

Report of the Auditor General on the affairs of the University of Peradeniya including the Financial Statements for the year ended 31 December 2018 in terms of Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

1.1 Qualified Opinion

The audit of the financial statements of the University of Peradeniya for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, except for the matters described in Paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the University of Peradeniya as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in Paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the University or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute's financial reporting process.

As per Sub-section 16(1) of the National Audit Act No. 19 of 2018, the University is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Institute.

1.4 Scope of Audit (Auditor's Responsibilities for the Audit of the Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the University to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the University, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the University has complied with applicable written law, or other general or special directions issued by the governing body of the University
- Whether the University has performed according to its powers, functions and duties; and
- Whether the resources of the University had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Internal Control over the preparation of financial statements

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Issues with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under this heading.

1.5.2 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with reference to the Relevant Standard	Comments of Management	Recommendation
(a) In the identification of deficit and surplus of an entity in terms of Section 99 of the Sri Lanka Public Sector Accounting Standard 01, all items of revenue	Action will be taken to include income, receipts and payments relating to Research Funds and other Funds in the statement	Action should be taken in accordance with the Sri Lanka Public Sector Accounting Standard

and expenditure should be included in the statement of financial performance. Revenue and expenditure should not be set off against each other unless otherwise required or permitted by the Standards. However, the expenditure of Rs. 833,317,158 had been set off against the total revenue of Rs. 853,275,503 from 257 Funds established for miscellaneous activities of the University, and shown in the statement of financial position.

of financial performance 01. with effect from the year 2019. The funds relating to other 19 Funds had been provided by an external institution and such funds cannot be considered as income of the University.

- (b) In terms of Section 47 of the Sri Lanka Public Sector Accounting Standard 03, an entity should correct material prior period errors retrospectively. However, a new policy had been established to amortize the assets worth Rs. 4,688,998,047 granted to the University of Peradeniya in the preceding years as donations, at an annual rate of 10 per cent, but no action had been taken to make corrections retrospectively.
- (c) As the useful life of non-current assets had not been revised annually in terms of Section 65 of the Sri Lanka Public Sector Accounting Standard 07, non-
- Action will be taken to make corrections retrospectively by restating the comparative values of the year 2018 in the final accounts prepared for the year 2019.
- Revaluations of libraries are in progress and action will be taken to adjust those values in the accounts immediately after the
- Action should be taken in accordance with the Sri Lanka Public Sector Accounting Standard 03.
- Action should be taken in accordance with the Sri Lanka Public Sector Accounting Standard

current assets worth Rs. 692,530,391 (library books and publications) had still been in use despite being fully depreciated. Action had not been taken to revise the error in the estimate in terms of Sri Lanka Public Sector Accounting Standard 03.

1.5.3 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) As the value of amortization amounting to Rs. 12,499,290 of the year under review had been adjusted to the general deposit, the deficit of the year under review had been overstated by that amount.	Action will be taken to make corrections retrospectively by restating the comparative values of the year 2018 in the final accounts prepared for the year 2019.	Having identified income relevant to the year, adjustments should be made to the statement of financial performance.
(b) As expenses had been incurred in excess of the provision received in the year under review for the capital projects, debit balances totaling Rs. 395,314,856 had been shown in 14 Unspent Capital Grant Accounts as at 31 December 2018.	This is an internal cash transfer and approval of the 374 th Financial Committee and the Council has been obtained thereon. However, these payments have not been made so as to exceed the allocation made for the project.	Financial statements should be prepared in accordance with the Sri Lanka Public Sector Accounting Standard 01 budgetary limits should be adhered to.
(c) Even though the underallocations on gratuity relating to the preceding year	Since the sum of Rs.517,347 pointed out by the audit paragraph had been made for	Having identified income relevant to the year, adjustments

