

## **University Grants Commission – 2017**

---

The audit of the financial statements of the University Grants Commission 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 sections 12(4) and (8) 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 Grants Commission in terms of Section 12(5) of the Universities Act appear No.16 of 1978 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 the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission’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 Commission’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 opinion, the financial statements give a true and fair view of the financial position of the University Grants Commission 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 Deficiencies

-----

Receivable interest amounting to Rs.306,954 for investment in fixed deposits had not been taken in to the Financial Statements in the year under review.

### 2.3 Non-compliances with Laws, Rules, Regulations and Management Decisions

-----

The following non-compliances were observed in audit.

<b>Reference to Laws, Rules and Regulations</b>	<b>Non – Compliances</b>
-----	-----
(a) Paragraph 10 of the Public Finance Circular No 2/2015 of 10 July 2015	Even though, proceed received from a sale of a Vehicle on 09 March 2017 amounting to Rs.1,126,500 had been accounted as other income of the year instead of crediting to the Consolidated Fund.
(b) Section 3.1.6 of the Public Finance Circular No.05/2016 of 31 March 2016	Even though Board of Survey reports of Preceding year should be furnished to the Auditor General before 17 March in each year, those report had delayed for 04 months until 25 July 2018.

## 3. Financial Review

-----

### Financial Results

-----

According to the financial statements presented, the financial result of the year ended 31 December 2017 had been a surplus of Rs.72,658,248 as compared with the corresponding surplus of Rs.16,958,489 for the preceding year thus indicating a improvement of Rs.55,699,759 in the financial result of the year under review as compared with the preceding year. The increase in other income by Rs.6,673,897 and decrease in mahapola and scholarship expenses by Rs.345,654,700 had been the main reasons for the above improvement.

An analysis of financial results of the year under review and 4 preceding years revealed that improvement of surplus from year 2013 to year 2014 and a deterioration of surplus from the year 2015 to year 2016 and again increase at the end of year 2017. However, in readjusting employees' remuneration and depreciation for non-current assets to the financial result, the contribution of the Commission which amounted to Rs.152,474,415 in the year 2013, had improved to Rs.319,284,616 in the year 2017.

#### 4. Operating Review

##### 4.1 Performance

##### 4.1.1 Activity and Review

###### (a) Admission of Students to Universities

The following observations are made.

Considering 3 preceding academic years, the number of students applied for universities education in 02 academic years in 2015/2016 and 2016/2017 were 68,299 and 71,106 respectively, but the number of students selected to universities were from 29,110 to 30,668 only. Thus indicated that only a slight increase of number of student selected compared to the number of students applied for the universities education.

	2013/2014	2014/2015	2015/2016	2016/2017
Number of Students Applied for the universities education	55,991	58,716	68,299	71,106
Increase in number of students qualified for the universities education in nearest 02 years			9,583	2,807
Number of students selected for entering to the universities	25,200	25,676	29,110	30,668
Increase in Number of Students selected for entrance to the Universities in last nearest 02 years			3,434	1,558
Percentage of Number of student selected for universities from applied students	45	43.7	42.6	43.1

###### (b) Vacancies created after Admission of Local Students to Universities

At the annual admissions of students for universities by the Commission, students who qualified for various courses had not registered for the same courses, transferring other courses by registered students, universities had been informed to refrain from further admission, and limitation of calling opportunities for filling students vacancies had been reasons for creating more students vacancies.

As such, number of students vacancies of 1,794 in academic year 2013/2014 had increased to 2,226 in academic year 2015/2016, but student vacancies had decreased to 738 in academic year 2016/2017. Increase in opportunities for calling applications for filling vacancies till ten had been the main reason for the above decrease.

**(c) Vacancies created after Admission of Foreign Students to Universities**

-----  
 According to the Decision of 25 January 2011 of the Cabinet of Ministers, to enroll foreign students to universities of Sri Lanka, enrollment of foreign students to universities for four preceding academic years as follows.

Academic Year	Number of Proposed Students	Number of Students Enrolled	of	Number of Student Vacancies
-----	-----	-----		-----
2013/2014	58	14		44
2014/2015	18	9		9
2015/2016	38	17		21
2016/2017	53	5		48

The following observations are made in this regards.

- (i) It was proposed to enroll 53 foreign students for 05 courses in academic year 2016/2017 but out of 05 courses only 05 students were enrolled for 04 courses and 48 vacancies for those 05 courses had not been filled.
- (ii) Further, it was observed that out of proposed courses for a foreign students 13 vacancies were still remained in popular courses such as Medicine and Engineering and those vacancies were further remained allocated for foreign students.

