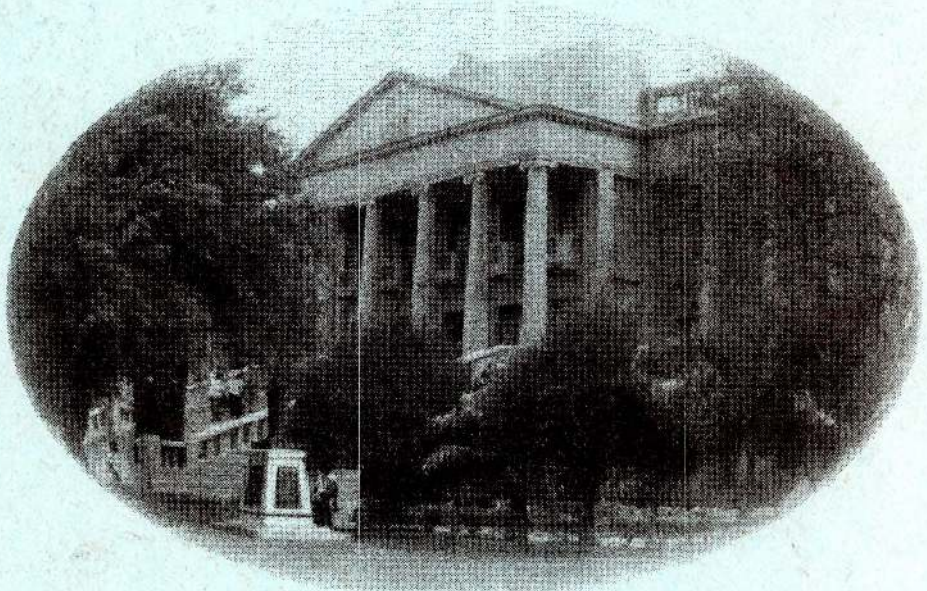




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இலங்கை ரஜரட்ட பல்கலைக்கழகம்  
RAJARATA UNIVERSITY OF SRI LANKA



විගණකාධිපති වාර්තාව  
கணக்காய்வாளர் நாயகத்தின் அறிக்கை  
AUDITOR GENERAL'S REPORT  
2007, 2008, 2009

English





REPORT OF THE AUDITOR GENERAL  
ON THE FINAL STATEMENTS

OF

ACCOUNTS - 2007



31<sup>st</sup> October 2008

NC/AP/E/RU/FA/2007

Vice Chancellor,  
Rajarata University of Sri Lanka,  
Mihintale.

Report of Auditor General on the financial statements of Rajarata University of Sri Lanka for the year ended 31 December 2007, in terms of Section 108(02) of the Universities Act No. 16 and Section 13(7) (A) of the Finance Act No. 38 of 1971.

The audit of financial statements of the Rajarata University of Sri Lanka for the year ended 31 December 2007 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 Sections 108(1) and 111 of the Universities Act No. 16 of 1978 and sub sections (3), (4) and (7) of Section 13 of the Finance Act No. 38 of 1971. This report is issued in terms of Section 108(2) of the Universities Act and Section 13(7) (a) of the Finance Act. Included herewith my opinion and observation on foregoing financial statements.

**1:2 Responsibility of management in respect of financial statements**

It is the responsibility of the management to prepare these financial statements in compliance with generally accepted principals of accounting and to submit same in a reasonable manner. It is responsibility to include an internal planning implementing maintaining and administration conducive for such reasonable submission and also selecting and application suitable accounting policies and preparation of accounting estimate as appropriate, devoid of substantial statements that might caused by fraudulent or wrongful action.

**1.3 Foundation for scope and opinion of audit**

It is my responsibility to state a view on the financial statement based on my audit inspection. Audit opinion, comments and findings in this report are based on a review of the financial statements presented to audit and substantive tests of samples of transactions. The scope and the extent of such review and tests were such as to enable as wide audit coverage as possible within the limitations of staff, other resources and time available to me. The audit was carried out in accordance with Sri Lanka Auditing Standards, methods and practices to obtain a reasonable assurance as to whether the financial statements are free of material misstatements. The audit included examination of evidence supporting the amounts and disclosures in financial statements and assessment of accounting principles and significant estimates and judgments made in the preparation of financial statements, evaluation of their overall presentation and determining whether accounting policies adopted were appropriate, consistently applied and adequately disclosed. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

## 2. Financial statements

### 2.1 Opinion

So far as appears from my examination and to the best of my information and according to the explanation given me, I am of opinion that the Rajarata University of Sri Lanka had maintained proper books of account for the year ended 31 December 2007 and except for the effects on the financial statements of the matter referred to in paragraph 2.2 of this report, the financial statements which are in agreement with the said books have been prepared and presented in accordance with Generally Accepted Accounting principles and the stated accounting policies and notes to the financial statements and give a true and fair view of the financial position of the Rajarata University of Sri Lanka as at 31 December 2007 and the financial results of its operation and cash flows for the year then ended.

### 2.2 Comments on Financial Statements

#### 2.2.1 Accounting Policies

Following mentioned observations are made

- (a) As at 31<sup>st</sup> December of the year reviewed, assets of IRQUE project worth Rs. 41,040,042 that were kept custody of the university with assigned to be university at the end of project in terms of the project agreement; however such information were not revealed in financial statements.
- (b) Attention was not drawn regarding revaluation and accounting of 10 subjects of assets coasting Rs.114, 952,907 that are in further using, although it has been depreciated completely
- (c) Up to the previous year, remaining stocks in stores were shown as final stocks in financial statements; however in year reviewed, final stocks were calculated in consideration of stocks remain in stores as at 31<sup>st</sup> December issued for the consumption of laboratories. However new policy of calculating stocks was not disclosed in financial statements

#### 2.2.2 Accounting Deficiencies

Following accounting Deficiencies were observed

- (a) Overstating and understating statement in the accounts.
  - (i) Interest at a rate of 7% in respect of the investment amounting to Rs. 18,000,000 should be Rs. 1,260,000; however some of Rs. 2,542,178 was settled as interest in accounting in the year. Accordingly, over calculation is Rs.1,282,178.
  - (ii) A sum of Rs. 2,504,063 was spent on the canteen building of the medical and allied science faculty that is being constructed and not handed over by

the contractor. Such amount was settled under capital access instead of ongoing work. Therefore value of the Buildings in the year reviewed was overstated.

- (iii) In terms of the pay slip and other documents expenses on salaries and emoluments are amounting to Rs. 163,529,295 and the same item is started in financial statement as Rs.173,277,911 accordingly, overstatement is Rs.9,748,616. Cause for the overstatement is that outstanding salaries, allowances and contributions for employees provident funds of previous years has to be settled accumulated funds, but the same has considered as expenses of the year reviewed
- (iv) As at 31<sup>st</sup> December in the year under reviewed, authenticated value of stock in 3 stores were amounting to Rs. 12,743,661, however the same item was stated as Rs. 12,036,432 in financial statement resulting a depict of Rs. 707,229 in the final stock in the year reviewed.
- (v) Total amount payable in respect of orders forwarded at the end of the year reviewed, regarding activities was Rs. 703,442. Nevertheless, in the year reviewed the same item was calculated as Rs. 18,032,282 and entered such amount in to the account.

(a) **Omissions:-**

At the of opening the university, the action had not been taken to acquire the land including main administration building maintenance section building and quarters and the value of such property had not been entered in to account.

(b) **Improper disclosures**

The amount of Rs. 33,529,690 which was granted by the University Grant Commission and the Maha Pola Trust Fund the payment of Maha Pola and Bursaries and such payments have indicated as revenue and expenditure of the University in the year under review, under the disclosure in the final account. According to the reply of Vice Chancellor, this accounting system has been implementing in the university system since long time.

### 2.2.3 Lack of Evidence for Audit

The balance of fixed assets, amounting to Rs. 969,690,613 balance of creditors of Rs. 33,004,710 and balance of sundry debtors amounting to Rs. 488,569 could not be satisfactorily vouched due to lack of registers of fixed assets, broad of survey reports, detailed schedules, confirmation and age analyzing.

**2.2.4 Non compliance with Laws, rules, regulations and management decisions.**

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

Reference to laws, rules, regulations	Non compliance
(a) Section 45(2)(IX) of the Universities Act No. 16 of 1978	By-laws were not approved by the council in respect of 2 funds of maintained by the university with the sum Rs. 6,279,174
(b) Establishment code for higher education institute and University Grant Commission	
(i) Section 7.6 of chapter V	Necessary action were not taken to recover these guarantee value amounting to Rs. 1,200,227 neither from the officer nor guarantor, a visiting lecturer who had taken a special qualarship to follow M.Phil and not reported to the duty in the university after words.
(ii) Section from 2.1 to 2.1.4 of chapter XXIV	Board of survey in respect of the fixed assets of the university had not been conducted and submitted to audit in the year under review.

**2.2.5. Transaction not confirmed by satisfactory Authority**

Following observations were made

- (a) In accordance with the circular letter dated 18<sup>th</sup> July 2003 and No.BD/1/NS/DLU/S/A078 of the director General of General Treasury addressed to the chair person of university grant commission, in calculation of contributions to the EPF and ETF, monthly academic allowances and set off allowances should not be considered, due to non compliance above circular, a sum of Rs.7,287,536 to ETF and because of considering academic allowances a sum of Rs.1,574,249 to university provident fund had to be paid in excess from 1998 to 2006. Reply of Vice Chancellor regarding the issue that they have worked in accordance with the university grant commission circulars
- (b) The allowances paid to government officers for language proficiency does not apply to stake corporations and statutory boards, as per letter addressed to the Universities Grant Commission by the Director General of Public Enterprises bearing No. PE/01/174/11 of 6<sup>th</sup> March 1998. But, Rs. 2,874,790 had been paid as language proficiency allowances from 1999 to 31<sup>st</sup> of December 2007. According to the Vice Chancellor reply, it had been stated that the payments had been made in terms of the circulars of University Grant Commission.



