

University of Sri Jayawardanapura – 2017

The audit of financial statements of the University of Sri Jayawardanapura for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 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 2017 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 Accounting Policies

The income and expenditure relating to Mahapola and bursaries of the University, had not been disclosed in the financial statements of the year under review.

2.2.2 Accounting Deficiencies

The following observations are made.

- a) Depreciation on library books and cloaks relating to the year under review had been understated in accounts by sums of Rs. 8,147,981, and Rs. 53,128 respectively.
- b) As depreciation had been computed on the opening balance of the year without considering the useful life of assets, a sum of Rs. 1,038,296 had been overstated in accounts.
- c) Fixed assets valued at Rs. 4,491,474 purchased in the year under review, had not been brought to accounts.

2.2.3 Unexplained Differences

According to notes of accounts relating to costs of Property, Plant and Equipment that had been disposed of, the balance amounted to Rs. 10,083,717, but as per the detailed schedules relating thereto, the balance amounted to Rs. 10,148,112, thus observing a difference of Rs. 64,395.

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) The following observations are made on the bond balances totalling Rs. 105,027,745 receivable as at the end of the year under review from the Lecturers who had breached the bonds.

- (i.) Considering the number of years in which bonds had been breached, it was observed that a sum of Rs. 36,100,691 equivalent to 34 per cent of the balance totalling Rs. 105,027,679 recoverable as at the end of the year, had been less than 5 years whereas a sum of Rs. 66,390,959 equivalent to 63 per cent had been over 10 years. It was further observed that a sum totalling Rs. 12,795,674 equivalent to 12 per cent had been older than 20 years, whilst the year in which the bond valued at Rs. 2,536,029 representing 02 per cent had been breached, was not even identified.
 - (ii.) Comparing the age analysis prepared by the Internal Audit Unit with the information furnished by the Accounts Division relating to the bonds recoverable, it was observed that a sum of Rs. 12,650,028 recoverable from 24 Lecturers had not been included in the relevant age analysis.
 - (iii.) The value of the bonds recoverable that amounted to Rs. 79,109,414 as at the end of the preceding year, was overstated by Rs. 360,571 as being the opening balance of the year under review. The facts that the bond value recoverable from 06 Lecturers was understated by Rs. 522,817, and the balance of another Lecturer being overstated by Rs. 883,387, were attributable to the said difference.
 - (iv.) A sum of Rs. 478,400 recoverable from a Lecturer who had breached bonds in the year 2011, along with a sum of Rs. 22,749,902 recoverable from 05 Lecturers who had breached bonds in the year 2016, had been identified in the year under review instead of being identified in the years that the breaches had taken place. It is hence observed that the values of bonds recoverable with respect to each year, had not been identified accurately.
 - (v.) The Court decided that the value of bond recoverable from a Lecturer amounted to Rs. 220,861. Although the said sum was recovered in full, a sum of Rs. 167,630 was shown as being further recoverable.
 - (vi.) A sum of Rs. 9,875,229 recoverable from 02 Lecturers who had breached bonds in the years 2011 and 2015, had not been identified in the schedules furnished by the Accounts Division even up to the end of the year under review.
 - (vii.) Due to failure in accurately calculating the recoverable value of bonds, it was observed that a sum of Rs. 403,578 had been recovered in excess from 07 Lecturers by the end of the year under review.
- (b) Action had not been taken even in the year under review to recover loan balances totalling Rs. 475,667 from 08 employees of the University who had left the service, although a period of over 05 years had elapsed, and the loan balance pertaining to 02 employees had continued to exist over 19 years. Despite the release of funds of the Employees' Provident Fund with respect to 03 of those employees, I was reported to me through the Letter, dated 13 July 2017 that the funds had not been released.

- (c) Action had not been taken to settle the sum totalling Rs. 749,490 obtained by the University during the period from the year 2012 up to the year 2016 from various persons and divisions as tender deposits.

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

The following non-compliances were observed.

