

Sabaragamuwa University of Sri Lanka
Balance Sheet as at 31st December 2002

<i>Assets</i>	2002	2001
Non Current Assets		
Property plant & Equipment	275,568,261.60	284,581,344.76
Total Non Current Assets	275,568,261.60	284,581,344.76
<i>Current Assets</i>		
Stocks	4,475,188.77	12,710,590.02
Sundry Debtors		2,883,056.18
Loans and Advances to Staff	18,315,591.03	20,866,576.39
Pre-payments and Accrued income	171,824.92	171,824.92
Deposits - Miscellaneous	203,347.56	307,841.21
Other Current Assets	740,144.61	1,389,104.14
Bank & Cash in hand	14,193,464.57	10,737,673.95
Total Current Assets	38,099,561.46	49,066,666.81
Total Assets	313,667,823.06	333,648,011.57

Represented by

Liabilities

Capital Grants

Spent Capital Grants	356,799,521.37	329,271,108.50
Unspent Capital Grants	28,946,482.95	18,474,895.82
Total capital Grants	385,746,004.32	347,746,004.32

General Reserve Account

Opening Balance	(143,196,322.93)	(121,542,012.35)
Add - Previous year Adjustments	1,526,854.63	(9,281,382.41)
	(141,669,468.30)	(130,823,394.76)
Less -Previous year Adjustments	(18,111,795.53)	7,216,195.35
Adjusted Opening Balance	(159,781,263.83)	(123,607,199.41)
Expenditure over income	(44,349,422.67)	(19,589,123.52)
Balance for the year	(204,130,686.50)	(143,196,322.93)

Specific Reserves

Donations & Grants	121,554,184.10	121,554,184.10
Vice-chancellors Fund A/C	196,724.70	174,400.00
Agriculture faculty Scholarship fund	54,000.00	54,000.00
Total Specific Reserves	121,804,908.80	121,782,584.10

Current Liabilities

Retentions on contract	1,789,726.26	
Sundry Creditors		1,526,854.63
External programme fund A/C	6,475,442.57	4,479,829.00
Miscellaneous Deposits	412,582.94	472,192.72
Accrued Expenditure A/C	1,569,844.67	836,869.73
Total Current Liabilities	10,247,596.44	7,315,746.08
Total Reserves & Liabilities	313,667,823.06	333,648,011.57

Sabaragamuwa University of Sri Lanka

Income and Expenditure Accounts for the year ended 31 st Decebmer 2002

	2002	2001
Government Grants for Recurrent Expenditure	113,137,000.00	113,900,000.00
Grants to - Mahapola & Bursary from UGC	11,963,150.00	10,544,800.00
Grants From - Mahapola Trust	3,813,450.00	59,600.00
Total Government Grant	128,913,600.00	124,504,400.00
Installments of insuarance		225,813.37
House Rent	90,737.00	413,192.90
Interest from Loans	904,033.94	557,112.60
Telephone Charges	195,784.90	356,496.05
Registration Fees (Undergraduates)	354,524.50	190,501.50
Sale of Crops	32,313.80	75,982.50
Examination Fees	106,737.20	25,623.00
Library Fines	25,634.00	25,910.25
Guest House Charges	13,275.00	40,047.90
Tender fees	31,575.00	38,300.00
Insuarance Dividends		69,000.89
Sale of handbooks	77,815.00	18,074.50
Miscllenuos Income	1,433,188.12	1,306,394.53
Hostel Fees	456,550.00	162,942.00
Registration Fees (Supliers)	106,969.00	69,845.00
Rents from Properties	145,082.10	109,511.00
Convercation Fees	281,010.00	144,990.00
Sale of old stocks	7,158.00	
Accrued water & Electrिसity Chargers	76,479.56	
Total Other Income	4,338,867.12	3,829,737.99
Grand Total Income	133,252,467.12	128,334,137.99

Deduct- Expenditure

01- General/Finance/Supplies & Transport	65,697,443.42	79,076,918.42
02-02 Faculty of Agriculture	16,574,742.26	16,852,817.76
02-03 Faculty of Applied Sciences	23,134,931.89	19,134,906.51
02-12 Faculty of Business Studies	12,242,694.33	10,893,457.86
02-15 Faculty of Social Sciences & Language	20,149,819.80	15,580,675.35

02-23 Department of Surveying Sciences	9,691,773.03	6,384,484.70
02-27 Examination Branch	2,327,144.14	
Library & Academic Resource Center	7,114,011.14	
Students & Staff Welfare	8,375,863.06	
Maintenance Services	11,265,740.52	
External Examination Branch	1,027,726.20	
Total Expenditure	<u>177,601,889.79</u>	<u>147,923,260.60</u>
Excess of Expenditure over Income (Deficit)	<u>(44,349,422.67)</u>	<u>(19,589,122.61)</u>