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### **2.2.6 Irregular transaction**

The following observations are made

- (a) In terms of the chapter 5.10 of the University Grant Commission circular No. 856 of 31<sup>st</sup> January 2005, Mahapola aids should not be paid to the students who are receiving bursary, how ever in December 2007, it was observed that two students were paid bursary amounting to Rs. 4000 who are receiving Mahapola aids as well and vouchers were prepared to pay bursary amounting to Rs. 12000 for six students who are receiving Mahapola aids.
- (b) Even though, the relevant rental has to be determined on the valuation of the chief valuer, when obtaining building on rent in terms of 835(2)(c), such valuation had not been obtained for the 38 students hostel rental in 2007, and it had been paid a sum of Rs. 6,636,00 as rental. As further information gathered at the audit, it was observed the rental so paid had well exceeded the average market rental value prevailing the area.

## **3. Financial and operating review**

### **3.1 Financial review**

#### **3.1.1 Financial Results**

According to the Financial Statements presented, there had been a deficit of Rs. 47,567,500 in the operation activities of the University during the Year ended 31<sup>st</sup> December 2007, and corresponding depict of the previous year was Rs. 19,683,321 and as consequence the adverse effect of the financial results of the year under review has increased Rs. 27,884,179.

#### **3.1.2 Analyzed financial review**

There had been an excess amount Rs. 4,796,751 after meeting the expenses from the amount allocated to the University for Recurrent Expenditure by the University Grant Commission. The corresponding excess of the previous year was Rs. 19,890,522. But in the year under review a sum of Rs. 56,991,585 for depreciation of assets and another sum of Rs. 2,782,042 for gratuity payment had been written off against the income which amount to Rs. 59,773,627 was the main case for depict of the year under review. Writing off of sum of Rs. 43,382,369 in total comprising depreciation provisions for fixed assets amounting to Rs. 41,078,446 and gratuity payment amounting to Rs. 2,303,923 was a main reason I previous year.

**3.2 Operating Review**

**3.2.1 Performance**

The following observations are made.

- (a) The academic performance of the University for the year under review is shown below.

Details	Faculty of Agriculture	Faculty of Social Sciences and Humanities	Faculty of Management	Faculty of Applied Sciences	Faculty of Medical and Allied Sciences	Total
(i) Approved no. of students	400	690	850	645	350	2935
(ii) No. of students registered	277	690	637	462	351	2417
(iii) No. of students who sat for examination	181	461	599	524	169	1934
(iv) No. of students Succeeded	98	391	441	483	Results not issued	1413
(v) No. of students failed	83	70	158	41	-	352
(vi) Percentage of No. of students failed compared to No. students who sat for examinations	46	15	26	08	-	18

1934 students had sat for the examination out of the total registered students No of 2417, and out of 1765 students whose rested had been issued 20% of students amounting 352 had failed the examination. 1742 students had been registered and 1271 students had failed out of 1787 students who sat for the examination. 29% of students who sat the examination amounting 516 had failed the examination.

- The number of students who sat for examinations had exceeded the number of students registered as a result of including the figure pertaining to students who sat for repeat examinations.

- (b) Rs. 215 millions for the continuous projects, Rs. 240.5 millions for new capital projects have been allocated under Expenditure Head 101, 102, 103, and Rs. 198,561,495 for continuous projects and Rs. 34,383,068 have been spent within the year. Accordingly, the incurred expenditure out of the allocation received for continuous and new projects were respectively 92 %, and 14%.

**3.2.2 Delay in Implementation of project.**

The General Treasury had provided Rs. 18 million for acquisition of the police quarters for use as students' hostels. However this acquisition could not be implemented even as at 31<sup>st</sup> August 2008. Said amount of Rs. 18 million had been deposited in the bank on the interest of 7% from the date of 15<sup>th</sup> September 2006 without approval of the treasury.

**3.2.3 Operational Inefficiencies**

Following observations are made,

- (a) University had invested a sum of Rs. 26,230,000 at an interest rate 7% per year, however, interms of information provided for auditing, market interest rate from 13.13% to 17.33% during the year under reviewed. Accordingly, a lost amounting to Rs. 1,607,899. Rs. 2,709,559 had occurred to the university fund due to non observation of market interest rate.
- (b) Seven officers, who are not working in the university of the Rajarata at present, due to resignation, termination of work and transfers have not handed over 15 books borrowed from the university library worth Rs. 9,893 within a from 10 year to 7 year.
- (c) A sum of Rs. 4,600 over a period of three years and a sum of Rs. 11,818 over a period of two years paid to three officers as salary advance had not recovered in terms of 212(2)(V). A sum of Rs. 166,550 that had been taken by the officers of the university officers as advances, which does not comply with the section 371 and 371(b) of the government finance circulars and recoveries of the same payment have delayed a period from 03 month to 03 years.
- (d) There were no evidence even up to 31<sup>st</sup> December 2007 that respective services had rended to the university regarding advance payments made amounting to Rs. 1,021,095 from 2002 to 2007 without a certificate that supplies and services concerned have made satisfactorily in terms of the sub section 237(a) of government finance circulars.

### 3.2.4 Fund Investment

The following observations are made

- (a) The balance amount of Rs. 18,032,282 which was not spent for the purpose, out of the provision of Rs. 35.4 millions received from the University Grant Commission and the treasury in order to develop information technology in the year under review, had been used for the expenditure projects including pre clinical building of the Medical Faculty and the hostel complex for 800 students.
- (b) Rs. 13.5 millions was received under the expenditure. Head, 102 projects for purchasing library books term periodicals and sports equipment in the year under review. Rs. 10,060,670 was spent for the purpose. Accordingly the balance amount of Rs. 3,439,330 has used for purchasing furniture and office equipments for the above projects.

### 3.2.5 Idle and Underutilized Assets.

It was observed in this audit test of inventory and stores item on the 14 subjects worth Rs. 375,019 were totally idle and under utilized for a period from 2 years to 10 years and at the same time, no action had been taken intense of financial regulation No. 756 and 770.

### 3.2.6 Lack of corporate plan and Action plan

The following observations are made

- (a) A corporate plan had not been prepared for the university in terms of the Treasury Circular No PED/52 of July 1989 and Chapter 5 of the Public Enterprises Circular for good governance on public Enterprises No PED/12 of 2<sup>nd</sup> June 2003.
- (b) An action plan had not been prepared for the university for the year (Finance and Academic) under review. Accordingly, there was no evidence to show that the human and physical resources had been subjected to proper management in order to fulfill the objectives of the university.

### 3.2.7 Budgetary control

It was observed that the budget had not been utilized as an effective investment of management control during the year under review.

- (a) Total actual expenditure has been exceeded by Rs. 27,903,566 than estimated and expenses well below the estimated expenditure are as follows.

Details of expenditure	Estimated amount	Actual amount	Variation (Decrease)	Variation Percentage
	Rs.	Rs.	Rs.	%
I. Other recurrent expenditure	10,000,000	5,923,022	(4,076,978)	40
II. Bursaries for students	47,000,000	33,529,690	(13,470,310)	29

(b) Approval of the General Treasury had not been taken to spend a sum of Rs. 4,451,555 exceeding the provision amounting to 50 millions of the same year and 3.141 millions remaining from the previous year regarding capital assets rehabilitation and repairing under expenditure year reviewed.

**4. Systems and Controls**

Special attention should be made following mentioned control sections

- (a) Accounting
- (b) Stores
- (c) Fixed assets
- (d) Planning and Implementation of projects

Sgd/ S. Swarnajothi  
Auditor General

01.01.2009

Auditor General,  
Auditor General's Department,  
Independent Square,  
Colombo 07.

**Views and the measures have been taken by the university, regarding the report of the Auditor General on the Accounts of the Rajarata University of Sri Lanka, for the year ended 31<sup>st</sup> December 2007 in terms of section 108(2) of the University Act No. 16 of 1978 and Section 13(7) (A) of the Finance Act No. 38 of 1978**

The report of the Auditor General No; NC/AP/E/RU/FA/2007 and dated 31.10.2008 on the account of the Rajarata University of Sri Lanka, for the year ended 31<sup>st</sup> 12.2007 in terms of the section 108 (2) of the university Act No 16 of 1978 and section 13(7) (A) of the Finance Act No 38 of 1978, was submitted to the 29<sup>th</sup> Audit and Management Committee of this university and discussed extensive there. And further, it has also been submitted to the council. Accordingly, the measures have been taken by the University of Rajarata, regarding the audit report will be submitted in the numerical order.

**2.2 Comments on Accounts**

**2.2.1 Accounting Policies**

- (a) Agreement has entered in as assets of IRQUE project transferring to the university at the end of such project. Action will be taken to show this value in the account report forth coming year as account note.
- (b) In this year, it is expected to install a computer software system for fixed assets also included to the same.
- (c) Action will be taken to insert the stock in laboratories, in addition to stock in stores to the financial statement and as a policy in each year.

**2.2.2 Accounting Deficiencies**

- (a) Overstating and understating in the accounts
  - I. In submission of accounts forthcoming year, action will be taken to calculate the annual interest concerned and enter such value to the account.
  - II. Uncompleted construction that are not handed over.  
Action will be taken to indicate under fixed assets the amount of Rs. 2,504,063 incurred for the canteen building of the Medical Faculty which had not been completed and was not handed over by the contractor. Since it was completed and handed over in 2008. Action will also be taken to adjust the account notes of the previous year.

- III. Necessary steps will be taken to settle the payments of outstanding salaries and allowances to the general reserve for the year reviewed considering the information of audit report in presenting the accounts of year 2008. Action will be taken to settle the account as per the Audit report, even though previous had been granted in the year under review.
- IV. Under stated amount of stores stock disclosed by the audit report 2007 has noted to settle from the account report as stated by the audit report 2008.
- V. As funds have received for information technology during year 2008 and liabilities have occurred accordingly and funds have allocated under accrual basis based on agreements. Such procedures have completed during the year 2008 and payments have been made utilizing the previous in the year 2007 for the purpose.
- (a) In the initial stages, buildings of "Gum Udawa" had assigned to the university. Legal activities of these buildings have been completed yet. After completion of such work, necessary steps will be taken to enter such valuation to accounts.

(b) **Improper Disclosures**

Funds will be granted from University Grant Commission and Mahapola Trust Fund for the payment Mahapola and bursaries. All the funds received by the university will be entered to the accounts. Accordingly all the funds received by the University have stated as revenue and all the expenses including recurrent expenditure have stated as expenses. These policies are disclosed since the opening of the University.