Reference to Laws, Rules and Regulations, etc.	Non-compliance
(a) Section 44 (1) (V) of the Universities Act, No. 16 of 1978 , as amended by the Act, No. 07 of 1985.	The University Grants Commission had appointed 21 members to the Board of Control of the University. However, despite the possibility to appoint representatives from the Ministry of Public Administration relating to the administrative sector, and the Treasury in terms of the said Section, no attention had been drawn thereon.
(b) Chapter XXIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka.	
(i) Paragraphs 3.7 and 3.8	Recovery of loan instalments of the employees should commence from the month immediately following the month in which the loan is granted. However, the value of loan installments which had not been recovered on time continuously in 29 instances during the year under review, totalled Rs. 625,860.
(ii) Paragraph 3.18	Despite the failure to make satisfactory arrangements for the recovery of loans , no-pay leave was granted to 06 officers whose distress loan balances totalled Rs. 590,590.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 454 (1)	The receipt and issue of every article of Government property and stores should be recorded in the Inventory Book. However, 06 electric generators belonging to the University, had not been recorded in the Inventory Book.

- (d) Regulation 371 (2) (b) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka as amended by the Public Finance Circular, No. 03/2015, dated 14 July 2015. Advances totalling Rs. 3,448,097 had been granted in 25 instances in excess of the maximum limit of ad hoc advances totalling Rs. 100,000.
- (e) Establishments Code of the University Grants Commission and Higher Education Institutions.
- (i.) Section 2.1 of Chapter XXVI Although all the goods and fixed 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 2015.
- (ii.) Section 1.6.1 of Chapter 10, and Section 3.1 of Chapter 20. Despite being instructed at the meeting of the Committee on Public Enterprises (COPE) that a methodology be formulated to verify the arrival, departure, and leave of the academic staff, it had not been done so.
- (f) Treasury Circular, No. IAI/2002/02, dated 28 November 2002. A Register of assets had not been maintained for computers and accessories in terms of the Circular.
- (g) Procurement Guidelines of the Democratic Socialist Republic of Sri Lanka.
- (i.) Section 1.4.3 When electric generators had been purchased, the working engineer had not acted in compliance with connections.
- (ii.) Sections 2.8.1 (b) and 7.3.1 (b) Without taking action to appoint an electrical engineer as an expert in the subject to the Technical Evaluation Committee appointed to procure electric generators in the year under review, the working engineer of the University who had acted in the capacity of consultant of the contract, had been appointed therefor.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the year under review had been a deficit of Rs. 224,091,778 as compared with the corresponding deficit of Rs. 156,499,651 for the preceding year, thus indicating a deterioration of Rs. 67,592,127 in the financial results during the year under review as compared with the preceding year. Although the Government Recurrent Grants had increased by Rs. 370,048,000 in the year under review as compared with the preceding year, the increase in salaries and allowances by Rs. 297,649,467, increase in the expenditure on contractual services by Rs. 145,858,803, the increase in the expenditure on fixed assets, rehabilitation and researches by Rs. 86,880,237, and the increase in other expenses by Rs. 70,832,816 had mainly attributed to the above deterioration.

An analysis of the financial results of the year under review and four preceding years revealed an improvement in the deficit of the year 2013 amounting to Rs. 341,172 into a surplus of Rs. 145,069,392 by the year 2014. However, it had deteriorated again in the year 2015 to the amount of Rs. 17,883,619. The deterioration that had begun in the year 2015, had grown continuously, and by the year under review, the said deterioration amounted to Rs. 224,091,778. Nevertheless, when the employee remuneration, and depreciation on non-current assets had been adjusted to the financial result, the contribution of the year 2013 being a positive value of Rs. 1,508,188,994, had continuously improved up to the amount of Rs. 2,727,244,746 by the year under review.

3.2 Analytical Financial Review

The employee remuneration of the year under review inclusive of expenditure on gratuity, amounted to Rs. 2,475.08 million representing an increase by 13.45 per cent as compared with the preceding year. Of the total recurrent grants of the Government amounting to Rs. 3,162.16 million, a sum of Rs. 2,475.08 million equivalent to 78.27 per cent had been spent on employee remuneration, whereas only a sum of Rs. 687.07 million representing 21.73 per cent of the overall recurrent grants of the Government had been spent on all other expenses. Furthermore, when computations had been made irrespective of the differences in the remuneration relating to each post in 2016 cadres of the University by the end of the year under review, it was observed that the annual cost per employee amounted to Rs. 1,227,718.

3.3 Legal Cases Instituted against or by the University

The following observations are made.

