

## University of Peradeniya - 2020

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### 1. Financial Statements

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#### 1.1 Qualified Opinion

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The audit of the financial statements of the University of Peradeniya for the year ended 31<sup>st</sup> December 2020 comprising the statement of financial position as at 31<sup>st</sup> December 2020 and the statement of financial performance and Statement of changes in Equity for the year then ended, and Cash flow statement, 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 and the Finance Act No.38 of 1971. My comments and observations which I consider should be report to parliament appear in this report.

In my opinion, except for the effects of the matters described in the Paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Institute as at 31<sup>st</sup> December 2020, 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

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My opinion is qualified based on the facts set out in paragraph 1.5 of this report.

I conducted the audit in accordance with the Sri Lanka Audit Standards (SLAuSs). My responsibility in the financial statements is explained further in the section of Auditor's Responsibilities for the Audit of the Financial Statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

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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 University's financial reporting process.

As per Section 16(1) of the National Audit Act No.19 of 2018, the University shall maintain proper books and records on its own income, expenditure, assets and liabilities so as to be able to prepare annual and periodic financial statements.

#### 1.4 Auditor's Responsibilities on the Audit of the Financial Statements

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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 the audit in accordance with the Sri Lanka Audit Standards, I acted with professional judgment and professional skepticism during 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 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 whenever 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 institute
- 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.

### 1.5.1 Audit Observations on the preparation of Financial Statements

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#### 1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

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<b>Non Compliance with the reference to particular Standard</b>	<b>Management comment</b>	<b>Recommendation</b>
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According to paragraph 08 of the Sri Lanka Public Sector Accounting Standards 07, the inherited assets belonging to Archaeological Museum and the main library of the Faculty of Arts of the University of Peradeniya have not been identified and disclosed in the financial statements.	The inherited assets of the Archaeological Museum and the Main Library of the Faculty of Arts will be identified and disclosed in the financial statements in the year 2021 in accordance with paragraph 08 of Public Sector Accounting Standards 07.	Accounting standards should be complied with.

### 1.5.2 Accounting Deficiencies

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<b>Audit Observation</b>	<b>Management comment</b>	<b>Recommendation</b>
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(a) Although it has been stated that according to the Accounting Notes No.1.3.6.9 for the Financial Statements, an area of 07 acres 02 roods of the land at Mawalawatta which belonging to the University has been released to the Divisional Secretary of Gangawata Korale, the value of that land has been identified and had not been disposed in the financial statements of the year under review.	Although the tenure of the Mawalawatta land plot of 07 acres, 02 roods area has been handed over to the Gangawata Korale Divisional Secretary in order to legally transfer the land to the unauthorized occupants, the ownership of the land has not been transferred and therefore the land is shown in the financial statements as an asset.	Property belonging to the University should be properly identified and presented in the financial statements.

- (b) The land of about 40 perches at Getambe belonging to the University of Peradeniya had been given to the Divineguma Department on a lease basis for a period of 30 years from 31<sup>st</sup> December 1987 to 30 December 2017 and the arrears lease of Rs.7,200,000 due for 31<sup>st</sup> December 2017 and lease due from 2018 to the year under review had not been calculated and accounted for.
- Although the outstanding lease due to the University as at 31<sup>st</sup> December 2016 was Rs.6,580,000, the Divineguma Department has defaulted on that payment. The Divineguma Department has informed that Rs.11.56 million has been spent for the construction of buildings on the land and the Department has requested to reduce the arrears due to the University out of that amount and continue with the remaining funds for a longer period. Due to this no action has been taken to pay lease to the university. As Legal action is being taken to acquire the full ownership of the property by the University, No action has been taken to lease the sections of the building back to them from 2017 to now.
- Revenue in arrears should be accurately identified and accounted for.
- (c) Investment interest income of Rs.12,400,466 relevant for the year under review had not been accounted for.
- The interest on the 7 fixed deposits in the National Savings Bank for the year had been accounted for, as interest receivables as it was received to the University by cheque after the financial year.
- The investment interest income for the year should be correctly accounted for.
- (d) Although there should be credit balances in the unspent Capital Grant Accounts, as at 31<sup>st</sup> December of the year under review, There were unusual debit balances in respect of those 03 accounts with the total of Rs.169,665,787.
- Due to insufficient government funding for each project, the projects with large cash balances had to be transferred with the approval of the Finance Committee. Further, many of those projects have already been completed.
- Expenditure should be made only for allocated projects.