**2.2.3 No Evidence for Auditing**

Accounts regarding fixed assets register will be made through computer software. Accounts on fixed assets register will be made accordingly. Initiatives have already been made for the purpose. At present, fixed assets registers maintained by departmental unites could be utilized as evidence for audit.

Balances of creditors and debtors will be verified and actions will be taken to enter the same in to accounts in next year. Supervision boards have been appointed for annual authentication of fixed assets of the University and all the Deans and Heads of the Departments have instructed to produce such reports. Such reports are open for auditing. Officers concerned have instructed to produce schedules for all the fixed assets. Necessary steps will be taken to produce such registers together with the account report of 2008.

**2.2.4 Non Compliance with the Rules, Regulations and Management decisions.**

- (a) By laws have been structured for each and every funds existing in the university.
- (b) (i) In terms of the circulars of University Grant Commission arrangements have made for the academic staff to follow post graduate degrees in the university. They will be released in a fulltime basis for the purpose. Agreements of guaranty are obtaining regarding such courses and relevant charges are recovering from the staff members who are violating such agreements and not coming to serve in the university after completion of courses concerned. Guarantors of such agreements are also taken in to consideration in recoveries.
- (ii) Since the commencement of the university, fixed assets have supervised annually. This has been done in 2007 as well. Such reports are open for auditing. In 2008, Deans have informed in written regarding the issue and Boards of survey are also appointed and overtime payments for the duty also approved.

**2.2.5 Transactions not confirmed with adequate authority**

- (a.b.) Activities of reputed university systems are carried out in terms of circulars issued by the University Grant Commission from time to time. Accordingly, payments have made as audit statements. These payments may remain unchanged in future as well.

**2.2.6 Irregular Transactions**

- (a) In payment of bursary and Mahapola aids, both modes of payments have made to two students. It has been taken to recover the over payments.
- (b) New students are enrolled to the university in terms of the circulars of University Grant Commission. Hostels have to be provided for these students. Hostels are being constructed for the purpose. Until completion of such constructions, hostels have to be hired. However it is somewhat difficult to get houses from an area like Mihintale. Therefore houses have to be rent out from Anuradhapura town area and at the same time due to excessive demand, house owners in Mihintale area are requesting high amounts of charges. As a result of this situation, University has compelled to rent out houses paying high amounts. Even though, according to the government assessments, value of these houses are considerably low, but house owners are not agreeable to such low rates. Therefore university does not take assessed value as a policy.



### 3. Financial and Operation Review

#### 3.1 Financial Review

##### 3.1.1 Financial Results

Students are enrolled to the university according to the government policies. Numbers of students enrolled are increased year by year and facilities have to be increased accordingly and at the same time funds for educational activities have to be broadened. As a result, requests have been made to increase the annual funds. As general treasury releases funds in accordance with the annual fund limits, adequate amount of are not receiving to meet the expenses.

#### 3.2 Operation Review

##### 3.2.1 Performance

(a) University of Rajarata is a newly established university and comprises with five faculties. Faculty of Medicine commenced two years ago and faculty of Agriculture commenced six years ago. Other faculties commenced in 1996. Annual number of students increases in terms of government policies. Accordingly, numbers of students in each faculty have increased annually and students sit for the examinations have also increased. During disputable situations in the university examinations could not be held on time and accordingly, expected goals could not be achieved.

(b) Funds are granted under rehabilitation, purchase of equipment and constructions. Funds granted under rehabilitation and purchase of equipment have exhausted. Constructions carried out under provisions for constructions have not completed to this point. However due to the problems on tender awarding procedures, provisions for new projects could not be utilized.

##### 3.2.2 Delayed Projects

A sum of Rs. 18 millions was granted by the general treasury to acquire police quarters, however due to the prevailing situation in the country, on a request made by the police officers in operation areas mission could not be accomplished as expected. It is further delayed due to the prevailing situation in the country. Accordingly, amount received have deposited in a government bank in short term basis.

##### 3.2.3 Operational Inefficiencies

(a) Funds received by universities could not be deposited in fixed deposits of commercial banks in terms of the treasury circulars. However, excessive amounts earned over the fund generating courses conducted by the university are deposited in short bank accounts in view of obtaining a maximum interest.

- (b) Necessary steps have been taken to recover the books that have borrowed by the staff members from library in consideration of information disclosed by the audit report 2007 and further actions have been taken to recover three fold of book value from the officers who have failed to handover the book as service charges.
- (c) Accounts have been settled as directed by the audit report and accounts have been corrected.
- (d) Actions will be taken to settle all the old advance balances.

#### 3.2.4. Utilization of funds

Funds will be granted to the University for Capital Funds for constructions, purchase of equipment and development and information technology. Accordingly, capital funds will be retained in a current account. Expenses are made through the current account concerned. This situation has occurred because of not receiving cheques from Treasury as at 31<sup>st</sup> 12 2007 after submitting the account reports. This issue concern will be solved after receiving funds during next month.

#### 3.2.5. Inactive assets

Uniform materials of staff kept in the stores for over five years have sold the among the staff at a reasonable price in concurrence with the tender board. Remaining stocks will also be cleared very soon. Time machine have purchased to mark the attendance of the employees, however implementation of the methods has become difficult due to trade union actions resulted in such machines have kept aside after purchasing.

#### 3.2.6. Non availability of a compact and action plan

- (a.b.) An action plan has been designed for the performance of Rajarata University. The plan concerned was incomplete during the year subject for auditing

#### 3.2.7 Budgetary regulations

- (a) Budgetary regulations are utilized as an effective management tool in the university. It will be implemented more effectively together with the compact plan. However due to deficiencies in annual funds there may be certain occasions to deviate from estimated provisions.
- (b) Funds received under capital projects will be in operation until the end of project period. Accordingly payments should be made over the funds received for rehabilitation and renovations for initiated projects to the contractors in consideration of progress of the projects. Even though it is showing in account reports as at 31<sup>st</sup> 12 2007 according to the audit report, situation will be settled after receiving funds during next month.

4. Systems and Controls

It has been noted to draw special attention at areas of control regarding Management and Audit committee, accounting, stores, fixed assets and project planning of the University.

Vice Chancellor





REPORT OF THE AUDITOR GENERAL  
ON THE FINAL STATEMENTS

OF

ACCOUNTS - 2008



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கணக்காய்வாளர் தலைமை அநிபதி திணைக்களம்  
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය } NC/AP/E/2009/21 } ඔබේ අංකය } } දිනය } 23 August 2009  
எனது இல } } உமது இல } } திகதி }  
My No } } Your No } } Date }

Vice Chancellor,  
Rajarata University of Sri Lanka.

Report of the Auditor General on the Financial Statements of the Rajarata University of Sri Lanka for the year ended 31 December 2008 in terms of Section 108(2) of the Universities Act, No.16 of 1978 and Section 13(7)(a) of the Finance Act, No.38 of 1971.

The audit of financial statements of the Rajarata University of Sri Lanka for the year ended 31 December 2008 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 Sections 108(1) and 111 of the Universities Act. No.16 of 1978 and sub-sections (3), (4) and (7) of Section 13 of the Finance Act No.38 of 1971. This report is issued in terms of Section 108(2) of the Universities Act and Section 13(7)(a) of the Finance Act. My comments and observations on the said accounts are included in this report.

1:2 Responsibility of the Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

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சுதந்திர சதுரக்கோணம்,  
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Fax No. }

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# மெயில் } oaggov@sltnet.lk  
E-Mail }

## 1:3 Scope of Audit and Basis of Opinion

My responsibility is to express an opinion on these financial statements based on my audit. Audit opinion, comments and findings in this report are based on review of the financial statements presented to audit and substantive tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me. The audit was carried out in accordance with Sri Lanka Auditing Standards to obtain reasonable assurance as to whether the financial statements are free from material misstatements. The audit includes the examination on a test basis of evidence supporting the amounts and disclosures in financial statements and assessment of accounting principles used and significant estimates made by the management in the preparation of financial statements as well as evaluating their overall presentation. I have obtained sufficient information and explanations which to the best of my knowledge and belief were necessary for the purpose of my audit. I therefore believe that my audit provides a reasonable basis for my opinion. Sub-sections (3) and (4) of Section 13 of the Finance Act No.38 of 1971 gives discretionary powers to the Auditor General to determine the scope and extent of the audit.



## 2. Financial Statements

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### 2:1 Opinion

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So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Rajarata University of Sri Lanka had maintained proper accounting records for the year ended 31 December 2008 and except for the effects on the financial statements of the matters referred to in paragraph 2.2 of this report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles, give a true and fair view of the state of affairs of the Rajarata University of Sri Lanka as at 31 December 2008 and the financial results of its operations and cash flows for the year then ended.

### 2:2 Comments on Financial Statements

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#### 2:2:1 Accounting Policies

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Action had not been taken to revalue and take into accounts in terms of Sri Lanka Accounting Standard No.18, 12 types of assets costing Rs.131,629,449 which continued to be used though they had been fully depreciated.

## 2:2:2 Accounting Deficiencies

The following accounting deficiencies were observed.

## (a) Omissions in Financial Statements

The land inclusive of the main administrative building, the maintenance building and 33 official quarters which had been given for the functioning of the University at the inception of the University had not been acquired even during the year under review. As a result, their values had not been included in the financial statements.

## (b) Understatements and Overstatements in Financial Statements

(i) The value of closing stock of 4 stores referred to below, as at 31 December 2008 amounted to Rs.10,368,829, as per verification reports. However, the value of the stock of stores had been shown as Rs.10,199,763 in the financial statements. Accordingly, the value of stock of the year under review had been understated in the financial statements by Rs.169,066.

Description of Stores	Value of stock as per verification reports
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	Rs.
(a) Main Stores	3,481,397
(b) Maintenance stores	6,201,193
(c) Agricultural Faculty Stores	626,113
(d) Stores of the Landscaping Development	60,126
	-----
	<u>10,368,829</u>

- (ii) The value of surety bonds recoverable from officers who had gone abroad on study leave had been shown as Rs.7,205,271 in the financial statements. But, the value of surety bonds entered into with 3 officers aggregated Rs.2,676,344. As such, the value of surety bond overstated in the financial statements amounted to Rs.4,528,927.
- (iii) As a result of depreciating the computer net work so as to show a negative value of Rs.69,385 during the year under review, depreciation had been overstated by a similar amount.
- (iv) A fully depreciated motor vehicle costing Rs.840,000 had been sold during the year under review and the money realized was Rs.725,000. This had not been shown in the Income and Expenditure statements and this had been transferred to the Capital Reserve. As a result, the income of the year under review had been understated by a similar amount during the year under review.