- (a) A senior lecturer of the University had filed a case in the District Court against his removal from the post.
- (b) A Deputy Bursar of the Post Graduate Institute of Management had filed a case at the High Court against the University's failing to grant his service extension for the second time.

- (c) The University had submitted an appeal to the High Court against the verdict returned by the Labour Tribunal demanding the reinstatement of a Clerk of Grade III whose service had been terminated through a formal disciplinary inquiry.
- (d) A case had been filed by the University at the Appellate Court against a former Lecturer to recover a sum of Rs. 5,103,826 receivable for breaching bonds.
- (e) A case had been filed by the University at the District Court against a probationary Lecturer to recover a sum of Rs. 10,762,632 receivable for breaching bonds.
- (f) Two cases had been filed by the University at the District Court for the recovery of Rs. 1,785,240 from a contractor who had abandoned repairing two buildings of the University.

4. Operating Review

4.1 Performance

4.1.1 Functionality and Review

- a) The following observations are made on cost per student of the University.
 - (i.) A sum of Rs. 3,127,368,214 had been spent as recurrent expenditure for 12,054 students studied in 4 Faculties during the year under review other than the Faculty of Engineering and Technology commenced newly and correspondingly, a sum of Rs. 2,913,911,823 had been spent for 11,609 students in the preceding year. Accordingly, the average cost per student amounted to Rs. 259,447 in the year under review, indicating an increase by Rs. 8,442 equivalent to 3 per cent as compared with the preceding year. The recurrent expenditure of the said 04 Faculties had increased by Rs. 213,456,391 or 7 per cent as compared with the preceding year, but the 3 per cent increase in the cost per student had mainly been attributed by the increase in the number of students of the year under review by 445 as against the preceding year.
 - (ii.) Sums of Rs. 164,843,281 and Rs. 118,019,455 had been incurred in the year under review as recurrent expenditure on 642 students of the newly commenced Faculty of Technology, and 240 students of the Faculty of Engineering respectively. As such, it was observed that cost per student of the Faculty of Technology amounted to Rs. 256,765 whilst the cost per student of the Faculty of Engineering amounted to Rs. 491,748 in the year under review.
- b) For the academic year 2017/2018, a number of 3,497 internal students had been enrolled into 06 Faculties of the University. However, students had not been enrolled including 28 students for the Physical Science stream, 02 students for Food Technology, 04 students for the stream of Management, 02 students for the stream of Commerce, 02 students for the stream of Public Management, 06 students for the stream of Nursing, and one student for the stream of Engineering Technology.

- c) According to Circular, No. 15/2015 of the University Grants Commission, dated 17 November 2015, the results of the examinations relating to first degree and post graduate courses for the internal students conducted by the institutions of higher education, should be released within a period of 03 months from the date of examination. The following observations are made on the issue of results by 04 out of 06 Faculties that the audit examination had been carried out on.
- (i.) Results of the final examination of the first semester of the Faculty of Management and Commerce had been issued after a delay of 16-28 days in the year 2017.
 - (ii.) Final examination of the Faculty of Humanities and Social Sciences for the first semester of the year 2017 had ended on 19 August 2017, and the results thereof had been issued after a delay of from 54 to 102 days. Furthermore, final examination of the second semester of the year 2017 had ended on 17 February 2018 though, a delay of from 27 to 42 days had occurred for the issue of results.
 - (iii.) Final examination of the first semester of the Faculty of Engineering for the year 2017 had ended on 21 May 2017, and the results thereof had been issued on 28 September 2017. Accordingly, the issue of results pertaining to the said Faculty that only the students of the first year had sat the examinations, had been delayed for 40 days.
 - (iv.) Extensive delays in issuing results of the examinations of third and fourth years of the Faculty of Applied Sciences, were observed. The final examinations of the second semester of the third and fourth years in the year 2017 had been held in 28 October, 2017 and a delay of 116 days had occurred before issuing the results. Furthermore, due to non-availability of an Information System relating to the issue of results pertaining to the first and second years of the Faculty of Applied Sciences, the dates of issuing results had not been revealed in audit. It was observed that results of the first and second year students had directly been uploaded to the Learning Management System by the relevant Lecturers without approval of the Board of the Faculty.
- d) Instructions had been given at the COPE meeting held on 07 September 2010 that a methodology be formulated to verify the arrival, departure, and leave of the academic staff in terms of section 1.6.1 of Chapter X and Section 3.1 of Chapter 20 of the Establishments Code of the University Grants Commission and Higher Education Institutions. As such a methodology had not been formulated so far, the accuracy of the salaries and allowances totalling Rs. 1,931,193,768 paid to the academic staff in the year under review, could not be verified. None of the methods being used by other Government institutions to record arrival and departure time was implemented in respect of the academic staff of the University. Replies to the audit queries stated that such a requirement was superfluous as Lecturers delivered lectures properly. Nevertheless, following the issues revealed in the audit test checks carried out in several Departments relating to the arrival of Lecturers for lectures, it was observed in accordance with the following matters that there had been no satisfactory method of control in that connection.