- (e) The land of 17.31 acres where the Medical Faculty of the University is located had not been taken over by the University and action had not been taken to assess the value and include it in the financial statements. After the transfer of the relevant land to the University by the Department of the Land Commissioner General, action will be taken to adjust it in the financial statements. Accounting concepts, rules and principles should be followed.
- (f) The total expenditure of Rs.86,414,169 incurred on rehabilitation and capital projects which need to be capitalized under fixed assets from 2003 to 2016 had been continuously brought forward in the financial statements under the working progress. That, these projects could not be capitalized due to several reasons. However, all these projects will be capitalized in 2021. After completion of construction, Assets used should be accurately identified and capitalized.

## 1.6 Accounts Receivable and Payable

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### 1.6.1 Receivables

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The following observations are made.

<b>Audit observation</b>	<b>Management comment</b>	<b>Recommendation</b>
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(a) An amount of Rs.144,240,849 was due from 116 lecturers who had breached bonds and agreements by the end of the year under review. Although these officers have been in breach of bonds and agreements for a period of 01 to 50 years, the university had not adopted a formal procedure for recovering the balance.	Out Of the lecturers who breached the agreement, 66 were lecturers who had breached very old bonds. 04 of them have agreed to recover their bond value from their provident fund. However, due to shortcomings in the files, recovery from the provident fund is hampered. The Secretary of the Ministry of Education has appointed a committee by letter dated 24th April 2021 to take a decision on how to deal with the lecturers who have breached the very old agreements as they are unable to take legal action due to expiration and there is no alternative course of action.	Action should be taken to recover the amount due from the officers who have breached the bonds and agreements.

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| (b) | The insurance compensation of Rs.400,000 due from the Sri Lanka Insurance Corporation had not been recovered even more than 08 years had elapsed.   | Actions are being taken to hand over the scrap of this vehicle to the insurance company and recover the amount of Rs.400,000 due to the university.  | Action should be taken to recover the receivables.               |
| (c) | Although, Hall fees and fines of Rs.4,996,292 due for the period from 1980 to 2017 from 09 faculties of the University had been elapsed for 3 years to 39 years, no action had been taken to recover. | Out of the hall fees and fines receivables of Rs.4,996,292 as at 31 <sup>st</sup> December 2020, A total of Rs.173,588 has been received and actions are being taken to recover the outstanding balance. | Action should be taken to recover the receivables.               |
| (d) | A loan balance of Rs.1,355,275 due from 13 officers whose salaries had been suspended during the period from 2013 to 2020 had not been recovered until the end of the year under review.              | Necessary arrangements are being made to recover the loan balances of these officers from the Provident Fund and Bonds.  | Action should be taken to recover the receivables immediately.   |
| (e) | No action had been taken to recover Rs.2,908,359 due at the end of the year under review for the use of the property belonging to the University by outsiders.  | It is proposed to exempt rent for some projects from the outstanding amount and necessary actions have been taken to recover the lease applicable to other projects immediately.                         | Action should be taken to recover all the money due immediately. |

## 1.6.2 Payables

### Audit Observation

Although the retention amount of Rs.18,449,500 withheld in respect of 24 contracts has elapsed from 01 to 04 years from the date of release, it had not been released until the end of the year under review.