(c) Inappropriate Disclosures

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- (i) The sum of Rs.22,778,550 received from the Mahapola Trust Fund specifically for paying Mahapola scholarships had been shown as income and expenditure of the University for the year under review.
- (ii) The mobilization advances paid for 5 construction work remaining unsettled as at 31 December of the year under review had been shown in the financial statements under non current assets.

## 2:2:3 Accounts Receivable

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The following observations are made.

- (a) Loan balances due from 36 employees who had retired or vacated services and transferred amounted to Rs.393,671. This remained unrecovered for over 2 years.
- (b) Salary advances of Rs.4,000 paid to 2 officers which had exceeded a period of 4 years, remained unrecovered.

## 2:2:4 Lack of Evidence for Audit

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The following items could not be satisfactorily verified in audit due to lack of evidence indicated against each item.

	Item of Account -----	Value -----	Evidence not furnished -----
(a)	Fixed Assets	1,034,187,851	(i) Detailed schedules (ii) Register of fixed assets (iii) Board of survey reports
(b)	Sundry Creditors	84,372,844	(i) Detailed schedules (ii) Confirmation of balances (iii) Age analysis
(c)	Sundry Debtors	646,804	Confirmation of balances.

## 2:2:5 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non compliances were observed.

Reference to Laws, Rules Regulations etc.	Non-compliance
(a) Sub of sections 2.1 to 2.1.4 of Chapter xxiv of the Establishments Code for the Universities Grant Commission and Higher Education Institution	The fixed assets of the University for the year 2008 had not been verified and Boards of Survey reports furnished to audit.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
(i) F.RR 371 and 371 (b)	Advances amounting to Rs.86,750 obtained by University officers on 2 occasions remained unsettled for over 1 year.
(ii) F.R. 571	The tender deposits as at 31 December of the year under review aggregated Rs.837,928. Of this, a sum of Rs.426,082 referred to lapsed deposits pertaining to the period 2001 to 2006. Action had not been taken in terms of the financial regulations in this regard

- (c) Section 5 of Chapter XIX of the Establishments Code of the Democratic Socialist Republic of Sri Lanka. Rent of quarters had not been recovered from the Vice Chancellor and the staff of the Faculty of Medicine who were in occupation of 2 quarters which had been obtained on lease for R.510,000 during the year under review.
- (d) Procurement Guideline issued with the National Procurement Agency Institutions Circular No.8 dated 25 January 2006 and the hand book issued by the Commissioner General of Inland Revenue regarding Value Added Tax No.14 of 2002
- 
- (i) Paragraph 5.4.11 of Chapter 5 of the Procurement Guidelines and Paragraph 3.01 of the tax hand book. Value Added Tax could only be paid for tax invoices which includes the value of work completed. However, during the year under review, value added tax amounting to Rs.10,715,834 had been paid to contractors who had not furnished acceptable tax invoices with reference to the mobilization advances of Rs.7,143,891 paid for 4 construction contracts. Details are as follows.

Name of the Contract	Mobilization Advances paid	Value Added Tax paid to contractors after deducting money withheld
	Rs.	Rs.
(i) Construction of quarters for 400 students - Males	13,240,180	1,986,027
(ii) Construction of quarters for 400 students - Females	13,226,255	1,983,938
(iii) Construction of canteen for the faculty of Medicine	1,086,956	163,044
(iv) Para clinical building	43,885,500	6,582,825
	<u>71,438,891</u>	<u>10,715,834</u>

(ii) Paragraph 3.2.2(b) of the Procurement Guidelines

It was observed that persons had been selected to run the canteen without publishing tender notices in national newspapers.

(iii) Paragraph 8.9.2 of the Procurement Guidelines

Canteen keepers had been appointed without proper agreements or securities on certain occasions. As such, legal action could not be taken against them whenever they stop supplying food by closing the canteen.

## (e) Circulars

- (i) Paragraph 1 of the Public Finance Circular No.14/7002 dated 16 April 2002
- Action had not been taken to reassess the house rent and make recoveries accordingly with regard to 19 quarters belonging to the University and 55 bachelors' quarters for which rent ranging from Rs.25 to Rs.300 had been recovered during the period 1996 to April 2009.
- (ii) Circular of the Department of Management Services No.28(ii) dated 1 August 2006
- A consultant had been recruited for a period of 1 year from 01 September 2008 to work one day per month and it was agreed to pay him Rs.600,000 per year. Accordingly, a sum of Rs.250,000 had been paid to him by March 2009. This post of consultant had not been included in the approved cadre of the Applied Science Faculty and proper approval had not been obtained from the Department of Management Services in this connection.

## 2:2:6 Transactions not supported by adequate Authority

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The following observations are made.

- (a) According to the letter No.BD/INS/DLU/S/A078 dated 18 July 2003, academic allowances and compensatory allowances should not be included for computation of contributions to the Universities' Provident Fund and Employees' Trust Fund. However, the University had taken action to pay contributions to the Employees' Provident Fund for those allowances too resulting a sum of Rs. 8,861,785 during the period 2008 to 2007 and a sum of Rs. 1,698,463 during the year under review on behalf of academic allowances, had been expended for paying contributions to



Employees' Provident Fund and Employees Trust Fund without any authority. Details are as follows.

Type of Allowance	Period	Value of Allowances paid	Contributions paid on allowances
-----	-----	-----	-----
		Rs.	Rs.
(i) Academic and Compensatory allowances	1998 – 2006	40,486,297	7,287,536
(ii) Academic Allowances	2007	8,745,825	1,574,249
(iii) Academic Allowances	2008	9,435,906	1,698,463

(b) The payments made for language proficiency allowances to government officers had not been extended to state Corporations and Statutory Boards as per letter addressed to the Universities Grant Commission by the Director General of Public Enterprises No.PE/01/74/11(b) dated 6 March 1998. But, the amount paid as language proficiency allowances from 1999 to 31 December 2007 and during the year under review amounted to Rs.2,874,790 and Rs.328,771 respectively.

#### 2:2:7 Irregular Transactions

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The rent payable for a building obtained on rent should be determined by the Chief Valuer's valuation as per Financial Regulation 835(2)(d). If it is not acceptable, steps should be taken to follow the procedure referred the financial regulation. However, the Chief Valuer's valuation report had not been obtained for 38 students' hostel and the rent paid amounted to Rs.5,965,000. In this connection, the Vice Chancellor had replied that "the house owners are not agreeable to offer houses on the rate specified in the valuer's report and as such obtaining valuation reports are of no use.

### 3. Financial and Operating Review

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#### 3:1 Financial Review

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##### 3:1:1 Financial Results

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According to the financial statements presented, the operating activities of the University during the year ended 31 December 2008 had resulted in a deficit of Rs.61,276,813 as compared with the deficit of Rs.47,567,500 for the previous year.

##### 3:1:2 Analytical Financial Review

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A sum of Rs.5,262,248 had been saved after incurring expenditure on the money received from the Universities Grant Commission for recurrent expenditure of the year under review as compared with the sum of Rs.4,796,751 after incurring expenditure on the money received from the Universities Grant Commission for the previous year. However, these surpluses had not been disclosed in the financial statements. The provision for depreciation of fixed assets amounting to Rs.74,394,315 and the provision for the payment of gratuity amounting to Rs.2,646,945, set off against the income of the year under review had attributed to the deficit of the year under review as compared with the provision for depreciation of fixed assets amounting to Rs.56,991,585 and the provision for the payment of gratuity amounting to Rs.2,782,042, both totalling Rs.59,773,627 for the preceding year had attributed to the deficit of the preceding year.

### 3:2 Operating Review

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#### 3:2:1 Performance

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The academic performance of the University for the year under review is shown below.

Details	Faculty of Agriculture	Faculty of Social Science and Humanities	Faculty of Management	Faculty of Applied Science	Faculty of Medicine and parallel	Total
	-----	-----	-----	-----	-----	-----
(a) Number of Students qualified to sit for final examinations during the year under review	111	245	212	122	-	690
(b) Number of students who sat for final examinations	111	240	197	122	-	670
(c) Number of students passed the degree examinations	102	222	160	88	-	572
(d) No. of students failed	9	18	37	34	-	98
(e) Percentage of failures out of those who sat for degree examinations	8	7.5	19	28	-	15

#### 3:2:2 Dealyed Projects

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The Treasury had granted Rs.18 million in the year 2006 to acquire police quarters situated in the Mihintale University premises, for hostels. However, it has not been acquired even upto 30 April 2009. This amount had been deposited in the Bank of Ceylon from 15 September 2006 without the approval of The General Treasury. In this connection, observations had been included in the Auditor Generals' report of 2007 as well. In this connection, the Vice Chancellor had replied that "action would be taken to release the entire sum when the dispute with the Police Department regarding the acquisition of police quarters is settled."

## 3:2:3 Operating Inefficiencies

- (a) The research advances of Rs.45,000 obtained by Lecturers of the University in 2 occasions in 2003 and 2005 had not been settled even as at 31 December 2008.
- (b) There was no evidence to prove that the University had received supplies pertaining to the advances of Rs.306,709 paid during the period 2002 to 2007, even as at 31 December 2008.

Type of Advance	Year	Amount
-----	-----	-----
		Rs.
(i) Miscellaneous Advances	2004	7,667
	2005	6,536
	2007	1,500
(ii) Supplies Advances	2002	24,100
	2003	53,514
	2004	80,627
	2005	77,656
	2006	55,200
Total		306,709

- (c) A sum of Rs.2,676,345 paid to 3 apprentice lecturers who had gone abroad on study leave for foreign scholarships could not be recovered due to non computation of the correct value of security bonds, payment of salaries without security bonds and approval of leave etc. Subsequently, it was agreed to pay the value of the security bond by instalments. However, the officers concerned had neglected payments by instalments. As a result, a sum of Rs.2,593,185 remained as recoverable. Action had not been taken to recover it from the sureties.