- amounted to Rs. 84,103,157, it was shown as Rs. 83,585,810. As such, the deficit of the year under review had been understated by Rs. 517,347.
- payment of gratuity of the preceding year (2017), it has been shown under the current liabilities. Accordingly, it does not pose any impact on the deficit of the current year.
- (d) The value of 11 miscellaneous stock items pertaining to 05 faculties had not been assessed and brought to accounts.
- These 11 miscellaneous stock items identified in the Board of Survey carried out in the year 2018, will be assessed and brought to account in the year 2019.
- (e) The sum of Rs. 6,590,000 recoverable as at 31 December 2016 from 04 land parcels given to the DiviNeguma Department on lease ,along with lease rents and taxes relating to the years 2017 & 2018, had not been computed and brought to accounts.
- The term of the lease agreement of the DiviNeguma Department had come to end in the year 2017. Accordingly, there is no possibility to calculate lease amount or fines for the year 2018. Half of the above building premises has been taken over by the University at present. The taking over of the rest of the buildings is in progress.
- Action should be taken to identify all the items and bring them to account.
- Action should be taken either to expeditiously recover the funds lawfully receivable to the University or initiate legal action thereon.
- (f) The lands in extents of 73 acres and 53.4 perches where the University had maintained 03 faculties, had not properly been taken over by the University thus failing to show the value thereof in the financial statements.
- Only the Medical Faculty land (17 acres) and the Mahailuppallama land (35 acres) are due to be taken over by the University for the time being. Relevant activities are in progress. Therefore, the lands of
- Action should be taken expeditiously to take over these lands in which the activities of the University are maintained and are being developed by the University.

which the lawful right cannot be established to the University are not permitted to state as the fixed deposits in the financial statements.

1.5.4 Un-reconciled Control Account or Reports

Item	Value as per the financial statements	Value as per the corresponding reports	Difference	Comments of the Management	Recommendation
	Rs.	Rs.	Rs.		
<u>Accounts payable</u>				Once the goods or services are provided to the University and approved by the Goods Committee, those are considered as the creditors by the University.	Relevant policy should be disclosed in the financial statements and the reconciliation statements relevant thereto should be presented as at the end of the year.
DMS Electronic Pvt. Ltd.	7,748,627	21,147,816	13,399,189		
Advance Micro Technology (Pvt.) Ltd.	1,325,199	1,125,299	199,900		
<u>Dinapala (Pvt) Ltd.</u>	294,906	8,900	286,006		
Mahanuwara Agencies	32,500	7,088	25,412		
IMS Holdings	1,196,500	13,18,500	122,000		
Hemson International (Pvt) Ltd.	109,500	3,189,384	3,079,884		

1.5.5 Unauthorised Transactions

Audit Observation	Comments of the Management	Recommendation
(a) Without being complied with the Section 8.2.2 of the Manual “ Guidelines on Good Governance for the Public Enterprises” mentioned	Excess funds are invested according to the provisions in circulars and action will be taken to obtain Treasury	Action should be taken in accordance with the existing laws and rules.

in Circular, No. PED/12 of the approval for those
Director General of Public investments.
Enterprises, dated 02 June 2003,
and Section 11 of the Finance Act,
No. 38 of 1971, a sum of Rs.
263,740,682 had been invested by
the University in fixed deposits
during the year under review.

- (b) Without being complied with the Section 101 (c) of the Universities Act, No.16 of 1978, out of the provision amounting to Rs. 330 million made in the years 2014 and 2015 for the project to construct the Post Graduate School of Medicine of the Faculty of Medicine at a total cost estimate of Rs. 1026 million, a sum of Rs. 285,million had been transferred to rehabilitation works. It is kindly informed that the sum of Rs.285 million pointed out by the Audit has been transferred to rehabilitation works in December 2016 under the approval of the Financial Committee and the Council. Further, this has been done with the intention of transferring again at the time of resuming this project. Action should be taken in accordance with the existing laws and rules.
- (c) Contrary to the objectives of the University and without proper approval, provision valued at Rs. 238,417,183 made by the Treasury on higher educational activities, had been utilized for the development works of the hospitals in Kandy, Kurunegala, and Peradeniya belonging to the Ministry of Health during the period 2014 – 2018. Necessary adjustments will be made in consultation with the relevant Ministries. Annual Appropriation Act should be complied with.