### Management comment

The release of money retention to the contractors is done on the requisition of the relevant contractor, inspecting the condition of the buildings constructed and the recommendations of the relevant division heads and project managers. And also deduction in retention money had been accounted for when making inter-bill payments. This document also contains the deducted amount in respect of ongoing projects.

### Recommendation

Action should be taken to formally release the retention payables.

### 1.7.1 Non-compliance with Laws, Rules and Regulations

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The following observations are made.

<b>Reference to Laws, Rules Regulations</b>	<b>Non-compliance</b>	<b>Management comment</b>	<b>Recommendation</b>
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(a) Section 11 of the Finance Act No.38 of 1971 and paragraph 8.2.2 of the Director General of Public Enterprises Circular No. PED / 12 of 02 June 2003.	Although all surplus funds should not be invested except with the prior approval of the Minister of Finance, the University had invested a total of Rs.21,000,000 in fixed deposits on two occasions during the year under review without obtaining approval.	A letter has been sent to the Minister of Finance for approval, for the fixed deposits opened using all the surplus funds by the year 2020.	When investing all surplus funds, the provisions of the Finance Act and Circulars should be followed
(b) University Act No.16 of 1978			
(i) Section 15(VI)	Although the total number of students to be admitted to each institution of higher education annually and the manner in which the number of students is to be divided into its various courses should be determined by the University Grants Commission after inquiring the council of each institution of higher education, The Council of the University of Peradeniya has not focused on increasing the number of students enrolled in the Faculty of Engineering during the last 11 years.	Although the necessary provisions and other facilities had been requested from the University Grants Commission in order to increase the number of students to be enrolled, the necessary facilities have not been provided so far.	The provisions of the Universities Act should be complied with.
(ii) Sub-section 18(2)(d)	Although the total number of students to be admitted to each institution of higher education annually and the manner in which the number of students is to be divided into its various courses should be determined by the University Grants Commission after inquiring the council of each institution of higher education,	Approval of the University Grants Commission has been obtained only for the Post Graduate Course in Construction and Project Management offered by the Faculty of Engineering.	The provisions of the Universities Act should be complied with.
		Necessary	

The Council of the University of Peradeniya has not focused on increasing the number of students enrolled in the Faculty of Engineering during the last 11 years.

arrangements are being made to obtain approval for other courses.

- (c) Guideline 24 of the Guidelines for Schemes of Recruitment and Procedure for Appointment issued in 1986 by the University Grants Commission

Although temporary lecturers should be recruited with a first class or second class upper degree in the relevant subject, two graduates with a general pass and a second class lower degree had been recruited as temporary lecturers in the Department of Archeology.

That, such a situation does not exist at present.

the rules of the guideline should be followed.

- (d) The Secretary of the Ministry of Higher Education Circular No.1/2011 dated 20th April 2011.

A research allowance of 35 percent of the basic salary was paid to 39 academic staff members of the Faculty of Management without having a timely evaluation of the progress of the research.

As mention in the application for research grant from the University's Academic Institutions Division, It does not state that it is mandatory to provide evidence or review research progress for the payment of such allowances. However, from now on we will take action to collect the necessary evidence as mentioned in the recommendation to pay research allowances to the academic staff members.

The circular provisions should be followed.