- (d) During the year under review, a sum of Rs.15 million had been provided for purchasing books and periodicals. The librarian had not requested in writing the requirements of each faculty according to the provision allocated to each faculty for them and the faculties concerned had not identified their requirements and informed accordingly. As a result, a sum of Rs. 6,850,414 or 46 % of the provision had remained unspent. There was no evidence to show that the books and periodicals valued at Rs.6,179,360 including 3,618 books valued at Rs.1,005,546 which had been purchased on the recommendations of 5 Lecturers of the Faculty of Social Science and Humanities had been purchased by adopting proper procedures. In this connection, the Vice Chancellor had replied that the savings shown was due to lack of the release of funds by the Treasury for settling bills and the librarian had regularized other shortcomings referred to in the audit paragraphs".
- (e) Though 95 percent of the contract pertaining to laying of pipes and fittings awarded on the basis of supplying goods by the University had been completed, out of the pipes and fittings purchased by the University for Rs.10,809,360 during 2007 and 2008, pipes and fittings worth Rs.2,878,468 representing 27 % remained unused.

4. Systems and Controls

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Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Stores
- (c) Fixed Assets
- (d) Debtors

**Sgd./ S. Swarnajothi**

**Auditor General.**

--/ sg

My No: .....

.....2009

Auditor General,  
Auditor General's Department  
Independent Square,  
Colombo 07.

Dear Sir,

**Answers to the queries raised in the Auditor General's Report in terms of section 108(2) of Universities Act No: 16 of 1978 and of section 13(7) of the Finance Act No: 38 of 1971 on the Financial Statement of the Rajarata University for the year ended 31<sup>st</sup> December 2008.**

Reference is made to your Report No: NC/AP/E/2009/21 dated 23.08.23.

Please note that the Audit Committee of the university extensively discussed the above report at its 32<sup>nd</sup> session and referred same to the Senate of the university. The comments of and measures taken by the university with regard to the Audit Report are enclosed herewith.

Professor K.A. Nandasena  
Vice Chancellor.

Copy to:   1.    Secretary, Ministry of Finance and Planning;  
              2.    Secretary, Ministry of Higher Education;  
              3.    Chairman, University Grants Commission.

**Answers to the queries raised in the Auditor General's Report in terms of section 108(2) of Universities Act No: 16 of 1978 and of section 13(7) of the Finance Act No: 38 of 1971 on the Financial Statement of the Rajarata University for the year ended 31<sup>st</sup> December 2008.**

The Auditor General's Report No: NC/AP/E/2009/21, dated 23.08.2009 in terms of section 108(2) of Universities Act No: 16 of 1978 and of section 13(7) of the Finance Act No: 38 of 1971 on the Financial Statement of the Rajarata University for the year ended 31<sup>st</sup> December 2008 was presented to the 32<sup>nd</sup> meeting of the Audit Committee of the University and was subjected to extensive discussion. It has also been presented to the Senate of the University and the measures taken by the university in relation to the said report are listed bellow in the numerical order of the Audit report:

**22 Comments on the Financial Statement**

**22.1 Accounting Policies**

Action will be taken next year to reassess the value and take into accounts of assets of which depreciations have been completed as per Sri Lanka Accounting principal.

**22.2 Accounting defects**

**(a). Omissions from Financial statements**

Preliminary action has been taken to establish the value and legality of the buildings including the Administrative building, building of the Maintenance Division, quarters and other buildings, which were provided by the government at the outset of the university, and to obtain deeds and action will be taken in the coming financial year to asses the value of such assets and to take the cost in to accounts.

**(b). Over and Under Statement in financial statements**

- (i) A stock count as at 31<sup>st</sup> December 2008 of the stores maintained by the university was done and the value of fixed assets in those stores is also included in the said value and such values of fixed assets had to be subtracted from the stock as they were taken into assets accounts at the purchase. Accordingly, there has been a difference of Rs.169,006,600/- when adjustments were effected as indicated in the audit report.
- (ii) The errors in calculation of the value of Security Bonds as per personal files has caused this error and action will be taken to rectify same and effect adjustments in the accounts in 2009 in pursuance of the University Grant Commission circulars as outlined in the audit report.
- (iii) The amount depreciated previous year had not been adjusted in accounts when depreciation for computer network on book value was



made and has caused the minus value and action will be taken to rectify same in accounts for 2009.

- (iii) A used motor vehicle purchased for the use of the university had been sold in 2008 and thereafter the balance had been inadvertently transferred to the capital account treating it as a fixed asset. However, action will be taken to make adjustments in the accounts treating it as an income of the year under review as indicated in the audit report when presenting accounts for 2009.

**(c). (i) inappropriate disclosures**

The scholarship grants, Mahapola Scholarship grants to be paid to students in addition to the provisions allocated to the university by the government for recurrent expenses are indicated in the Income and Expenses Account as a principle adopted in entire universities.

- (ii) The capital advance paid for constructions had been included under fixed assets in books of the university having considered its capital nature and action will be taken as indicated in the audit report to show it as a movable asset in the year under review.

### 2.2.3 Receivable account

- (a) Action has been taken to recover all moneys due from employees went on transfers and the moneys due from retired employees will be recovered when EPF funds are released. However, action will further be taken to recover moneys due from employees who resigned from service and but whose EPF funds are yet to be released in the coming financial year.
- (b) A sum of Rs: 4,000/- paid to 2 officers as advances has been recovered in 2009.

### 2.2.4 Lack of evidence for the audit

**(a) Fixed assets**

The Departments maintain records relating to fixed assets and such records are annually verified. Instructions have been issued to submit such records to the audit and plans are under way to computerize fixed assets records and to provide necessary information by way of computer software.

**(b)/(c) Miscellaneous Creditors/Debtors**

Detailed schedules have been submitted for the audit and there are possibilities to obtain time analysis accordingly. Action will be taken to verify balances in the coming financial years.

### 2.2.5 Non-compliance with Laws, Regulations, and Management decisions.

- (a) The Computer Technology Graduate course of the Faculty of Applied Sciences of the university has been commenced in pursuance of the National Policy of the University Grants Commission and a special staff with computer knowledge are to be recruited. However, it has become difficult as a result of the location of the university to get down computer experts as visiting lecturers and therefore, with the approval of the Senate computer experts have been appointed for the post of Adviser and provisions for same has been made from the annual estimates under Visiting Lecturer consultancy fees.

### 2.2.6 Transactions not verified by sufficiently authority

- (a) EPF and ETF are computed in accordance with the circulars of the University Grant Commission and the entire university system operates in accordance with the circulars and regulations issued by the University Grant Commission. The University Grants Commission needs to authorize the university to take action according to letters of the Director of Public Enterprise.
- (b) The payments for language proficiency has been made in accordance with the circulars of the University Grants Commission and the University Grants Commission needs to authorize the university to take action according to letters of the Director of Public Enterprise as indicated in the audit report.

### 2.2.7 Improper transactions

The entire university system acts in accordance with the circulars of the University Grants Commission and the university does not directly apply Financial Regulations. When more students are admitted to the university in terms of the policy of the government, the houses needed for the accommodation of such students will be taken on rent following the normal tender procedure and in this case news paper advertisements were published and quotations were called and all tenders were summoned to the Tender Board and the discussions held with the participation of representative of students' unions to select suitable bids. The quotations as approved by the Tender Board had been approved by the Senate of the university and relevant houses have been obtained. Even though it is stated in the audit report that houses should be rented on the approval of the Chief Valuer of the Department of Valuation, it remains a difficult problem to find suitable houses in a remote area like Mihintale. It is also impossible to rent houses at the rate given in valuation reports which correspond to the area. Accordingly, it was compelled to deviate from obtaining valuation reports from the Department of Valuation.

### 3. Finance and Operation Review

#### 3.1 Financial Review

##### 3.1.1 Financial Result

The Financial Result is as indicated in the Academic Performance Report of the University for the year under review.

##### 3.1.2 Analytical Financial Review

The Financial Review of the financial statements referred to in the Audit report is as disclosed at the audit.

#### 3.2 Operation Review

##### 3.2.1 Performance.

The performance is as indicated in the Academic Performance Report of the University for the year under review.

##### 3.2.2 Projects behind the Schedule

Actions to recover the possession of Police Quarters located in the university premises has been going on since the inception of the university, however, even though the acquisition of such quarters to the university was so important, it was impossible to complete the work at the last moment due to the security situation that prevailed in the island in the past as the cooperation extend by the Department of Police was so minimal towards this end. The money allocated for the purpose has been deposited as a short-term measure in a state bank until a settlement is reached and action will be taken in the future to release the amount in full once a settlement is reached.

##### 3.2.3 Operation Inefficiencies

- (a) The university releases money on the approval of the Research Committee for the conduct of researches identified by the university and some of these researches need more than a period of one year to complete. The lecturer who has obtained the advance referred to in the audit report has been dismissed from the service of the university and action will be taken to recover the research advance paid to him when his EPF funds are released.
- (b) It is extremely difficult to obtain goods and services on credit mainly due to the fact that the university is situated too far away from Colombo. Hence, funds are released as miscellaneous advances and supply advances to purchase goods and services however, the settlement of advances has been neglected due to delays in issuing bills and inventory certificates on purchase of goods and services. This has

been totally avoided in 2007 - 2008 and all advances except for few very old advances have been settled. Action will also be taken to settle remaining advances in the coming financial year.

- (c) The Board of Survey on fixed assets appointed for the year 2008 has completed its work and instructions have been issued to hand over its reports for the audit.

- (d) (i) F.R. 371 & 371(b)

Advances are granted on exigency of service. However, due to delays in submitting bills and inventory certificates on purchase of services, the settlement of advances has been unduly delayed. Action will be taken in the year 2009 to minimize the delays referred to in this audit report.

- (ii) F.R. 571

The tenderers who have made tender deposits with the university have made such deposits to provide services for a number of years. Accordingly, the tender deposits are in existence as disclosed. However, some tenderers have not withdrawn their deposits upon completion of services, which has led to this situation. Action will be taken in the coming financial year to transfer all deposits lying more than a year to the general reserve

- (e) (i) the university has been established in terms of the Universities Act No: 16 of 1978 and the University Grants Commission and the Senate of the university make rules and regulations and such rules and regulations are implemented within the university system. For this purpose action is taken in compliance with Treasury Circulars and Public Administration Circulars. The provisions of the Central government, which govern the State institutions, are not followed in the same manner in universities as in the case of state institutions. Accordingly, rent in respect of the houses rented for the Vice-Chancellor and for the staff of the Medical Faculty is not charged on the approval of the Senate.