- (i.) In examining the performance in the first semester of the year 2017 in the Department of Sinhala and Mass Communication, it was observed as per the register of students' signature that lectures had been conducted less than the number of lecture hours scheduled in the timetable presented by the Department. Accordingly, it was observed that lectures had been conducted 164 hours less than the number of lecture hours allocated for 19 subjects in the timetable, and there had been 11 instances in which the minimum number of lecture hours that should have been met by each Lecturer in accordance with norms, had not been completed.
 - (ii.) Despite being decided by the Heads of Departments that attendance registers should be maintained relating to the academic activities in which students were directly involved, such as submission of tutorials, and academic field trips, no such registers for attendance were maintained.
 - (iii.) Fourteen permanent Lecturers of the Department and 05 Visiting Lecturers had been deployed for lectures. Those Lecturers should have conducted tutorial classes for 555 hours on 37 subjects at 15 hours for each subject during the semester. Nevertheless, there was no evidence whatsoever that it had been so done.
 - (iv.) Examination on the performance of the Department of Pali & Buddhist Studies relating to the first half-year of the academic year 2014/2015 revealed that lectures had been conducted less than the number of lecture hours that should have been met in accordance with timetables. It was observed with respect to 51 subjects that 202 lecture hours had been missed in that manner.
 - (v.) Signature sheets of the students had not contained the name, date, and time of the lecturer or a supervisor, and hence, the duration of the lecture on each of the occasions could not be ascertained, nor could those sheets be used as evidence to verify that the lectures had been delivered.
- e) The researchers conducted will promote the reputation of the University whilst contributing immensely to the national economy. The Government hence allocates an extensive amount of provision annually on research grants for the university lecturers, and a sum of Rs. 164.85 million had been allocated in the year under review as research grants for 84 lecturers. Moreover, a sum of Rs. 255.61 million had been allocated for 227 lecturers from the year 2012 up to the end of the preceding year. Nevertheless, the relevant researches had been abandoned by 138 lecturers in the manner of 24 lecturers in the year 2012, fifteen lecturers in the year 2013, eight lecturers in the year 2014, thirty seven lecturers in the year 2015, and 54 lecturers in the year 2016. But, no action whatsoever had been taken by the University against those lecturers.

4.2 Management Activities

The following observations are made.

- (a) It was revealed that input of data had not been secure due to reasons such as, erroneous computation of salaries and allowances, irregularities in the usage of passwords on computers, errors in the remittances of taxes and loan installments,

double computation errors, lack of internal supervision on input and output, and the possibility of interference in the functionality from various positions. Owing to 11 deficiencies including the half-automated software developed by the Computer Division of the University which is not on par with that of the ones being used by the counterpart institutions, it was pointed out in the audit carried out in the preceding year that the software used by the University for preparing salaries had not been reliable. Accordingly, the 466th session of the Council held on 10 August of the year under review had decided that action be taken to conduct a system audit through an independent party thereby debugging the software within a period of 06 months, and introduce a new computer system. However, it had not been so done even up to 31 August 2018.

- (b) The cost or revaluation amount of the 04 generators being in use albeit old that had been installed at administrative building, Faculty of Medicine, Sumangala building, and Wimala de Silva hostel of the University, had not been included in the Register of Fixed Assets.
- (c) In terms of the Constitution for establishing the Center for Sustainability affiliated to the Department of Forestry and Environmental Science, 25 per cent of the fund thereof could be made use of on personnel emoluments, but 03 temporary instructors of the University had been deployed full-time in the 03 posts named, Programme Manager, Secretary, and Project Assistant, and their salaries and allowances had been paid from the funds of the University instead of being paid from the income of the relevant project. A sum of about Rs. 05 million had been incurred thereon from the University Fund from the year 2016 up to 10 September 2018.