1.5.6 Lack of Documentary Evidence for Audit

<u>Item</u>	<u>Amount</u> <u>Rs.</u>	<u>Evidence</u> <u>Furnished</u>	<u>not</u>	<u>Commentsof</u> <u>Management</u>	<u>Recommendat</u> <u>ion</u>
(a) Transactions relating to 07 current accounts.	18,196,804	Cash books, bank reconciliations, bank statements, verification of balances.		Cash books, bank reconciliations, bank statements, verification of balances have been appended herewith.	Action should be taken to promptly produce relevant documents at the time of financial audit.
(b) Lease rent income from the properties.	12,062,824	Agreements, Registers containing information on rented properties.		All necessary agreements and documents have been filed in the General Administration Division at present. It is informed that those documents can be made available when required by the Audit.	Relevant agreements should be updated and income should be properly recovered. Documents should be presented to the Audit for their confirmation.

1.6 Accounts Receivable and Payable

1.6.1 Funds Receivable

<u>Audit Observation</u>	<u>Comments</u> <u>of</u> <u>the</u> <u>Management</u>	<u>Recommendation</u>
(a) A sum of Rs. 1,517,369 receivable from 44 miscellaneous persons and institutions, had not been recovered although a period of Rs.400,000 ranging from 01 to 14 years had	Water bill charges of Rs.69,910 has been recovered from the relevant parties by now. The balance of Rs.400,000 brought forwarded from the year	Action should be taken to recover the receivable balances without delay.

- elapsed. 2007 is stated as a receivable insurance indemnity. Action is being taken to recover the relevant indemnity from the insurance company.
- (b) Even after a lapse of 01 to 37 years, no action had been taken properly either to recover or write off the lecture hall fees and fines amounting to Rs. 1,735,950 and Rs. 5,320,542 respectively recoverable from the students of 09 Faculties despite being pointed out in the audit reports annually. Under the prevailing practice, the lecture hall fees and fines due from the students who are still pursuing studies in the University will be recovered in obtaining the relevant certificates on completion of their degrees. The information referred by the relevant Faculties upon the instructions of the Committee of Three Persons appointed relating to the recovery due fees and fines pertaining to the preceding years is being established and future steps will be taken depending on its recommendations. Action should be taken to recover the receivable balances without delay.
- (c) The sum of Rs. 15,439,993 transferred from the Foreign Student Fund to the Medical Faculty Revolving Fund in the year 2017 for purchases, had been brought forward as a receivable balance instead of being recovered. Action will be taken to settle that amount from the foreign students income and correct that error. Action should be taken to recover the receivable balances without delay.

- (d) As for the loans granted to the officers of the University under 05 categories, recovery of a sum of Rs. 1,221,437 had come to a halt as at 31 December 2018 due to transfers and stoppage of salaries.
- Recovery of those loan installments has been initiated from January/February 2019 and the University has decided to recover the loan installments which could not be recovered, on equal promotion upon the payable installments in future. Action is being taken relating to Rs.251,830 that remained unrecovered due to stoppage of salaries as a result of death, interdiction and resignation of the relevant officer.
- Action should be taken to recover the receivable balances without delay.
- (e) In the wake of agreements being breached by the lecturers of the academic staff of the University who had proceeded abroad on academic affairs, a sum of Rs. 142,596,921 had remained recoverable from 110 lecturers as at 31 December 2018. The possibility of the recovery of Rs. 121,078,386 included therein as being receivable from 92 lecturers, remained low.
- Seventy three out of 110 lecturers are the lecturers who had breached very old agreements and necessary action will be taken on them in future upon the recommendation of the Council Sub-committee. Necessary steps are being taken regarding 18 lecturers whose bonds value can be recovered from the Provident Fund and regarding the other lecturers.
- Action should be taken expeditiously regarding the relevant lecturers and to recover the amounts receivable to the Government.