REPORT OF THE AUDITOR GENERAL ON THE ACCOUNTS OF THE SABARAGAMUWA UNIVERSITY OF SRI LANKA FOR THE YEAR ENDED 31 DECEMBER 2002 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

2.4.1. Accounting Policies

- a) *The lands transferred by various parties to the University had not been valued and brought to account.*
- b) *The lands had also been depreciated at the rate of 5% due to non-identification of the value of lands and buildings separately.*
- c) *According to the accounting policies adopted by the University, depreciation has to be charged on the basis of straight line method. But, reducing balance method had been applied for the year under review.*

2.4.2. Accounting Deficiencies

- a) *Accounting deficiencies observed in an audit test check on the sample of transactions valued at Rs. 54,566,569 shown in the final accounts were brought to the notice of the Vice Chancellor of the University. The possibility of the existence of further accounting deficiencies can not be ruled out.*
- b) *Provision for depreciation had been made in the year under review in respect of fully depreciated assets also. The value of such assets could not be ascertained in the absence of adequate records.*
- c) *Prior year payments aggregating Rs. 2,675,575 had been brought to account contrary to the provisions in Sri Lanka Accounting Standard No. 10.*
- d) *Provision for accrued expenditure had not been made in the accounts in the year 2002. However, a sum of Rs. 5,539,920 had been paid during the month of January 2003 in respect of the expenses relating to the year under review.*
- e) *Contingent liabilities in respect of cases filed against the University in the Labour Tribunal had not been disclosed in the accounts.*
- f) *A uniform policy had not been followed in respect of retention and prior year payments.*
- g) *The transactions made through several bank accounts had not been brought to account and the balances in these bank accounts had not been shown the balance sheet.*
- h) *Bursaries received from University Grant Commission (UGC) and Mahapola Trust Fund had not been separately identified.*

2.4.3. Accounts receivable and payable

- a) *Amounts due to the University aggregating Rs. 877,019 and amounts payable by the University amounting to Rs. 1,982,428 had not been confirmed by the relevant parties.*
- b) *Age analysis in respect of debtors and creditors aggregating Rs. 171,825 and Rs. 45,000 respectively had not been furnished to audit.*

- c) *Miscellaneous advances aggregating Rs. 463,446 given to various officers of the University had remained unsettled for over 3 years.*
- d) *Appropriate action had not been taken to make the necessary adjustment in respect of cheques and money orders valued at Rs. 52,344 relating to the previous year.*

2.4.4. Unreconciled Balances

The following balances shown in the books of accounts had not been agreed with the balances shown in the financial statements and reasons for differences had not been explained to audit.

<u>Account</u>	<u>Balance as per Ledger</u>	<u>Balance as per Financial Statements</u>
	Rs.	Rs.
		113,137,000
	Rs.	
Government Grants	100,397,000	1,433,188
Recurrent		48,000
Miscellaneous Income	1,433,299	59,625
Research and Publication Advances	-	
Publication Loans	-	

2.4.5. Unreconciled Control Accounts

- a) *The debit balance in the retention account as at 31 December 2002 was Rs. 653,872. But, the balance shown in the schedule attached to the account was Rs. 1,789,726. However, a sum of Rs. 2,443,598 had been debited to the Building Account without investigation.*
- b) *According to the schedules furnished to audit the balance payable on the souvenir was Rs. 76,000 and according to the accounts it was Rs. 104,500. The differences had not been explained.*

2.4.6 Lack of Evidence for Audit

- a) *Assets amounting to Rs. 276,445,281 and expenditure amounting to Rs. 1,591,429 could not be satisfactorily vouched or accepted in Audit due to lack of evidence required.*
- b) *Forty nine audit queries and letters issued to the University remained unreplied up to date.*
- c) *Detailed information relating to external courses, projects and legal activities had not been furnished for audit.*
- d) *The payment vouchers, receipts relating to Applied Science Faculty, Buttala and Agriculture Faculty, Rahangala had not been furnished for audit.*
- e) *Assets amounting to Rs. 2,147,927, expenditure amounting to Rs. 1,591,429 and income amounting to Rs. 2,237,965 could not be satisfactorily vouched or accepted in audit due to lack of vouchers, receipts and records relating to external courses held in Applied Sciences Faculty Buttala.*

2.4.7.

