

Wayamba University of Sri Lanka – 2017

The audit of financial statements of the Wayamba University of Sri Lanka 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 net assets and cash flow statement 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 Sub-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 judgment, 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 III of the Universities Act No.16 of 1978 give discretionary powers to the Auditor General to determine the scope and extent of the Audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Wayamba University of Sri Lanka 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

Even though, it was disclosed by accounting policies that the financial statements were prepared on accrual basis, revenue received from external courses conducted under the self-financing activities had been brought to accounts on cash basis.

2.2.2. Accounting Deficiencies

The following observations are made.

- (a) The advance of Rs.1,742,595 paid to a contractor on 30 December 2016 for the development of 'Nano' Technology Laboratory contract had been settled by the contractor on 18 May 2017 but it had been shown in the financial statements as receivable advances further as at the end of the year under review.
- (b) The stock of drugs totalling Rs.93,643 remained as at 31 December 2017 at the Medical Centres of the Kuliypitiya and Makandura premises of the Wayamba University had not been shown in the financial statements.
- (c) Lease rent and electricity charges amounting to Rs.42,350 and Rs.169,510 respectively receivable for the telephone post installed in the Makandura premises, relating to the year 2017 and a sum of Rs.1,229,656 payable to the Cleaning Service had been omitted from the financial statements.
- (d) When the assets purchased from capital grants are amortized, it should be amortized at the value of grants. Nevertheless, as the computation of amortization relating to the year under review had been made on the revalued assets, except buildings, amortization had been overstated by Rs.68,697,000.
- (e) Payables totalling Rs.253,891,149 to the contractors in respect of capital expenditure at the end of the year under review had been omitted from the expenditure accounts.

2.2.3 Lack of Evidence for Audit

Title deeds/ transfer orders in respect of lands 37 acres, 2 roods and 4 perches in extent valued at Rs.408,276,027 were not made available for audit.

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) Sundry debtors and hostel charges amounting to Rs.31,330 and Rs.261,867 respectively had remained outstanding for periods ranging from 04 years and 7 to 13 years respectively.
- (b) Three staff loan balances totalling Rs.159,740 had remained un-recovered for over 9 years.
- (c) Action had not been taken to settle the balances of Rs.352,850 and Rs.374,270 in the payable accounts as at 31 December 2017 remained for periods from 01 to 02 years and over 2 years respectively.

2.4 Non-compliance with laws, rules, regulations and management decisions

The following non-compliances with laws, rules, regulations etc. were observed.

Reference to laws, rules and regulations etc.	Non-compliance
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(a) Section 45 of the Universities Act No.16 of 1978 and the Public Enterprises Circular No.30 of 13 July 2005.	Without the approval of the University Grants Commission and the Treasury a sum of Rs. 26,000,000 had been invested in fixed deposits.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 770 and 772	Action in terms of financial regulations had not been taken in respect of 74 items of non-moving and obsolete stock valued at Rs.428,452.
(c) Circular No.04/2016 of 01 March 2016 of the University Grants Commission	According to the guidelines on the use of funds generated from self-financing activities, self-financing courses should be conducted on cost cover and non-profitable basis. However, 17 courses had earned a surplus of Rs.21,668,562, exceeding expenses.
(d) Treasury Circular No. IAI/2002/02 dated 28 November 2002.	A register of fixed assets had not been maintained in respect of computers and computer accessories valued at Rs.7,295,596.

2.5. Transactions not supported by adequate authority

The balance of Rs.21,148,762 from the sum of Rs.50,000,000 given by the University Grants Commission for the inter-universities tournament 2016 had been spent for the acquisition of assets without obtaining the approval of the University Grants Commission.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the University for the year ended 31 December 2017 had resulted in a deficit of Rs.67,708,979 as compared with the deficit of Rs.204,029,628 for the preceding year thus decreasing the deterioration of the financial results by Rs.136,320,649 in the year under review as compared with the preceding year. Although depreciation had increased by Rs.126,389,000, the increase of amortization and donations by Rs.312,516,000 had mainly attributed to decrease the deterioration.

In analysing the financial results of the year under review and the preceding 4 years, the deficit of Rs.135,852,595 in the year 2013 had become a deficit of Rs.67,708,979 in the year under review with fluctuations. However, when re-adjusted the employees remunerations and depreciation on non-current assets to the financial results, the favourable contribution of the University amounting to Rs.371,793,368 in the year 2013 had continuously increased up to Rs.1,071,768,057 in the year 2017.

4. Operating Review

4.1 Performance

4.1.1 Planning

An annual action plan, including the activities, targeted at the achievement of objectives stated in the Universities Act had not been prepared in terms of paragraph 4 of the Public Finance Circular No.01/2014 of 17 February 2014.

4.1.2 Operations and Review

The following observations are made.

- (a) Even though, the approved number of students enrolled to the University for the academic year 2016/17 for 5 Faculties amounted to 1245, only 1084 students or 87 per cent had been admitted for that academic year. The number of students approved for enrollements for the academic years 2016/17, 2015/16, 2014/15 to the Faculty of Livestock, Fisheries and Nutrition amounted 170 but enrolled only 91, 89 and 94 students respectively. It represented a percentage as low as 55.
- (b) Number of under graduate students, member of academic staff members, standard and actual ratios in the year 2017 in each Faculty are given below.