- (f) (i) Contracts for the construction of buildings of the university have been awarded to recognized contractors following the approved tender procedure with the approval of the Cabinet of Ministers and the Senate. The company concerned has submitted to the university the documentary evidence to the effect that it pays Value Added Tax. Accordingly, in terms of Tax circulars of the Commissioner of Inland Revenue, such payments are for the advances paid in respect of work commencement and action has been made to obtain invoices for all such payments.

- (ii) The caretakers of the canteens of hostels abandon canteens at conflict and violent situations that erupt in the university and as such, we are compelled under these circumstances to award the tender to some other canteen caretakers of the university selected following approved tender procedures. Action will be taken in the future to mitigate shortcomings taken place at such award of tenders.
- (g) (i) Amended rentals for houses provided to the staff of the university for the year 2009 will be charged as indicated in the audit report.
- (h) Study leave with pay will be granted to the members of the academic staff of the university who go abroad for postgraduate degree programmes subject to security bonds. However, some lecturers in breach of such security bonds do not return to the university on completion of the degree programme. Accordingly, the moneys as indicated in the audit report are due from them. However action has been taken to inform and recover such amounts from the lecturers of the university, who signed those bonds as guarantors. The Moneys are being recovered from the lecturers of the university who are presently present in the university.
- (i) The provisions for the purchase of books and periodicals for the university are provided by the University Grants Commission. However, due to the problems relating to the release of provisions allocated for 2008 from the treasury it is impossible to get such provisions released annually and as such, the settlement of bills for the books purchased has been impossible. The settlement of such moneys had to be brought forward for the following year. The Library has rectified the defects pointed out in the audit report and library books and periodicals had been purchased at tender prices.
- (j) National water Supply and Drainage Board has acted as the consultants on the supply of water pipes and fittings of the project to construct the water supply scheme. Water pipes and fittings had been purchased on the recommendations of the said consultants and some portion of the pipes and fittings remains unused as outlined in the audit report. Action will be taken to utilize such remaining pipes and fittings for other projects of the university as instructed in the audit report.

**4. Systems and Control**

- (a), (b),      The Audit Committee and the Finance Committee of the  
(c), (d)      Senate, are made aware and the investigation committees will  
                 carry out progress reviews

Professor K.V Nandasena  
Vice Chancellor.



**REPORT OF THE AUDITOR GENERAL  
ON THE FINAL STATEMENTS**

**OF**

**ACCOUNTS - 2009**



**විගණකාධිපති ජ්‍යෙෂ්ඨ ජ්‍යෙෂ්ඨ දෙපාර්තමේන්තුව**  
**கணக்காய்வாளர் தலைமை அறிப்பதி திணைக்களம்**  
**AUDITOR GENERAL'S DEPARTMENT**



මගේ අංකය  
எனது இல  
My No

} NC/AP/E/2010/02

ඔබේ අංකය  
உமது இல  
Your No.

}

දිනය  
Date

} 22 July 2010

The Vice Chancellor,  
Rajarata University of Sri Lanka.

Report of the Auditor General on the Financial Statements of the Rajarata University of Sri Lanka for the year ended 31 December 2009 in terms of Section 108(2) of the Universities Act, No.16 of 1978 and Section 13(7)(a) of the Finance Act, No.38 of 1971.

The audit of financial statements of the Rajarata University of Sri Lanka for the year ended 31 December 2009 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 Sections 108(1) and 111 of the Universities Act, No.16 of 1978 and sub-section (3), (4) and (7) of Section 13 of the Finance Act, No. 38 of 1971. This report is issued in terms of Section 108(2) of the Universities Act and Section 13(7)(a) of the Finance Act. My comments and observations on these financial Statements appear in this report.

1.2 Responsibility of Management for the Financial Statements.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles. This responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

හිදනය වතුරගුය,  
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### 1.3 Scope of Audit and Basis of Opinion

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My responsibility is to express an opinion on these financial statements based on my audit. Audit opinion, comments and findings in this report are based on a review of the financial statements presented to audit and substantive tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me. The audit was carried out in accordance with Sri Lanka Auditing Standards to obtain reasonable assurance as to whether the financial statements are free from material misstatements. The audit includes the examination on a test basis of evidence supporting the amounts and disclosures in financial statements and assessment of accounting principles used and significant estimates made by the management in the preparation of financial statements as well as evaluating their overall presentation. I have obtained sufficient information and explanations which to the best of my knowledge and belief were necessary for the purpose of my audit. I therefore believe that my audit provides a reasonable basis for my opinion. Sub-section (3) and (4) of Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the Audit.

## 2. Financial Statements

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### Opinion

2-1

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Rajarata University of Sri Lanka had maintained proper accounting records for the year ended 31 December 2009 and except for the effects on the financial statements of the matters referred to in paragraph 2.2 of this report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles, give a true and fair view of the state of affairs of the Rajarata University of Sri Lanka as at 31 December 2009 and the financial results of its operation and cash flows for the year then ended.

2:2 Comments on Financial Statements.  
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2.2.1 Accounting Policies  
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Action had not been taken to revalue and account 13 types of assets, costing Rs.153,783,360 fully depreciated but are being utilized further

2:2:2. Accounting Deficiencies  
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The following accounting deficiencies were observed.

(a) Omissions from Financial Statements  
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- (i) The value of the maintenance division of the main administration building given to operate the University at the time of the commencement of the University, 33 official quarters and its land had not been included in the financial statements from the period of 10 years due to not vesting these properties.
- (ii) As the withholding tax relating to the three construction Projects had not been included in those accounts, a sum of Rs.280,090 had been omitted from accounts.
- (iii) A stock of chemicals valued at Rs.3,233,110 existed as at 31 December 2009 as per the verification report of chemicals on 10 February 2010 had not been brought to accounts.
- (iv) The provision for the estimated audit fees in respect of the year under review and the preceding years amounting to Rs.945,000 had not been made.

(b) Understatements and overstatements in the Financial Statements.

---

The following observations are made.

- (i) An income of Rs.1,306,000 received from sale of 2 motor vehicles in the year 2008 had been shown in the Income and Expenditure Statement as an income of the year under review. Thus the income of the year under review had been overstated by that amount.
- (ii) The balance of the mobilization advance relating to 3 construction works shown in the financial statements as at 31 December 2009 amounted to Rs.24,363,577 but the correct balance should have been Rs.29,468,720 and as such the balance of the mobilization advance had been understated by Rs.5,105,143.
- (iii) The balance of the mobilization advances relating to the para clinical building shown in the financial statements as at 31 December 2009 amounted to Rs.17,545,190 but the correct balance should have been Rs.17,523,352 and as such the balance of the Mobilization Advances Account had been overstated by Rs.21,839.
- (iv) The withholding tax amounting to Rs.79,447 deducted from the contractor of the building which is meant for 400 students and is now being constructed had been debited twice to the Hostels Accounts and as such that account had been overstated by Rs.79,447.
- (v) The withholding tax of Rs.34,404 deducted from the contractor of the building which is meant for the students centre and the cafeteria of the Faculty of Agriculture and is now being constructed had been credited twice to the student centre and the cafeteria account, thus overstating that account by Rs.34,404.

- (vi) Even though, a sum of Rs.708,534 had been paid for the ensuing year in respect of 10 private houses obtained on rent basis as students hostels, it had been posted to the prepayment account as Rs.432,067 thus understating that account by Rs.276,467.
  
- (vii) The cheques issued to creditors had being dishonored erroneously adjusted to a Dishonored cheques Deposit Account, the balance of the creditors shown in the final accounts had been understated by Rs.122,253.

2:2:3 Accounts Receivable.

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The following observation is made.

A loan balance of Rs.670,942 recoverable from 58 employees who had retired, vacated of posts and transferred out had been remained unrecorded for periods more than 01 to 03 years.

2:2:4 Unreconciled Accounts.

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Details of Account	Balance shown in the Financial Statements	Balance as per Bank Confirmation Letter	Difference
	Rs.	Rs.	Rs.
Balance of Financial Leasing	19,197,316	19,145,584	51,732

## 2:2:5 Lack of Evidence for Audit

The following items could not be satisfactorily vouched /verified in audit due to lack of evidence indicated against each item.

Items of Account	Value	Evidence not made Available
	Rs.	
(i) Fixed Assets	1,189,749,751	i. Detailed Schedules ii. Register of Fixed Assets iii. Board of Survey Reports
(ii) Sundry Creditors	216,349,595	i. Detailed Schedules ii. Confirmation of Balances iii. Age Analysis
(iii) Sundry Debtors	549,118	Confirmations

## 2:2:6

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

The following instances of non-compliance were observed.

Reference to Laws, Rules, Regulations etc.	Non - compliance
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(a) Establishments Code of the Democratic Socialist Republic of Sri Lanka

- |                              |   |
|------------------------------|---|
| (i) Section 5 of Chapter XIX | Rent from officers who had occupied two houses which had been obtained on lease rent by paying Rs.540,000 in the year under review had not been recovered in terms of provisions in the |
|------------------------------|---|

## Establishments Code.

- (ii) Section 5.8 of Chapter XIX
- (i) Even though the water and electricity charges should be paid by the officers who occupy the official quarters, the water and electricity charges of Rs.113,499 in respect of the personal use of officers occupied the official quarters had been borne by the University Fund in the year under review.
- (ii) Even though the actual value of water bills of 55 family quarters situated at the premises of Rambewa and Mihinthale of the Rajarata University amounted to Rs.785,396, only a sum of Rs.58,320 had been recovered from employees who occupied the houses. As such, an additional sum of Rs.727,076 had been paid in the year under review out of the University Fund.
- (b) Paragraph 5.4.1 of Chapter 5 of the Procurement Guidelines and Paragraph 3.01 of the Tax Manual
- Eventhough the Value Added Tax should be paid only in respect of a tax invoice which includes the value of completed works the mobilization advance of Rs.16,400,054 paid in the year under review in respect of 2 construction contracts had included a sum of Rs.1,772,980 as Value Added Tax and paid to a contractor who had not produced an acceptable tax invoice. Details are given below.