**4.2 Management Activities**

-----  
 In accordance with the Commission decision No UGC/983/63 dated 22 March 2018, a sum of Rs.58 million approved to transfer to the universities Grant Development Fund from the earned income, but contrary to the above, a sum of Rs.85,996,810 had been tranfered to the fund and a sum of Rs.1,011,632 received from sale of vehicles and a sum of Rs.8,581,136 saved from recurrent grants were included to the above.

**4.3 Operational Activities**

-----  
 The English and Information Technology Skill Development Programme had been executed with the objective of improving English and Information Technology of the enrolled students of the universities in academic year 2015/2016 under the subervision of the University Grant Commission as a pilot project and the following observations are made on the implementation of the Programme.

- (a) Even though 26,563 students had registered for the enrollment to the universities in academic year 2015/2016, very low level students had been registered for both Programmes such as 4,997 students and 2,012 students respectively to the English for all pilot programme executed in Computer Education Institute in Colombo University and to the Information Technology for universities Entrants in Open University of Sri Lanka.
- (b) 2,012 students had registered for ITUE course conducted in Open University Sri Lanka, but only 540 students equalent to 26 per cent was observed from the registered students only successfully completed the programme and eligibled for participation certificate.
- (c) A provision of Rs.10 million had been allocated for this programme in 2017 budget proposals and out of that a sum of Rs.03 million had been released, but used only Rs.1.9 million from that amount.
- (d) Reasons for unsuccessful of this Pilot Project had not been compulsory in following this Programme and had not been startered before the University enterance and completed before the education start but the Commission had not paid attention to conduct this programme efficiently for university students by avoiding such weaknesses.

#### **4.4 Underutilization of Funds**

-----

The following Observations are made.

- (a) 04 Research and Special Funds comprising Rs.43,987,682 had been maintained by the Commission over several years but had not been utilized for achieving goals of each Funds at the end of the year under review.
- (b) 17 ideal funds maintained by the commission comprising Rs.2,487,248 had been transferred to the scholarships funds of the University Grants Commission in the year 2017 and then new balance of the fund had been a sum of Rs.13,159,144. How ever, observed that out of that only 1.7 Per cent equivalent to Rs.222,500 had only been used for awarding scholarship in 2017. Delays in applying for reimbursements from the Scholarship Fund by the universities was a reason for this situation.
- (c) Even though 12 Funds compressing Rs.12,453,042 had been maintained by the Commission for awarding scholarship , only a sum of Rs.1,053,625 in 05 funds had been utilized for scholarship activities.
- (d) A balance of Rs.101,097,300 had in the Commission Development Fund as at 31 December 2017 and had not been incurred any expense relating to the Fund and even had not been invested effectively.

#### **4.5 Staff Administration**

-----

The approved cadre and the actual cadre of the Commission as at 31 December 2017 stood at 306 and 257 respectively and the number of vacancies was 49. The following observations are made in this regards.

- (a) Among the senior level vacancies, the Chief Accountant, Chief Internal Auditor, Assistant Accountant, Assistant Internal Auditor posts being vacant for last 05 years but action had not been taken to recruit for the above posts.

The Chairman informed me on 24 August 2018 that, the functions of Chief Accountant and Chief Internal Auditor can be fulfilled through the already recruited Accountant and Internal Auditor and therefore, no need to recruit for above two Posts.

- (b) 04 Posts of Directors including Director-Planning had been approved on 08 August 2011 but had not been recruited yet.

The Chairman informed me that no need to fill 03 Directors posts vacancies at this moment.

- (c) Even though the contribution of the Senior management level Posts were more important in financial of Administration functions to achieve objectives and goals of the commission, it was observed that action had not been taken to recruit these Posts.

#### **5. Sustainable Development**

-----

##### **5.1 Achievement of Sustainable Developments Goals**

-----

Every Public institution should act in compliance with the United Nations Sustainable Development Agenda for the year 2030. With respect to the year under review, the University Grant Commission had been aware as to how to take measures relating to the activities under review of their scope. The following observations are made in this regards.

- (a) Upon being aware of the said Agenda for the year 2030, the University Grant Commission had identified the Sustainable Development goal coming under the scope there of as provide higher level education directly connect with universities and Higher Educational Institute under the fourth sustainable Development Objective . However, no action had been taken to identify the other goals under the scope there of. As such, no action had been taken to identify the targets, statistical data and milestones in achieving the targets relating to thereto, as well as the indicators for evaluating the performance.

- (b) The parties, youngers, and elders could be identified as being interested in the functions of the university Grants Commission with respect to achieving the sustainable development goals, however, due to failure of the institution in identifying them, it was further observed that their participation was not taking place when setting target for the institution.