Faculty	Number of Undergraduates	Academic Staff		Ratios	
		Standard	Actual	Standard	Actual
Agriculture and Plantation Management	602	60	39	10.1	15.1
Applied Sciences	642	64	40	10.1	16.1
Business Studies and Finance	1853	103	35	18.1	53.1
Live stock, Fisheries and Nutrition	455	46	35	10.1	13.1
Technology	311	-	04	-	-

Attention for the maintenance of student- lecturers ratio had not been sufficiently drawn by the University and the standard and actual variance ratio between the students and lecturers in the Faculty of Business Studies and Finance had been as very high as 194 per cent.

- (c) According to the information obtained from the graduates who were socialized at the convocation held in the year under review, particulars of employment of the graduates are given below.

Faculty	Percentage engaged in an employment
Agriculture and Plantation Management	58
Applied Sciences	77
Business Studies and Finance	62
Livestock, Fisheries and Nutrition	79

The following matters were observed.

- (i) The above survey on the employment of graduates had been conducted within a shorter period of 2 months after the final year examination. Even though, the data ascertained had indicated employment and unemployment of graduates, the employment relating to the education field acquired by them had not been computed.
- (ii) According to the World and Local University ranking, the Wayamba University of Sri Lanka had retained the 5409th place and 10th place respectively in the year 2016 and retained the 5791th place and 08th place in the year 2017.
- (iii) Even though, 350 graduates had completed their degree courses by the year 2013 from the Faculty of Livestock, Fisheries and Nutrition which had been started in the year 1999, only 18 graduates had been recruited by the Ministry of Health as Nutritionists.

4.2 Management Activities

The following observations are made.

- (a) Even though, the requirement of 2 medical officers for 2 medical centres of the University (Kuliyapitiya and Makandura) had been identified, even one medical officer had not been recruited. However, the treatment to be done at the medical centre had got done by a medical officer brought down from the Kuliyapitiya Hospital and a sum of Rs.1,690,000 had been paid to him in the year under review therefor.
- (b) There were direct receipts of Rs.124,500 to a bank current account of the University in the year under review, but action had not been taken to identify and account them.
- (c) A sum of Rs.1,013,750 had been deposited in the Divisional Secretariat, Pannala, for the acquisition of 8 plots of land 711 perches in extent and assessed at a value of Rs.3,835,000 in the year 2013 but action had not been taken to acquire the land even by the end of the year under review.
- (d) A sum of Rs.16,500,000 had been deposited in the Kuliyapitiya (West) Divisional Secretariat in the year 2016 by the University for the acquisition of the land 28 acres and 12.84 perches in extent, assessed at Rs.77,872,750 where the Faculty of Medicine is being constructed and the relevant acquisition had not been completed even by the end of the year 2017.
- (e) Even though, a sum of Rs.10 million had been paid to the Coconut Research Institute on 10 July 2013 for the purchase of Mahayaya estate, 5 acres in extent, at Makandura premises for the construction of students and staff hostels of the University, a deed of sale had not been obtained therefor.
- (f) A female non-academic staff member had obtained a research allowance of Rs.324,535 in the year 2014 on the agreement that the research papers would be forwarded within the research period of 3 years, had not handed over her research report to the University even by August 2018, even though her research period was completed.

4.3 Personnel Administration

The following observations are made.

- (a) Academic and non-academic approved cadre for the year 2017 of the University had been 376 and 491 respectively and the actual cadre was 284 and 373 respectively. Accordingly, the number of vacancies had been 94 and 119 respectively and excess amounted to 02 and 01 respectively.
- (b) According to the cadre position in the year 2017 made available to audit, the overall vacancies was 25 per cent in the year under review and the vacancies in the permanent academic staff had been 29 per cent. As a result, action had not been taken to fill the vacancies in order to achieve the vision and mission of the University.

- (c) Even though, a staff review report had been prepared having being studied the cadre requirement of the University during the year under review, the staff requirement for the Faculty of Medicine to which 75 students proposed to be admitted in the year 2018 and the buildings are being constructed had not been reviewed and planned for recruitments.
- (d) The number of students enrolled for 3 Technology Courses conducted by the Faculty of Technology operated at Makandura premises in the year under review amounted to 234 and 246 students had been registered in the year under review for the next year. However, the academic staff requirement for those courses had not been determined.

4.4 Idle Assets

The following observations are made.

- (a) A van valued at Rs.500,000 had been parked in the University premises since 2014 without being used for running.
- (b) Medical equipment valued at Rs.680,042 purchased in the year 2015 for the Makandura Medical Centre had been idle.

5. Sustainable Development

Every public entity should act in accordance with the 2030 “Agenda” of the United Nations on Sustainable Development and the Wayamba University was aware about how to act in respect of the functions coming under the purview of the scope of the University.

6. Accountability and Good Governance

6.1 Internal Audit

The following observations are made.