Name of Contract	Mobilization Advance paid	Value Added Tax paid to the Contractor (excluding With holding Tax)
-----	-----	-----
	Rs.	Rs.
(i) Faculty of Applied Sciences - Stage II Construction of the Building	8,762,266	947,272
(ii) Construction of the Students Centre and the Cafeteria in the Faculty of Agriculture	7,637,788	825,708
	-----	-----
	16,400,054	1,772,980
	=====	=====

## (c) Circulars

- (i) Paragraph 01 of the State Accounts Circular No.147/2002 of 16 April 2002
- Action had not been taken to reassess and to recover rents from 19 family quarters and 55 bachelor quarters belonging to the University for which the monthly rent ranging from Rs.25 to Rs.300 had been recovered during the period from 1999 to 31 December 2009.
- (ii) Circular No.28(ii) of the Department of Management Services dated 01 August 2006
- Payments in 2 occasions had been made for providing consultancy services for one day per men sum for a consultancy post not within the approved cadre without obtaining a proper approval from the



## Department of Management Services.

- Consultant's post in the Faculty of Applied Sciences

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According to the agreement entered into for the annual payment of Rs.600,000 in respect of providing consultancy services for one day per mensem, a sum of Rs.700,000 had been paid for the period September 2008 to December 2009

- Consultant's post in the Faculty of Agriculture

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A sum of Rs.1,077,000 had been paid for the period May 2008 to December 2009 at Rs.53,850 per mensem .

- (d) Section 13 (a) of the Debit Tax Act, No.16 of 2002      According to the Debit Tax Act the University is exempt from Debit Tax but a Debit Tax of Rs.7,930 had been paid and action had not been taken to recover it.

2:2:7      Transactions not supported by adequate Authority.

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The following observations are made.

- (a) In terms of letter No.BD/I/NS/DLU/S/A078 dated 18 July 2003 of the Director General of Budget of the Treasury the academic allowance and the monthly in lien allowance are not included in computing contributions to the Employees Provident Fund and the Employees Trust Fund Nevertheless, as contributions paid to those funds by adding those allowances to the salaries in making payments, a sum of Rs.10,560,248 for the period 1998 to 2008 and a sum of Rs.917,305 in respect of academic allowance in the year under review had been spent for the payment of

contributions to the Employees Provident Fund and to the Employees Trust Fund without proper authority.

- (b) Even though it was informed to the University Grants Commission by letter No.PE/01/174/11(b) dated 06 March 1998 of the Director General of Public Enterprises stating that the language proficiency allowance had not been extended to the State Corporations and Statutory Boards, a sum of Rs.3,203,561 for the period from 1999 to 31 December 2009 and a sum of Rs.316,886 in the year under review had been paid as language proficiency allowance.
- (c) Even though, a sum of Rs.18 million had been given by the Treasury to acquire the Police quarters situated at the University premises for students hostels, it had not been acquired even up to 31 December 2009. This amount of Rs.18 million had been deposited in the Bank of Ceylon without Treasury approval and it had been utilized for some other Projects. After the balance sheet date without the Treasury approval.

2:2:8

#### Irregular Transactions.

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In obtaining buildings on rent the valuation of the Chief Valuer should be obtained and the rent payable should be decided in terms of Financial Regulation 835(2)(d). Nevertheless, 57 students hostels had been taken on rent in the year 2009 without obtaining the valuation report of the Chief Valuer and a sum of Rs.9,979,000 had been paid as rents.

2:2:9

#### Losses and Damage

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The University had suffered a loss of Rs.190,335 due to making payments to the contractor, contrary to the conditions of contract in respect of the beautification and maintenance service of the University Park in the year under review.

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3. Financial and Operating Review.  
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3:1 Financial Review  
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3:1:1 Financial Results  
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According to the financial statements presented, the operation of the University for the year ended 31 December 2009 had resulted in a deficit of Rs.117,596,632 as compared with the deficit of Rs.61,276,813 in the preceding year.

3:1:2 Analytical Financial Review.  
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After incurring expenditure out of the funds received from the University Grants Commission for the recurrent expenditure of the year under review, the deficit had been Rs.42,293,305 as against the balance amount after incurring expenditure out of the money received from the University Grants Commission for expenditure during the preceding year amounted to Rs.5,262,248. The provision for depreciation of fixed assets amounting to Rs.86,141,682 written off against the income of the year under review and the provision for gratuity amounting to Rs.2,641,143 had been the reasons for the increase in the deficit of Rs.117,596,632. The provision for depreciation of fixed assets amounting to Rs.74,394,315 and the provision for gratuity amounting to Rs.2,646,945, Rs.77,041,260 in total written off in the preceding year had been the reasons for the deficit of the preceding year.

## 3:2 Operating Review.

## 3:2:1 Performance

The academic performance of the University in the year under review is as follows.

Description	Faculty of Agriculture	Faculty of Social Sciences and Humanities	Faculty of Management	Faculty of Applied Sciences	Total
(a) Number of students qualified for sitting the final examination	106	257	236	103	702
(b) Number of students sat for the final examination	106	252	260	101	719
(c) Number of students passed the degree	91	218	201	92	602
(d) Number of students failed the degree examination	15	34	59	09	117
(e) Number of students failed the degree examination as a percentage of number of students sat for the examination	15 %	13.5 %	22.5 %	8.5 %	16 %

### 3:2:2 . Delayed Projects

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The following observation is made.

Although a sum totalling Rs.1,213,135 had been spent as consultancy fees and administration charges in the years 2007 and 2008 for the building proposed to be constructed for the Faculty of Social Sciences and Humanities for an estimate prepared in the year 2007 for Rs.206,000,000 calling for bids from newspaper advertisements, any construction works whatsoever had not been done even after a lapse of more than 2 years.

### 3:2:3 Operating Inefficiencies

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The following observation are made.

- (a) Research advances of Rs.25,000 obtained by a lecture of the University in the year 2003 and research advances of Rs.168,000 obtained in 2 instances in the year 2007 had not been settled even up to 31 December 2009.
- (b) Supplies relating to the advances of Rs.334,373 paid during the period 2002 to 2008 had not been received by the University even up to 31 December 2009.
- (c) Two advances totalling Rs.10,000 had not been settled from period range 04 to 5 months.

### 3:2:4 Idle and Underutilized Assets.

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The following observations are made.

- (a) Three Bank Current Account Balances of Rs.128,300 had been idle as at 31 December of the year under review.
- (b) The laying of pipes and fittings project granted on the basis of providing materials by the University had been completed by 2009. Nevertheless a stock of pipes and fittings valued at Rs.2,643,722 purchased in the years 2007 and 2008 on the recommendations of the National Water Supply and Drainage Board which was the consultant institution to the Project had been stored unprotected in the University premises and idling without being used for more than 01 year.
- (c) A stock of miscellaneous assets at a cost of Rs.2,698,092 had become scrapped and stocked in the stores and action had not been taken to eliminate appropriately from the accounts in the year under review.
- (d) Three, time recording clocks valued at Rs.163,875 had been idling for more than 4 years without being used.

### 3:2:5 Human Resources Management

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111 posts in the academic staff and 106 posts in the non-academic staff had been vacant during the year under review. Vacancies among the academic staff consisted of 24 posts of Professors 28 posts of Senior lecturers and 59 posts of lecturers and probationary lecturers. Instead of recruiting to those posts, the visiting lecturers had been deployed and paid a total allowance of Rs.5,414,844 for conducting lectures.

4. System and Controls

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Deficiencies in systems and controls observed during the course of audit 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.

- (a) Accounting
- (b) Stores
- (c) Fixed Assets
- (d) Contract Administration

S.Swarnajothi  
Auditor General.

18.09.2010

The Auditor General  
Auditor's General Department  
Independent Square  
Colombo 07

Dear Sir,

**Views and the measures have been taken by the University, regarding the report of the Auditor General on the Accounts of the Rajarata University of Sri Lanka, for the year ended 31<sup>st</sup> December 2009 in terms of Section 108 (2) of the University Act No. 16 of 1978.**

I submit herewith the explanations for the matters pointed out in the Audit Report and those are presented according to the order of the numbers of the Audit report.

Prof. K.A. Nandasena  
Vice Chancellor,

Copy to:       The Secretary – Ministry of Finance & Planning  
                  The Secretary – Ministry of Higher Education  
                  The Chairman – University Grants Commission



**Views and the Measures, have been taken by the University regarding the report of the Auditor General on the Accounts of the Rajarata University of Sri Lanka for the year ended 31<sup>st</sup> December 2009 in terms of section 108(2) of the University Act No: 16 of 1978 and section 13 (7) (A) of the Finance Act No. 38 of 1971.**

It has been submitted that the Accounts report with details to the Auditor under section 106(2) and 107(13) of the University Act No 16 of 1978, and Section 107 (13) 7 (A) of the Finance Act No. 38 of 1971 which is the Financial Statements for year ended 31<sup>st</sup> December 2009 of the Rajarata University of Sri Lanka. Report of the Auditor has been received on 22<sup>nd</sup> of July 2010 according to that Accounts and the explanation and opinions and corrections are submit according to the serial numbers of that report.

## **2.2 Comments on the Financial Statements**

### **2.2.1 Accounting Policies**

At present University has received a computer software package for the preparation of Fixed Assets Register using computer software. We have already given the training in this regard under the IRQUE Project. Accordingly, with the process of preparation of Fixed Assets Register, fully depreciated assets would be revalued in accordance with the Sri Lanka Accounting Standard No 18 and will be taken in to accounts.

### **2.2.2 Accounting Defects**

#### **a. Omissions from Financial Statements**

- i. Value of the Buildings that were transferred to the University at the time of incorporation will be valued and taken into accounts in the Financial Statements after obtaining legal ownership. We have already reached the end of finalization of obtaining deeds to confirm the legal ownership of those assets that are comprise of lands and buildings
- ii. Accounting error has occurred. Actions will be taken to rectify this.
- iii. Chemical stocks of laboratories are verified annually for the purpose of preparation of Final Accounts. Those values have been deducted from the annual expenditure incurred for the purchase of chemicals and shown in the Income and Expenditure Account. It was mentioned in the Audit Report of the year 2007 of Auditor General that this method was incorrect. Therefore, the University has not adjusted for closing stocks of chemicals when preparing its Final Accounts since 2008. The same was mentioned in the Notes to the Accounts as well. This policy has been carried forward. We have mentioned in this regard under the Accounting Notes No 9 which relates to the page 5 of the Annual Account -2008 .However, we will take necessary actions to account and present it as agreed.