(e) Government  
Procurement Guidelines  
-2006

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| (i)  | Guideline<br>1.2.1(c) | The engineer who prepared the engineering estimate of Rs.45.5 million for the renovation of the Jayathilaka hostel had acted as a member of the technical evaluation committee appointed for the renovation.  | The work engineer was appointed as a member of the Standing Technical Evaluation Committee which had been appointed at the time. At present, the appointment of the Work Engineer to the Technical Evaluation Committees is done in accordance with 1.2.1(C) of the Procurement Guidelines.                              | Provisions of the Procurement guideline should be followed. |
| (ii) | Guideline<br>7.9.2(m) | Although there is a variation of 30 percent to 577 percent between the engineering estimate and the contractor's estimate or a price of Rs.8,217,408 exceeding the engineering estimate for the contract for the renovation of Jayatilake's hostel has been offered, the Technical Evaluation Committee had entered into an agreement with the contractor on November 6 <sup>th</sup> , 2017 without considering it. An amount of Rs.14,039,397 had been paid as mobilization advance, ie after the extension time period, the repairs were to be completed by December 31 <sup>st</sup> , 2019, but had not been completed by December 31 <sup>st</sup> of the year under review and no action had been taken to extend the performance guarantee of Rs.2,135,946. | The Technical Evaluation Committee evaluated the bids submitted by the contractors item by item. Accordingly, The Technical Evaluation Committee reviewed and recommended to award that the bids submitted by Farmhills contractor who was the lowest bidder, compared to the prevailing market prices, were reasonable. | Provisions of procurement guideline should be followed.     |

## 2. Financial Review

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### 2.1 Financial Result

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The financial result of the year under review amounted to a deficit of Rs.946,504,814 and the corresponding deficit in the preceding year amounted to Rs.1,740,708,860. Therefore an improvement amounting to Rs.794,204,046 of the financial result was observed. This improvement was mainly due to the increase in Mahapola scholarship, research grants and government grants and the reduction in travel and personal pay expenses.

## 3. Operational Review

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### 3.1 Identified Losses

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The following observations are made.

	<b>Audit Observation</b>	<b>Management comment</b>	<b>Recommendation</b>
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(a)	There was a shortage of Rs.255,153 during the physical inspection carried out on December 02 <sup>nd</sup> , 2020 on the imprest of Rs.1,125,000, which had been issued to the Shroff Division established in the House of Senate at the University.	A preliminary inquiry has been conducted into the shortage of funds and chargesheets have been filed in this regard and a formal investigation is being carried out accordingly. The shroff who was caught in connection with this charge has been suspended.	An effective internal control system should be implemented so as to prevent frauds and errors.
(b)	Although a shortage of 83 units was observed in 47 survey items belonging to two departments of the Faculty of Engineering, No action had been taken in this regard.	As the Board of survey appointed for this purpose could not meet, due to practical issues, action will be taken to reconvene the Board of surveys and obtain the necessary recommendations.	The responsible parties should be identified and action should be taken to recover the shortage.

### 3.2 Management Inefficiencies

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The following observations are made.

	<b>Audit Observation</b>	<b>Management comment</b>	<b>Recommendation</b>
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(a)	According to the letter No.HE/EST/01/01/PDN dated 24 <sup>th</sup> September 2019 of the Senior Assistant Secretary of the Ministry of Higher Education, approval has been granted to fill one vacancy in the post of Security Inspector Grade	A person with knowledge of the relevant subject should be appointed for the written examination held for this post. Accordingly, the Chief Disciplinary Officer was appointed with the approval	When conducting the examinations related to recruitments, question papers should be prepared by independent parties.