4.3 Operating Activities

Orders for fuel had been placed by the general Control Division in the year under review to purchase 11,260 litres of diesel to be used on generators, but 08 fuel orders therefrom relating to 6,060 litres had not been recorded in the stocks register of the Maintenance Division. Nevertheless, 9,970 litres of fuel had been used on generators in accordance with work done records of the Work Superintendent. It was further revealed that the Work Superintendent himself had involved in bringing the stocks of fuel to the University, pouring fuel into generators, and maintaining the balance stocks, whilst the Store Keeper had recorded the information provided by the Work Superintendent in books, and the Assistant Registrar of general administration had only issued fuel orders and received receipts on the request of Work Superintendent. Hence, it was observed that the internal control system relating to supply of fuel to the generators had been very poor condition.

4.4 Underutilization of Funds

As estimates had been prepared without properly assessing the expected expenditure, sums of Rs. 2,628,076, Rs. 1,570,849, and Rs. 1,249,500 received from Treasury grants for buildings and structures, improvement of aesthetic skills, and modification of Physical Education Division respectively had remained unutilized as at 31 December 2017.

4.5 Personnel Administration

The following observations are made.

- (a) The approved cadre of the University stood at 2,307 as at 31 December 2017. Of that, 205 posts in the academic staff, 34 posts in the assistant academic staff, 02 posts in administrative staff, 09 posts in the other executive staff, and 03 posts of medical officer, remained vacant.
- (b) The approved non-academic staff was 1,066. Of them, 916 had been appointed permanently, whereas 15 had been appointed on contract basis whilst 135 posts had remained vacant.

5. Sustainable Development

5.1 Achievement of Sustainable Development Goals

The following observations are made.

- (a) Every public institution should comply with the 2030 Agenda for Sustainable Development adopted by the United Nations. However, the University had not become adequately aware as to how to take action in respect of the activities coming under their purview in the year under review. As such, no action had been taken to identify the sustainable development goals and targets, milestones in reaching those targets, and the indicators to measure the achievement of the targets as per the said Agenda.
- (b) The information that I had requested on 21 March 2018 through the Format relating to the sustainable development programmes of the University, was not made available by the University even up to 15 October 2018.

6. Accountability and Good Governance

6.1 Procurement and Contract process

6.1.1 Procurements

The following observations are made.

- (a) Bids had been called on 28 August 2016 under national competitive bidding to maintain cafeterias for the year 2016/2017, and 38 bids had been received in respect of 14 cafeterias whereas one bid had been received for cafeteria in the Sri Soratha Hostel. As that bidder too had refused to accept the contract, only 5 of the 38 bidders who had submitted bids for the other cafeterias had been selected on 11 October 2016 thereby calling for bids once again for the cafeteria in Sri Soratha Hostel. Nevertheless, the said 5 bidders had been selected sans an acceptable ground.

(b) The following observations were made in the examination on documents relating to the supply and installation of 3 electric generators of the capacity 500 KVA in the year under review by spending a sum of Rs. 45,961,020.

(i.) A local agent had been selected through national competitive bidding by publishing advertisements only in one national newspaper on 24 September 2016.

(ii.) The agreement had been entered into with the supplier on 30 December 2016 under the condition that the 03 generators be supplied and installed within 120 days from the date of signing the agreement for a value of Rs. 45,961,020 excluding VAT. Later, an extension had been granted up to 31 July 2017 upon the request of supplier dated 27 April 2017. Nevertheless, the supplier had delayed the installation until 26 April 2018.

(iii.) Preparation of technical specifications relating to the procurement, determination of service conditions, and deciding on the scope, had been done by the Work Engineer himself. Having decided to procure electric generators from the local agent, it had been included in the scope of work under technical specifications and registers of conformity that the engineer and another officer should be allowed to check the suitability of generators at the manufacturer's factory, and the expenditure thereon should be borne by the supplier. An increase in the value of bids submitted by the suppliers could be observed owing to that condition. The said agent had supplied generators to many institutions island wide. In spite of the possibility for one or several generators to be inspected by an electrical engineer, the work engineer and another officer had taken part in a foreign tour to Italy for 06 days in regard to the said inspection. An expenditure of Rs. 102,185 had been incurred by the University as allowances for subsistence and warm clothes of the said 02 officers.