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

Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Management	Recommendation
(a) Financial Regulation 196	Seventy nine cheques valued at Rs. 2,307,389 had been credited to the income as at 31 December of the year under review without taking action in terms of Financial Regulations	Action has been taken to cancel those cheques as per the Financial Regulations and it has been recorded in a separate register in a manner able to make payments again in case payments have to be made in future as referred to in Financial Regulation 396.	Action should be taken in accordance with relevant legal provisions.
(b) Financial Regulation 1646	running charts of 05 vehicles pertaining to the Faculty of Agriculture had not been presented to the Auditor General	The Manager of the Farm has agreed to furnish these particulars in time.	Action should be taken in terms of Financial regulations.
(c) Section 9.10 of Circular, No. PED/12 of the Director General of Public Enterprises, dated 02 June 2003.	It was observed that 296 vacancies of the non-expert type in the approved cadre of the University continued to exist even by March 2019 due to failure in taking action either to fill or abolish them.	Due to the reasons such as existence of posts personal only to the holder basis, absence of scheme of recruitments, inappropriate salary codes, existence of vacancies to be filled by the University Grants Commission	Action should be taken either to fill or abolish the relevant vacancies immediately.

or the Ministry, approved cadre and the actual cadre change daily. Nevertheless, necessary arrangements are made for the recruitments.

- (d) Section 5 of the Guidelines on Ethics and Academic Responsibilities of the Academic Staff approved by the University Grants Commission. It was observed that children of 12 lecturers had been studying at the Faculties of Engineering and Medicine. However, the said 02 Faculties had not identified and implemented any methodology to disclose that situation thereby avoiding any unfavorable effect on the quality control. There is no methodology to disclose that situation at present and steps are being taken to establish such methodology in future. Action should be taken in accordance with the relevant Guidelines.
- (e) Part One of the Gazette Extraordinary, No. 1534/18, dated 01 February 2008. The chemicals discarded after being used at the laboratories of the University and non-degradable materials, such as polythene, had been disposed of in a pit dug at the premises of the University. As the sewage disposal system of 03 hostels had not been functioning well, the raw sewage had been exposed to the environment improperly. An agreement has been entered into with the Insee Institute relating to the disposal of chemical waste and action has been taken to renovate the sewage system. Strict attention should be drawn on the existing laws regarding disposal of wastes and emission and steps should be taken in accordance therewith.

2. Financial Review

2.1 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.655,251,029 as compared with the corresponding

deficit of Rs.668,666,112 for the preceding year, thus observing an improvement of Rs.3,415,083 in the financial results. This improvement was mainly attributed to the increase in the recurrent Government Grants, sales income of old assets, foreign students income and increase in the incidental activities of the Distance and Continuous Education Centre.

In comparing financial results of the year under review and 04 preceding years, there observed a deficit each year except for the surplus showed in the year 2015. Similarly, in taking into consideration employees remuneration and depreciations for the non-current assets, the contribution of the University amounting to Rs.3,254,372,377 had continuously increased up to 2017 and it had been Rs.5,117,805 during the year under review.

2.2 Tendency Analysis of the main income and expenditure items

Even though a considerable impact on the deficit of the year under review cannot be observed as compared with the preceding year, income earned from the Government Grants for recurrent works, foreign students grants, income earned from the sale of old assets and the income earned from incidental activities had increased in a range from 23 per cent to 633 per cent and the grants received for the development of University at the international level, grants received for the development of human resources, registration income, exam fees and the loss from the livestock had decreased in a range from 38 per cent to 260 per cent.

2.3 Ratio Analysis

The current assets ratio which stood at 1:2.2 in the preceding year had decreased up to 1:1.8 in the year under review and the quick assets ratio had become 1:1.4. It was observed accordingly this gradual decrease that there would be a risk in settling current liabilities of the University or taking a longer period to settle the current liabilities.