- iv. Annual audit fees have not been requested for many years by the Auditor General. Accordingly, it has been omitted in the Financial Statements of the year 2009 as well. As agreed, an estimated provision will be made from the year 2010.

**b. Over and under statements in the Financial Statements**

- i. It has occurred due to book keeping error. Actions have been taken for the rectification.
- ii. Mobilizations Advances are paid to construction companies on account of construction contracts. Even though, the Capital work division forwarded the bills before 31st December relates to construction mentioned in the Auditors report, the university has made payments for those bills in January 2010 due to unavailability of funds as at 31<sup>st</sup> December 2009. Accordingly, the amount shown as shortage of Rs 5.1 Mn could be considered for the year 2009.
- iii. It has occurred due to making of payments in January 2010. Even though, the Capital Works Division has forwarded their Bills before 31<sup>st</sup> December 2009.
- iv. Corrected and payments have been made.
- v. Corrected.
- vi. Actions have been taken to correct.
- vii. Noted for the accounting in future years as pointed out by the Audit.

**c. Disclosure compliance**

In the University System, the money received from Mahapola Fund, Bursaries and other contributions are accounted as funds in the Revenue Accounts and corresponding expenditures are also accounted in the Expenditure Accounts.

**2.2.3 Receivable Accounts**

**Distress Loans**

As shown, the Distress loan which is being recovered for more than one year, the University of Peradeniya has sent a sum of Rs.127,490/= on behalf of Dr. K.A. Nandasena. Accordingly, we have accounted it under the Receipt No 022615 on 18.02.2010 and account is now settled.

Dr. J.L. Rathnasekara had been released to the Ministry of Higher Education to serve in the IRQUE Project. Recoveries to be made from him have not been recovered in the recent past. He should report for duties in 2010. The loan will be recovered as and when he report for duties. Mr. R.M. Gunasekara was transferred to Open University and Rs 109,444/= to be recovered. We have requested the University to get it transferred and they have failed to do so. As such it is in arrears. Mr. W. Dayaratna, Mr. G.D. Siripala, and Mr. T.G. Janapriya amounted to Rs. 40,420/=, Rs. 117,943/=, and Rs 389,931/= are to be recovered respectively. They have left from the services and also not requested the UPF up to now. Actions will be taken to recover those balances when they apply for their UPF release. Rs. 27, 640/= to be received from Mr. C.R. Withanachchi and Rs. 4,542/= to be received from Mr. W.V.C. Pradeep Kumara are to be recovered and we have informed the relevant Universities where they had been transferred. Actions will be taken to recover the money.

### **Computer Loans**

Rs.11, 500/= is to be recovered from Mr. G.D. Siripala. Action will be taken to recover it from his UPF. Rs. 6,500/= is to be recovered from Mr. W.V.C. Pradeep Kumara and informed to recover from University where he had been transferred

### **Staff Loans**

Action has been taken to inform the relevant University and to recover the money from Mr. W.V.C. Pradeep Kumara amounted Rs. 6,290/=. Mr. W. Dayarathne and Mrs. S.L.R. Yawasingha amounted Rs. 3,400/= and Rs. 7,310/= are to be recovered respectively. They have already left the services and actions will be taken to recover the same as and when they request for their UPF.

### **Vehicle Loans**

Mr. W.V.C. Pradeep Kumara's amount of Rs 5,018/=, action has been taken to recover from University of Kelaniya where he had been transferred. Loan amounted Rs. 94,000/= of Mrs. S.L.R. Yawasinghe was noted to recover from her UPF.

### **Special Advances**

Recovered Rs 600/= from Mr. S.M.A.D. Samarakoon and Rs 100/= from Mr. U.E.S. Wijeyaweera.. Rs. 100/= from Mr. G.D. Siripala, Rs. 1,000/= from Mr. A. Subramanian and Rs. 200/= from Mr. A.W.A.C. Weerasekara are to be recovered when they apply for their UPF. All others have been transferred. University has requested the relevant Universities to get it transferred all the balances. However; they have failed to do so. As such, balances are appearing.

**Festival Advances**

Already informed to the relevant Universities and they have not taken any action to get it transferred.

**2.2.4 Balancing of Control Accounts****Finance Lease balance**

This has occurred due to the inclusion of an installment of Rs51, 732/= into the Down Payment of Rs 1,525,000/= by the Bank of Ceylon and informed the same to us. It has now been rectified.

**2.2.5 Lack of Evidence for the Audit**

- a.
  - i. Actions have been taken to obtain the Fixed Assets Register using computer software. Detail Register can be forwarded as and when we finalize the system.
  - ii. Detail records are maintained. Age analysis can be obtained. Balance confirmations will be done from next year.
  - iii. Actions will be taken to obtain the debtor and balance confirmations in future

**b. Un-answered Audit Queries****ANC/AP/E/2010/04/31.03.2010**

Delay in replying was taken place due to misplacement of the Audit Query. Reply is forwarded herewith

**ANC/AP/E/2010/04/31.03.2010**

Measures have been taken to recover over payments to contractors. Reply is forwarded herewith

**ANC/AP/E/2010/04/26.04.2010**

Replied to the Audit Query. Consultant allowances have been paid with the approval of the Council for the Academic Activities

### 2.2.6 Non Compliance to Rules and Regulations and Management Decisions

- a. i. Board of survey has been carried out in 2009 and those reports are to be entered into computer system. Reports of the Board of survey can be obtained for the Audit.
- b. i. According to the authority vested on the Council of University by the University Act 1978, these houses have been taken to provide accommodations to fulltime officers defined in the University Act No 16 of 1978.
  - ii. According to the authority vested on the Council of University by the University Act 1978, these houses have been maintained using university funds to provide accommodations to fulltime officers defined in the University Act No 16 of 1978.
  - iii. Water bill of the Rambewa Housing Complex is paid by the University and with the approval of the Council of the University a concessionary charge is being recovered from each and every tenant in the complex. Decisions in this regard are forwarded to the Board of Management.
- c. i. In respect of Buildings No (i) and No (ii) mentioned in Audit Report, 20% mobilization advances have been released with VAT. Bank Guarantees have been taken to cover the full amount.
- d. i. According to the authority in the University Act No. 16 of 1978 and the powers of the Council, a concessionary amount is recovered as rent from employees of the University for the Houses rented out to them. However, we have noted to forward this to Board of Management.
  - ii. Based on the decision taken by the Council, a payment has been made to a consultant for his consultancy services to the Faculty of Applied Sciences. Further, another payment has been made to a consultant for his consultancy services to the Faculty of Agriculture based on the decisions of the Council.
- e. Informed the Bank to reverse Rs. 7,930/= debited to our account as Debit tax.

### 2.2.7 Transactions not Supported by Adequate Authority

a,b,c

Authority has been received from University Grants Commission for these payments. Based on the same authority payments are being made within the university system. Action will be taken to direct this to University Grants Commission.

### 2.2.8 Informal Transactions

Private houses are to be taken on rent until the completion of construction of Hostels .As such; Houses have been selected in and around Mihintale and Anuradhpura area to accommodate students following tender procedures. House owners were summoned to Tender Board in order to negotiate the monthly rentals and lease the houses at reduced rates after lengthily negotiations. It is impracticable to get the consent of house owners to a report of the Department of Valuation. As such, renting of houses based on the Valuation reports would be an ineffective/task.

### 2.2.9 Damages and Losses

This construction company is providing service to the 2009/2010 as well. Over payment will be recovered .The amount shown in the Audit Report is to be corrected.

### 3.2.2 Late Projects

This project, even though this was an ongoing project it was not implemented due to non availability of funds during past few years. Accordingly, no awards have been made by the Tender Board. This will be implemented in the year 2010.

### 3.2.3 Operational Inefficiencies

- a. Rs. 25000/= has been released as research advance to Mr. G.D. Siripala in the year 2003.This advance will be recovered from his UPF as he has left the services. During the year 2005, Rs. 20,000/= has been released to Mr. W.R.P.K Fernando and this amount was recovered on 10.05.2010. We already informed Mr. Jayasundara and Mr. D.W.M.K. Dissanayakthe to settle their advances of Rs. 168,000/= and Rs. 100,000/= respectively, that were released as research advances in the year 2007.
- b.
  - i. An Advance of Rs. 13,200/= released during the year 2001would be recovered from PGDM funds. Even though, we have received the service for Rs 7,667/= given to United Motors Lanka (Pvt.) Ltd, it is not cleared in the accounts due to unavailability of bills as at today. This will be cleared by removing it from the accounts.
  - ii. In the year 2010, Journals have been prepared to settle amount of Rs 304,998/= out of advances released from year 2002 to 2008.
- c.
  - i. Rs. 500/- to be recovered from Mr. W. Dayarathne who has left the services form his UP F.
  - ii. Advance amount to Rs 9,500/= given Mrs. SWGK Bulankulama is pending for settlement out of Rs. 150,750/= released as advances to three academic members .Balance was settled in 2010..

### 3.2.4 Inactive and Underutilized Assets .

#### a. Bank of Ceylon – Mihintale 6809656

This Account was open to facilitate the Faculty Developments Fund of the Faculty of Applied Sciences. It has been inactive due to lack of deposits. However, in the year 2010, this account is being operated.

#### Peoples Bank – Anuradhapura 8569998

This bank account was open to facilitate the transactions of the Farm of Faculty of Agriculture and it will be operated in the year 2010.

#### Bank of Ceylon – Mihintale 5022142

This bank account is maintained for the activities of Vice Chancellor's fund and the excess money were deposited in a fixed deposit .Releases and deposits have been accounted through the university common account. As such, this is remained inactive.

b. This will be discussed with the Water Supply and Drainage Board and the value would be removed from the stock following tender procedures.

c. Consent of the Council has been taken to adhere to Circulars issued by the Department of National Budget when dealing with disposable items.

d. These 03 machines are not suitable for use.

### 3.2.5 Human Resource management

a These vacancies were filled in 2010.

b These vacancies were filled in 2010

Prof. K.A. Nandasena  
Vice –Chancellor