(c) The following observations are made on the procurement process for purchasing the 50 KVA generator valued at Rs. 2,810,000 without VAT.

(i.) The procurement had begun on 26 April 2017. The supplier had been selected under shopping method by informing the contractors through letters registered with the University.

(ii.) A gas emission certificate had been requested for the generator in accordance with the technical specifications. But the contractor had not furnished that certificate.

(iii.) Letters of appointment had not been issued formally for Technical Evaluation Committee and Bid Opening Committee.

(d) Having followed the procurement process to obtain services of 54 caretakers for 20 female hostels and 18 male hostels, the contract had been awarded to the lowest bidder in July 2017. However, due to failure of that company to deploy the employees to the hostels properly, the service thereof had been suspended from November 2017. The following matters were observed in the examination carried out in that connection.

- (i.) In terms of National Minimum Wage of Workers Act, No. 03 of 2016, and Budgetary Relief Allowance of Workers Act, No. 04 of 2016 & No. 36 of 2005, the minimum monthly salary for all of the employees involved in an industry or a service, should be Rs. 13,500 whilst the minimum daily wage of them should be Rs. 540. In no regard thereto, the contract had been awarded to an institution which had submitted bids with Rs. 472 as the daily wage.
- (ii.) Instead of publishing the minimum price in the procurement notice once the minimum price is decided after preparing the cost estimate based on the salary of each employee, bids had been called based on the salary of each employee. Hence, the bidders had inclined to furnish minimum wages for employees. Due to failure in setting out conditions on the payment of minimum wages as per Government policies and contributions would be paid to the Employees' Provident Fund & Employees' Trust Fund, the University had to remain unnecessarily responsible for employees' grievances and concerned about labour laws.
- (iii.) The period of agreement for the institution that had provided the said service in the preceding year had ended as at 15 December 2016, and hence, the procurement process had been commenced by appointing the Technical Evaluation Committee on 12 October 2016. But, selecting a new institution had been delayed up to 16 July 2017. The procurement process had taken place throughout a period of 09 months owing to management deficiency in properly planning and executing the procurement. During the period of procurement process, the institution that had provided the service for the University up to then, had been allowed to be in operation thereby paying a sum of Rs. 10,232,973 external to the contract agreement up to 15 July 2017.
- (iv.) Due to failure in proper execution of the procurement process, and the agreement with the institution selected for the services relating to caretaking the hostels for the year 2017 had been terminated halfway with effect from 12 November 2017, the University had obtained that service using the previous employees from December 2017. It was observed that the University had paid sums of Rs. 2,073,150 , and Rs. 4,116,812 for the year 2017, and up to May 2018 respectively in that connection.

6.2 Budgetary Control

As financial commitments had been incurred contrary to Section 102 of the Universities Act, No. 16 of 1978, the budget estimate had been prepared in keeping therewith. As such, the budget had been revised in 08 instances from time to time in the year under review.

6.3 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, year 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.
- (f) As the repairs on laboratory building and the new Art Gallery had been abandoned halfway by the contractor, the contract had been terminated on 25 April 2012. Nevertheless, the sum of Rs. 1,764,013 recoverable in regard to the works not completed from the advance of Rs. 2,268,483 paid to the contractor, had not been recovered from the performance bond. Action had not been taken even in the year under review to recover that sum from the contractor.
- (g) Due to failure in adherence to the relevant tax table to deduct the PAYE tax from the remuneration of the officers of the other universities who were on sabbatical leave and employed in the University, taxes had been undercharged by Rs. 318,850 from the remuneration of 03 officers.

7. **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.
(b) Control of Operations	(i.) Failure to emphasize on the requirement of an automated and standard computer system. (ii.) Failure to take adequate action to promptly recover the fees recoverable.
(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) Financial Control	(i.) Failure to accurately identify the age analysis relating to the receipt of money. (ii.) Existence of outstanding balances in the cash book.
(g) Procurement Process	Failure to carry out procurements in accordance with the Procurement Plan, and existence of deficiencies relating to agreements.