3. Operating Review

3.1 Identified Losses

Audit Observation	Comments of the Management	Recommendation
(a) In terms of University Grants Commission Circular, No. 06/2014, dated 26 March 2014, a sum equivalent to 8 per cent of the basic salary is paid to every Head of the Departments as entertainment allowance. Contrary to that, the Head of the Department of Civil Engineering had been paid a sum of Rs. 27,490 in 06 instances during the year 2018.	These funds have been reimbursed relating to the refreshments served to the participants of the monthly meeting. It is informed that the Heads of Departments have been instructed to adhere to the Circular of the University Grants Commission specified in the audit query, in future.	Action should be taken in accordance with the relevant Circular.
(b) Contrary to Subsection 101 (b) of Chapter XIII of the Universities Act, No. 16 of 1978, a sum of Rs. 22,500 paid by external parties in 04 instances had not been credited to the Fund of the University by the Department of Physical Education; instead, the said sum had improperly been obtained by the employees.	It is hereby informed that action will be taken to recover that amount from 09 employees who were engaged in the service of the playground at that time at Rs.2,500 (in two installments) to the University.	Action should be taken in accordance with the relevant legal provisions.
(c) Provision amounting to Rs. 330 million had been made in the years 2014 and 2015 for the project to construct the Post	The decisions pertaining to the activities included in the project were changed in various instances and some	Project should be initiated after conducting a proper evaluation and the

Graduate School of Medicine of the Faculty of Medicine, and a sum of Rs. 39,703,080 had been paid therefrom to a consultancy firm. However, no constructions have been made thus far.

changes relevant to the project were effected in several instances on the recommendations of the National Planning Department and the Cabinet of Ministers. Finally, action has been taken to forward the project estimate notes revised again drawing attention on the observations made by the then Minister of Minister of Finance and Planning according to the decision of the Cabinet meeting held on 24 December 2014, to the Ministry of Higher Education in order to present to the Cabinet.

Annual Appropriation Act should be complied with.

3.2 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
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(a) Due to failure in taking steps in terms of Section 3.7 of Chapter XXIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka, the loan installments of the officers transferred in to the University of	Since adequate funds were not received in the year 2018 from the General Treasury for the recurrent expenditure, taking over of loans was delayed. Therefore, this situation had	A proper methodology should be introduced to recover the loan installments continuously.

Peradeniya during the year under review could not be recovered. As such, the loan installments and interest thereon totalling Rs. 1,841,805 remained unrecovered during the period from 01 to 14 months.

been created as it was not possible to recover the loan installments until the loans were taken over and having transferred all these loans as at 31 December 2018, recovery of loan installments has been commenced from January/February 2019. It is further informed that taking over of loans is properly being carried out at present.

- (b) Based on the internal Circular, Nos. 61 and 70 dated 09 March 1976 and 07 December 1976 respectively relating only to the year 1976, the University had not recovered the loan installments for the months of April and December up to the year under review in regard to the employee loans, distress loans, motor bicycle loans, vehicle loans, and computer loans.
- According to the Sri Lanka Universities Finance Circular No.70, recovery of installments of the employee loans, distress loans, motor bicycle loans, vehicle loans, and computer loans is suspended in the months of April and December and only the interest is recovered. However, since interest is recovered for the relevant month, University does not suffer a financial loss therefrom.
- Loan installments should be continuously recovered.
- (c) As the vehicle maintenance unit established at the Faculty of Engineering for practical training of the students and vehicle repairs, had not been restored after the operations thereof had been halted in the year 2017,
- The project report pertaining to the re-establishment of vehicle maintenance unit has been referred to the Council for approval.
- Taking into consideration the practical training needs of the students, the number of vehicles and the relevant equipment

practical training of the students had been hindered.

owned by the University and underemployment of the skilled employees of the University, this unit should be immediately established.