- II of the University, but two officers have been recruited for the post. Further it was observed in the Audit, that the question paper for the written test for this recruitment was prepared by an officer who had served in the same security force and is currently the Chief Disciplinary Officer, so he did not have the independence to do so.
- of the Vice Chancellor based on the recommendation of the Registrar. This was done to utilize the limited human resources available in the University considering the knowledge in the relevant field in order to make recruitments as soon as possible.
- (b) A council member of the University served as a member of the Plan preparing, Plan Approval and Pre-Bidding Committee for 04 projects of which total estimated value was Rs. 384,281,795.
- That, these services were fulfilled by a member of the Governing board without any payment, based on the approval of the Council.
- A member of the Governing Board shall not any relationship directly or indirectly or otherwise to an agreement relating to the University.
- (c) Although 628 students were enrolled in 07 postgraduate courses in the Faculty of Engineering from 2017 to 2020 and a course fee of Rs.166,550,000 was charged for them, the approval of the University Grants Commission had not been obtained for those courses.
- Necessary actions are being taken to obtain approval for those courses.
- The approval by the University Grants Commission should be obtained for Postgraduate courses.
- (d) Although the land belonging to the University, with the area of 02 Roods, 33.5 perches, has been temporarily released to the Police Department on the re-redeemable basis to maintain the Peradeniya Police Station from 1993 until the end of the year under review, No action had been taken to collect a lease on the land or hand it over to the Police Department until the end of the year under review.
- At present, the Peradeniya Police Department has been established on the land and the Land Commissioner General has been informed in a letter dated June 17<sup>th</sup>, 2020 to hand over the land to the Police Department.
- Action should be taken to expedite the handing over and recover the amount due.
- (e) Although the Land owned by the University with the area of 01 rood, 15.56 perches from 1997 and the land with the area of 02 roods, 33.5 perches from 1993 had been used by the Gangawata Korale Pradeshiya Sabha and the Police Department respectively until the
- The land was leased to the Gangawata Korale Pradeshiya Sabha on a short term basis only in 1996 to carry out a weekly fair and no valid lease agreement had been entered into since 1997. However, the Gangawata
- Action should be taken to reclaim the land and recover the arrears of taxes.

end of the year under review , No lease had been levied or no action had been taken to transfer the property.

Korale Pradeshiya Sabha has recently entered the land without permission and has taken steps to construct unauthorized stalls in the land. A case has been filed in the Kandy High Court under No. 226/19 and further action is being taken.

- (f) On December 22<sup>nd</sup>, 2020, Five employees who reported for duty at the Work Department and an electrician who did not report for duty on that day were used to repair and construct the private residence of the University Registrar in Peradeniya by using the University-owned cab. According to the equipment issuing registry of the Work department, 15 tools had been issued to an employee involved in the above construction work, On that day.
- The Council of the University has sent the Registrar on compulsory leave from 04<sup>th</sup> January 2021 until further notice subject to a preliminary inquiry. Further, based on the report of the above Committee of Inquiry, the Council has inquired the Hon. Attorney General for advice on how to take disciplinary action against the relevant officers. After obtaining the advice of the Attorney General, the council will make the relevant decisions regarding this case.
- When employing the employees, a good internal control system should be implemented.

### 3.3 Operational Inefficiencies

Following observations are made.

Audit Observation	Management comment	Recommendation
(a) An agreement for the development and installation of a computer software system for Accounts and payment of payroll in the University had been entered into with a private company in 2017 for the value of Rs.7,514,311 and a total of Rs.5,956,162 had been paid for it on two occasions in 2018. According to the agreement, the computer system was to be installed before April 29 <sup>th</sup> , 2019, but no	At present, the staff is trained on the accounting software system in relating to the development and installation of an accounting software system for the Department of Finance Administration, and data on each module is being entered into the computer. Also, action will be taken immediately, to prepare accounts through this system.	Action should be taken to obtain the relevant services within the contract period.

action had been taken to install it by December 31<sup>st</sup> of the year under review.

- (b) In the year 2017, the University Grants Commission had given a grant of Rs.4,792,000 to the Faculty of Engineering for 09 researches. Out of these, 01 to 03 years had elapsed since the deadline for the submission of the final reports of 05 researches, but no action had been taken to obtain those reports until the end of the year under review. Relevant researchers had requested the Senate Research Committee to extend the time for the completion of these researches, citing the delays in the research mentioned in the inquiry, and It was also approved by the committee. Relevant research reports should be obtained as soon as the research is completed.
- (c) Due to the Covid epidemic, the university was completely closed down to staff and students and attendance for university staff was restricted on several occasions . The full monthly fee of Rs.3,845,887 for each month, was paid to the relevant institution for access to the Internet for the year under review , irrespective of 195 days of full close down for students, 34 days of close down for staff and 121 days of restricted staff attendance. Payment of full monthly bills to “LEARN institute” for the periods during which the University was closed and attendance were restricted was made on the recommendation of the Director of NCSU, University of Peradeniya. Monthly Bills and its Amendments are made by the NCSU and the General Services Division. Action should be taken in accordance with agreement.
- (d) The University has entered into an agreement with “Freie Universitat Berlin” to implement the Master Landscape Archeology Degree Course under the Department of Archeology from 01<sup>st</sup> April 2014 to 31<sup>st</sup> December 2017. No financial report or file pertaining to the 33400 Euro transactions agreed to be provided for the implementation of the project, in accordance with the terms of that agreement was submitted to the audit. And also 04 years have passed since the end of the project contract period, the Master Landscape Archeology degree program has not yet been implemented. Matters in relating to the Clauses 10, 11, 12 of the Agreement are correct. Copies of the relevant financial report, files can be inspected by the Head of Division of the Department of Archeology. A formal controlling system should be introduced for projects carried out by faculties.