- (c) Even though the existence of accurate statistical data is compulsory for evaluating the performance of a certain, it was observed that the Commission had not taken action to maintain an accurate collection of data in view of evaluating the achievement of sustainable development goals.
- (d) The activities identified by the Commission for achieving the sustainable development goals, had not been included in the Annual Plan, whilst the financial provision required to carry out those activities, had not been included in the annual budget.

## **6. Accountability and Good Governance**

-----

### **6.1 Procurement and Contract Process**

-----

#### **6.1.1 Procurements**

-----

The following observations are made.

- (a) In terms paragraphs 4.3.1 (a) and 4.3.2 of the Government Procurement Guidelines 2006, the total cost estimates had not been prepared for carpeting of the third floor of the new four storied building and Employee Resources Academic affairs department and also, Procurement of furniture equipments for new four storied building.
- (b) In terms of Paragraphs 5.2,5.3.2, and 5.6 of the Government Procurement Guidelines 2006, even though the specification of the items related to procurement of furniture and equipment for the new four storied building had not been included in to the building documents but lower bids had been rejected at the evaluation stage on the ground that the not completion of specifications and contract had been awarded to the highest offer. As such in the bids called for procurement of furniture for Employee Resources, academic affairs, and Legal sections, the expecting variety of timber had not been mentioned in the specifications and considering the lowest price the contract had been awarded.
- (c) In accordance with Paragraph 2.7.5 and 2.8.4 of the Procurement Guidelines, Procurement committees and Technical Evaluation Committees had not been appointed for procurement of furniture of equipment for the four storied building valued for Rs.6,195,848.
- (d) As per the paragraph 8.9.1(a) of the procurement guidelines, contracts had not been entered for procurements of furniture costed Rs.9,866,500 carpeting costed Rs.1,298,148 and renovation costed Rs.7,629,150, for the Employee Resources, Academic Affairs and Legal Department.
- (e) In terms paragraph 8.12.2 of the procurement Guidelines, the completion report had not been issued with regard to the construction 05 Employee, Resources, Legal and Academic Department valued for Rs.7,629,150.

- (f) In terms of paragraph 2.14.1 of the Procurement Guidelines, and additions 33 of 15 March 2017, even though procurements between Rs.05 million to Rs.10 million shall be done through the approval of the Departmental Procurement Committee, Procurement of furniture for the new four storied building valued for Rs.6.1 million had been divided in to 17 contracts and procured with the recommendations and approvals of the Chairman of the institute without being made reasonable facts.

### **6.1.2 Contract Administration**

-----

The following observations are made.

- (a) A contractor who was done construction works in the Commission Auditorium in 2015 with the approval of the Procurement Committee had been awarded an additional works contract in the Auditorium valued for Rs. 3,393,330 without prior approval of the Commission and contrary to the Procurement guidelines. But the payments for the contract had been suspended on the decision of Procurement Committee due to the reasons of deficiencies of construction administration. However, contractor had taken Legal action against the Commission and as per the court decision payment had been made to the contractor on 08 May 2017.
- (b) While Comparing of approved building rates (BSR) with the rates included in the estimate made for the partitioning works in Employee Recourses, Legal and Academic Affairs Department, two Bill of quantities items in the engineering estimates had included high rates of Rs.608 and Rs.426 exceeding approved building rates by respectively.
- (c) The construction works of the building started in 2015 and on the requests of the contractor in several instances the completion date had been extended and the final completion date had been given as 10 April 2017, but 130 days had additionally been spent to complete the works. The following observations are made in this regards.
- (i) 03 items costed Rs.11,388,500 included in to the approved Engineering estimate at the awarding of first construction contract in 2015 but suspended for constructing but bids had been recalled on 22 August 2016 and awarded for Rs.14,987,055. As such, It was observed that an additional estimate cost of Rs.3,598,555 had to pay due to price variation in the time delays.
- (ii) Even though bids had been called for the above contract on 22 August 2016, but 175 days had been spent to grant approval by the procurement Committee till 13 February 2017 to award the contract on the decision of the Technical Evaluation Committee.

## **7. Systems and Controls**

-----

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



**Areas of Systems and Controls**

-----

**Observations**

-----

- |                          |  |
|--------------------------|--|
| (a) Control of Projects  | Non-preparation of accurate and proper Procurement Plans, Non-achievement of relevant targets and delays in construction projects. |
| (b) Staff Administration | Not recruiting for staff vacancies and not handling efficiently.   |
| (c) Funds Management     | Not effectively utilize for objective of the provision and under utilization.  |
| (d) Procurement          | Bids not forward in sealed envelope.   |