- (a) An Assistant Internal Audit Officer and 4 audit assistants had been recommended by the staff review report in the year under review. Nevertheless, One Assistant Internal Audit Officer and One Internal Audit Assistant had been appointed on acting basis from time to time. Due to insufficient internal audit staff it was an encumbrance to carry out a sufficient internal audit.
- (b) According to the audit programs of the years 2015 and 2016, deployment of lecturers in lecturing to students had not been examined and evaluated and the vouchers and files relevant to the construction payments in the year under review had not been examined before making final payments.

6.2 Weaknesses in Contract Administration

The following observations are made.

- (a) The value of works in progress of 24 works as at 31 December 2016 amounted to Rs.68,661,154 and any progress whatsoever, had not been reported in the year under review.
- (b) Buildings valued at Rs.26,516,869, the work of which was completed as at the end of the year under review had been still shown under works in progress without being transferred to the relevant assets accounts.
- (c) Construction of the Faculty of Applied Science Building

The following observations are made in respect of the construction of building of the Faculty of Applied Sciences, costing Rs.315,250,260, according to the cost estimate presented by the contractor on the decision of the Cabinet of Ministers on 10 July 2014.

- (i) According to the decision of the Cabinet of Ministers, it was stated that the construction work of the building should be done within the time frame from 29 August 2014 to 29 March 2016, but the construction work of the building had not been completed by 29 March 2016.
- (ii) According to the letter No.ME/PR/MOHE/GEN dated 02 September 2014 of the Secretary to the Ministry of Higher Education, when the construction work had not been completed within the contract period, the Vice Chancellor can extend the period only for 2 months. However, without ascertaining work parts to be further done and the detail of processing the balance work, the first extension of 6 months up to 30 September 2016 and the Second extension of 3 months up to 31 December 2016 had been approved by the Vice Chancellor.
- (iii) Even though, the contractor had forwarded the final bill on 08 May 2017, by including the work done during the period from 26 November 2016 to 30 December 2016 and stating that the work had been completed, it was observed in audit that by that time, there were works not done in 16 items of work ranging from 5 to 100 per cent.
- (iv) Despite, the construction works of 16 items had not been completed in this building which should have been completed and handed over as at 31 December 2016, disregarding the demurrage charges of Rs.31,525,026 which could have been recovered, considered the date as 08 May 2018, a sum of Rs.13,913,000 had been paid as the 16th interim payment by revising the bill submitted on 08 May 2017, covering the entire contract value of Rs.315,250,260.

- (v) Even though, the work of Telephone and network system of the building had been completed only in 2 floors and abandoned the relevant work item thereafter, the entire estimated amount of Rs.1,775,000 had been paid to the contractor.
- (vi) Even though, a sum of Rs.3,800,000 had been paid in respect of 3 parts of works to be completed inside the Auditorium, these works had not been completed.
- (vii) Even though, the partitioning inside the building for which a sum of Rs.10,972,000 had been paid in accordance with item No.32 should be completed by 2 composite boards with 3mm thickness, boards with lesser thickness had been used therefor.
- (viii) Even though, the total sum of Rs.1,977,437 had been paid for the work item of rain water disposal system under item No.38, the relevant work had not been completed.

6.3 Delayed Project

The following observations are made.

- (a) An agreement had been entered into with a construction company on 17 January 2013, with the concurrence of completing the work as at 17 August 2014 for the construction of Makandura Medical Centre building at a value of Rs.14,485,175, excluding taxes. Action had not been taken to get this construction work done expeditiously by an another contractor being cancelled the agreement or reaching an agreement in respect of this construction which had been abandoned in several occasions.
- (b) The work of the administrative building, the construction work of which had been commenced in the year 2014 for the completion by the contractual value of Rs.86,552,870 had not been completed even by the end of the year 2017.

6.4 Budgetary Control

Provisions for the settlement of payment of Rs.52,282,156 for which provisions had not been made in the year 2016, had not been made in the budget of the year under review as well.

6.5 Unresolved audit paragraphs

The following observations are made.

- (a) Action had not been taken to recover the sum of Rs.3,172,714 receivable since the year 2011 from 2 lecturers who had proceeded abroad and not come back again within the specific period.

- (b) The balances totalling Rs.123,292,960 remained in the accounts operated, relating to the self-financing courses conducted by Faculties had not been credited to the University Fund in accordance with the directive of the Committee on Public Enterprises met on 28 November 2017.

7. Systems and Controls

Weaknesses in systems and controls were brought to the attention 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 Systems and Control	Observations
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(a) Fixed Assets Control	Not vesting the ownership of lands and action not taken to maintain a register of fixed assets.
(b) Contract Administration	Non-taking action to get the construction works done soon in accordance with agreements, non-settlement of bills for the completed works in getting the value of work done soon and not taking action to account the assets.
(c) Operations Control	The maximum number of students that could be enrolled, not enrolled to each Faculty.
(d) Budgetary Control	Budget not prepared in a manner depicting the utilisation of provisions received.
(e) Internal Audit	It was an obstacle to carry out a sufficient internal audit due to non-recruitment of sufficient staff.