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| (e) | An advance balance of Rs.2,235,939 given in previous years for the commencement of work on 19 rehabilitation projects had not been settled by the end of the year under review. | Out of these projects, 13 projects have been settled through journal entries in the year 2021 and the payments relevant to remaining projects will be settled off by the bills submitted. | Action should be taken to settle the advance as soon as the work is completed. |
| (f) | At the end of the year under review, the outstanding balance on advances for 15 construction projects was Rs. 253,916,904.  | Relevant documents for construction advances are presented on page 175 of the book containing financial statements and documents.   | Action should be taken to settle the unsettled advances.                       |

### 3.4 Idle or underutilized Property, Plant and Equipment

Following observations are made.

<b>Audit observation</b>	<b>Management comment</b>	<b>Recommendation</b>
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(a) The art gallery which was completed at the end of the year 2014 at a cost of Rs.7,586,873 has been idle for more than 06 years without any use. Meanwhile, the building had collapsed, making it unusable and the ceiling had also broken down.	As planned in the year 2012, to implement on the basis of donations made by the Board of Trustees of the Alumni of the University of Peradeniya base upon an estimate of Rs.82.2 million, A part of it was implemented with donated aids and completed on October 24 <sup>th</sup> , 2014. But on the fact that the whole project has not been completed it is in a unusable condition for final purpose. However, on the provisions made by the Board of Trustees of the Alumni, it was planned to built part of it systematically and will be used for the relevant work after the completion of the entire project.	In constructing buildings, A program should be formulated so that it can be used optimally, with a formal evaluation.
(b) The amount of Rs.1,500,000 received from a professor on August 04 <sup>th</sup> , 2017 for the Establishment of a Foundation Grant for Annual Awards for Research Excellence program had been transferred to the	Necessary steps are to be taken in the future to utilize these funds effectively by the University Research Council.	Research funds should be utilized optimally within the stipulated time period.

University Research Fund on December 31<sup>st</sup>, 2020, without being used for the relevant work and presenting under various deposits until December 31<sup>st</sup>, 2020.

### 3.5 Delays in Projects or Capital Work

----- <b>Audit Observation</b> -----	----- <b>Management comment</b> -----	----- <b>Recommendation</b> -----
According to the National Survey on Persistent Organic Pollutant in Breast Milk research project, the responsibility of sending samples to China for research covering all areas of the country and analyzing the results and preparing a research report to test whether breast milk contains organic pollutants, rests with the University . However, 09 months had elapsed since the agreement was reached, none of the expected objectives of the project had been achieved up to the date of the report due to non-fulfillment of those functions.	The project will be completed within this year and the report will be submitted to the Ministry.	Action should be taken to complete the projects within the contract period.

### 3.6 Defects in Contract Administration

Following observations are made.

