement could not be reimbursed from the relevant institution, that money should have been recovered from the relevant lecturer, whereas action had not been taken to initiate legal action thereon even in the year under review.

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 -----
(a) Fixed Assets Management	Failure to update the Register of Fixed Assets.
(b) Salary Administration System	Failure in emphasizing the necessity of an automated computer system of proper standard.
(c) Personnel Administration	Failure to make recruitments properly.
(d) Management of Self Financing Courses.	Failure to use surplus money properly and existence of accounting deficiencies.
(e) Internal Control over Research Assistance.	Failure to take follow-up action on the utilization of Research Assistance and failure in carrying out progress reviewing.
(f) Control of Agreements and Bonds	Not paying adequate attention to expedite the recovery of recoverable charges.
(g) Procurement Process	Failure to carry out procurements in accordance with the Procurement Guidelines and existence of deficiencies relating to agreements.