3.3 Operating Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>(a) Contrary to the Sub Section 18 (2) (d), Sections 18 (2) (1) & (3) , and Section 29 of the Universities Act, No. 16 of 1978, the Faculty of Engineering of the University of Peradeniya had enrolled 1064 students for postgraduate courses and conducted 04 postgraduate courses up to the academic year 2016/2017.</p>	<p>Even though approval of the University Grants Commission has been obtained for certain courses awarded by the Faculty of Engineering, such approval has not been obtained for most of the courses. The laws and regulations pertaining to the postgraduate courses are being amended even at present and being adherence to the SLQF guidelines is in progress. Subsequent to making all the amendments, action will be taken to obtain approval of the University Grants Commission for the required courses.</p>	<p>Existing laws and rules should be adhered to.</p>

- (b) According to the Criteria No. 7 of the Manual for Review of undergraduate study programmes of Sri Lankan universities and Higher Education Institutions, issued by the University Grants Commission in December, 2015, a specific methodology and standard should be formulated with respect to student evaluation of each Faculty of the University and approval of the Council of the University along with the University Grants Commission should be obtained thereon. A Standard Operating Procedure is being formulated for obtaining approval. This should be expeditiously implemented while paying special attention on the use of procedures to ensure transparency within the examination system.
- (c) According to the Guidelines of the Quality Assurance and Accreditation Council functioning under the University Grants Commission, timetables had not been prepared in adherence to the standard by the Faculty of Engineering and Faculty of Medicine and a different methodology had not been introduced to accord with the said guidelines. The Faculty of Engineering nominated a committee to formulate a Work Learning Calculator. Learning activities of the Faculty of Medicine is carried out under 03 sections as lectures, clinical trainings and practical trainings. Necessary steps should be taken expeditiously to provide qualitative service in adherence to the relevant Guidelines.
- (d) A number of 224 students had not been enrolled for the Faculty of Agriculture for the 04 academic years from 2009/2010 up to 2012/2013, thus representing 20 per cent of the number of students. The nature of the methodology adopted by the University Grants Commission in the selection of students for the courses has resulted in this situation. Only a least number of students out of the students selected to the universities get the opportunity to enter to the

who would have been enrolled.

Universities and therefore, the capacity of the enrollment of students should be enhanced in maximum extent within the University system itself.

- (e) As for the period of 35 years from 1980 to 2015, the increase in the number of students had been 17.5 in the Faculty of Agriculture with respect to the field of agricultural technology management. The management had not drawn their attention to increase the number of students in relation to the demand for physical and human resources, and agriculture.
- Our objective is to nourish a qualitative graduate who is not a burden to the society. Accordingly, updating of courses and further upgrading of standards of such courses have been carried out in keeping with the views of our stake holders. The enrollment of students to the Faculty has been increased by now and the number of graduate courses of the Faculty, too, has been increased.
- Management's attention should be drawn on increasing the number of students in relation to the existing physical and human resources as well as the existing demand for the agricultural field.

3.4 Underutilization of Funds

Audit Observation	Comments of the Management	Recommendation
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Funds totalling Rs. 59,704,104 comprising the sum of Rs. 49,704,134 existed as at 31 December of the	Of these projects, works of 03 projects have not been commenced. Even though	Planning and supervision should be properly carried out

preceding year and a sum of Rs. 10,000,000 received in the year under review, received for 14 construction projects had not been utilized.

works of another 05 projects have been initiated, payments have not been made during the year under review. Since works of another 04 projects have been completed, it was noted down to make relevant adjustments to those accounts.

in order to use the existing funds and the funds received each year relating to the construction projects.

3.5 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation
(a) Four hostels valued at Rs. 875,752,824 and handed over to the University after completing constructions from 17 October 2016 to 08 February 2018, were not made use of for providing accommodation for the students even up to April 2019. As such, accommodation had to be provided for 5582 students as at 31 December 2018.	Since any infrastructure facilities of the buildings had not been provided, necessary steps have been taken to construct the essential sewage system for the hostel and establish cafeterias, provide necessary furniture and to attach necessary staff from the date of taking over of the buildings.	Attention should be drawn on using the resources owned by the University efficiently.
(b) The building, constructed incurring a sum of Rs. 6,855,652 to be used for the art gallery scheduled to be commenced in the year 2012 and completed by the year 2015 at an expenditure of Rs. 82.2 million, had remained	Having initiated this project as planned in the year 2012 upon the funds provided by the Alumni Trust Fund Board, it had been completed on 24.10.2014. Nevertheless, since the	Necessary steps should be taken to use this building that remained idle over a period of 04 years and constructions should be carried out

dilapidated for 04 years without being used for any purpose.

entire project had not been completed, it is not possible to use for the intended purpose.

according to a proper plan.