----- <b>Audit Observation</b> -----	----- <b>Management comment</b> -----	----- <b>Recommendation</b> -----
(a) Although An Agreement was entered into with the Contractor on 09 <sup>th</sup> November 2017 for the renovation of Jayatilake Hostel of the University at a cost of Rs.49,126,740 and the renovation was done, Due to non-preparation of accurate estimates, repairs worth Rs.6,390,671 had to be carried out by the Work Department under direct labour basis at the end of the year under review.	In the year 2016, estimates were prepared according to the requirement occurred at that time and Rs.45.55 million has been allocated for the renovation of Jayatilake Hall. Estimates have been prepared for major and essential repairs that were in place at that time.	All constructions should be carried out under adequate evaluation and supervision according to accurate estimates.

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| (b) | Although an agreement was reached with the contractor on November 06 <sup>th</sup> , 2017 for the renovation of Jayathilaka hostel and a sum of Rs.14,039,397 was paid as a movable advance, the work site had been handed over to the contractor for repairs on May 03 <sup>rd</sup> , 2018, that is six months after the advance was paid.                                   | During the renovation work of Jayatilake Hall, the plastering layers of the concrete slab associated with the toilet systems popped out. Completion of the remaining renovation parts of Jayatilake Hall had to be temporarily halted due to the awarding of the lowest bid to a contractor for the removal and replacement of the slabs.    | All constructions carried out within the University should be carried out only through adequate evaluation and supervision. |
| (c) | Although the renovation work of the Jayatilake Hostel was to be completed by December 31 <sup>st</sup> , 2019, its work had not been completed by December 31 <sup>st</sup> , 2020 and no action had been taken to extend the performance guarantee of Rs.2,135,946 in comparison to it.   | The performance bond has not been extended beyond the due date, due to repairs that had to be made outside the responsibility of the relevant contractor. However, all the work has been completed and handed over to the university by now.   | All constructions carried out within the University should be carried out only through adequate evaluation and supervision. |
| (d) | The engineering estimate certified by the work engineer for the renovation of the Jayatilake hostel and the price analysis and related measurements based on its preparation were not submitted for audit.   | Relevant engineering estimates and price analyzes and relevant measurement details were in the work engineer's office room and are currently missing.  | All information relevant to the preparation of estimates should be provided.  |
| (e) | Although, an Agreement for the Renovation of Wijewardena Hostel had been entered into with the contractor on 18 <sup>th</sup> April 2018 at a cost of Rs. 240.51 million and a mobility advance of Rs.40,017,474 had been paid in May 2018, the site was handed over to the contractor on February 08 <sup>th</sup> , 2019, that is nine months after the contract was signed. | Relevant officials have been informed to take necessary steps to release the hostel for renovation work before the commencement of the procurement process. However, due to protests by students due to accommodation problems, it has been delayed to hand over the hostel to the contractor for renovations.                               | All constructions carried out within the University should be carried out only through adequate evaluation and supervision. |
| (f) | Although, more than a year has passed since the agreement for the Renovation of Arunachalam Hostel had been entered into with contractor on January 08 <sup>th</sup> , 2018 at a cost of Rs.45.18 million and Rs.7,102,351 had been paid as a mobility advance in July 2019, the site had not been handed over to the contractor for commencement of the work.                 | Jayatilake and Arunachalam halls were planned to be renovated at the same time. Due to the delay in the renovation work of Jayatilake Hall, the students could not be resettled and therefore the renovation work of Arunachalam Hall could not be commenced. However, the contractor has extended the mobility advance bond until May 2021. | All constructions carried out within the University should be carried out only through adequate evaluation and supervision. |



### 3.7 Human Resources Management

#### Audit Observation

In comparing the approved academic and non-academic staff of the University for the year 2020 with the actual staff, there were 244 and 269 vacancies respectively. As this situation could affect the efficient and optimal operation of the University, the attention should have been paid to recruitment of staff for the vacant posts.

#### Management comment

The University is in the process of recruiting 259 vacancies for non-academic staff. A newspaper advertisement was published to fill 244 vacancies in the academic staff in the year 2021 and the recruitment process will be carried out in the future.

#### Recommendation

Action should be taken to fill the existing vacancies in the approved staff in order to maintain the activities of the University optimally.