3.6 Procurement Management

 Audit Observation

Comments of the Management

Recommendation

 Without being complied with the Government Procurement Guidelines, agreements had continuously been entered into with suppliers selected by 04 academic faculties and 03 different divisions of the University for 12 miscellaneous services.

 All the service stations regarding which this problematic situation has created will be suspended on 31.12.2019 and action is being taken to select suitable suppliers for all those service stations in accordance with the procurement process with effect from the year 2020.

 Existing laws and rules should be adhered to.

3.7 Resources Released to Another Organizations

 Audit Observation

Comments of the Management

Recommendation

 Plots of land belonging to the University in acreage of over 22 acres, had been given on lease to the Pradeshiya Sabha of GangawataKorale, International Buddhist Center of Vajirarama, Bowalawatta, and the Department of Divineguma. However, the University had failed to properly

 This land had been given on lease to the Pradeshiya Sabha only for the year 1996 and the relevant money had been recovered. It has not been given on lease subsequently. The land in which the

 Action should be taken either to expeditiously recover the funds lawfully receivable to the University or initiate legal action thereon.

recover the lease rents or take over the ownership of the lands.

International Buddhist Center of Vajirarama, Bowalawatta, is maintained had been given on 99 years lease basis in the year 1986 and payments had been made for 10 years. Even though any indication had not been made in the agreement regarding the recovery of lease after the 10 years, the matter has been referred to the Land and Building Maintenance Committee.

The term of lease of the land in which the Divineguma Department was maintained had come to end on 31.12.2017 and the said Department was informed to make arrangements to release the relevant land and the building premises to the University in pursuance of the agreements.

3.8 Human Resource Management

 Audit Observation

Comments of the Recommendation
 Management

 (a) The project manager and the project engineer employed on

 Approval of the University Grants Commission has been

 Since it is a risk to make recruitments on

contract basis, had inspected 22 construction projects worth Rs. 3,281,369,421 in the year 2018. Mobilization advances totalling Rs. 504,549,057 and interim payments amounting to Rs. 318,158,683 had been paid thereon upon being certified by those officers on contract basis.

granted to recruit 03 project engineers on contract basis only for a period of 03 years and accordingly, present project engineers have been recruited. Accordingly, the project engineers who have been recruited from the month of September 2017 carry out observations and certification of the engineering affairs of the capital project under the Project Manager.

contract basis to these posts in terms of the nature of the posts, making permanent appointments to those posts should be accelerated.

- (b) The University of Peradeniya had made provision amounting to Rs. 286,295,486 for 516 posts that had remained vacant in the cadre approved for the year 2018. However, even by 31 December 2018, a number of 296 posts remained vacant in the approved cadre. As such, overprovision had been made by the University for salaries and wages of the non-academic staff during the year 2018.

It has not been possible to fill the vacancies on miscellaneous grounds and in order to maintain essential services of the University persons have been recruited on contract basis for the essential posts under the provisions available for those vacant posts. Therefore, provisions for the vacant posts as well have been made.

Action should be taken either to fill or abolish revenant vacancies immediately.

- (c) Contrary to Section 9.10 of the Public Enterprises Circular, No. PED/12, dated 02 June 2003, five officers belonging to 05 posts that had not been approved by the budget for the programmes of the

Those officers were recruited in order to perform duties in the International Research Centre of the University of Peradeniya. According to the proposal

Action should be taken in accordance with the relevant circulars.

University of Peradeniya in the year 2018, were employed. A sum of Rs. 2,773,215 had been paid as salaries and wages in the year 2018 in that connection.

made relating to the decision taken to upgrade 06 State Universities of Sri Lanka on a par with international level as per the budget proposals,2011, the General Treasury had allocated Rs.100 million to the University of Peradeniya to implement that objective and the approval of the Ministry of Higher Education has been received for the proposal made indicating necessary staff requirement.