- a) *Several instances of non-compliance with the provisions in the following Laws, Treasury Circulars and Financial regulations of Government, the Establishments Code of the Democratic Socialist Republic of Sri Lanka, the Establishment Code for University Grants Commission and Higher Educational Institutions observed in audit were brought to the notice of the Vice Chancellor of the University from time to time.*
- i) *Finance Act, No. 38 of 1971*
 - ii) *Guidelines on Government Tender Procedure*
 - iii) *Department of Management Services Circular Nos. 15 and 16*
 - iv) *Public Finance Circular No. 364 (3)*
 - v) *Letter No. 8/UGC of the Secretary to the Ministry of Tertiary Education and Training relating to fuel for official vehicles.*
- b) *Provisions in the Sri Lanka Accounting Standard Nos. 03, 05,08,12,16 and 18 have not been complied with.*

3.1.1. Financial Position

- a) *The financial results of the activities of the University for the year under review was a deficit of Rs. 44,349,423 compared with the deficit of Rs. 19,589,124 for the preceding year.*
- b) *The financial results of the operations of the University at the close of each accounting year are adjusted to the general reserve as a regular feature. As a result of this, an accumulated debit balance of Rs. 204,130,686 was shown in the General Reserve Account as at end of the year under review.*
- c) *In addition to that, a sum of Rs. 18,111,796 relating to the assets and receivable had been written off during the year under review without obtaining the requisite approvals and this also had caused the increase of said debit balance.*
- d) *Adjustments amounting to Rs. 164,176,374 had not been made in regard to the accounting errors, omissions, overpayments, etc. pointed out in the audit reports for the previous years.*
- e) *Due to lack of provision made for accrued expenditure and accounting errors for the year substantial adjustments had been made in the subsequent year as a regular feature. Details of such adjustments made during the last three years are shown below.*

<u>Year</u>	<u>Financial results disclosed in the accounts (deficit)</u>	<u>Adjustments made in the subsequent year</u>
	Rs	Rs
		4,320,514
		9,281,382
		18,111,795
1999	13,694,476	
2000	46,151,670	
2001	15,589,123	

In these circumstances, the possibility of similar adjustments to the financial results for the year under review in the ensuing years cannot be ruled out.

- f) *The Treasury had granted a sum of Rs. 38,000,000 for capital expenditure during the year under review and according to the accounts presented the University had incurred a sum of Rs. 27,849,908 from this grant. A sum of Rs. 28,946,483 had been shown in the accounts as accumulated unexpended capital grant. But, such amount of funds were not available in the University Bank Accounts.*

3.1.2

- a) *The following payments had been made continuously by the University in terms of Circular instructions issued by the University Grants Commission contrary to the provisions in Circular No. 95 of the Department of Public Enterprises.*

<u>Item</u>	<u>Amount</u>	
	<u>Up to 31 December 2001</u>	<u>For the year 2002</u>
	Could not be accurately ascertained	609,515
i. <i>Incentive allowances and salary increments for proficiency in second and third languages</i>		
ii. <i>Excess payments of contributions to the EPF and ETF and for gratuity due to erroneous inclusion of allowance for clearing the backlog and the academic allowance to the salary.</i>	-do-	1,157,663

- b) *The fictitious debit balances and credit balances of Rs. 72,800 and Rs. 10,775,883 respectively in six accounts had been transferred to various accounts without considering erroneous accounting treatment made in previous years as detailed below.*

<u>Fictitious Account</u>	<u>Value Rs.</u>	<u>Account Transferred to</u>
		<i>Buildings</i>
<i>Capital Advance (Cr)</i>	29,161	<i>Salaries</i>
<i>Salaries Advances (Cr)</i>	62,302	<i>Cheques Deposit</i>
<i>Unpaid Examination Fees (Cr)</i>	51,185	<i>Bursaries</i>
<i>U.G.C. (Cr)</i>	6,246,9000	<i>General Reserve</i>
<i>Ministry of Trade & Commerce</i>	1,526,855	<i>General Reserve</i>
<i>Tender Deposits (Dr)</i>	72,800	

- c) *Financial Assets and receivables had been written off to General Reserve without investigation and the requisite approval.*

<u>Name of Account</u>	<u>Amount</u> <u>Rs.</u>
Stocks	8,584,258
Miscellaneous	2,210,451
Advances	
Special Advances	126,662
Receivables	
University of	
Peradeniya	70,394
Gelt Programme	2,768,413
Insurance	18,551

3.1.3 Identified Losses

One month's salary had not been recovered from a temporary instructor and a temporary lecturer who had not given one month's notice prior to their resignation from the University service.

3.1.4 Uneconomic Transactions

- a) *Although a sum of Rs. 1,706,062 had been paid during the year 2001 for the preparation of plans for proposed Administration Building and Lecture Complex of the University, construction had not been commenced up to the date of this report.*
- b) *Construction of the Mungasthenna building has been abandoned after spending Rs. 2,025,439 up to 2001. Building materials valued at Rs. 46,400 purchased for this construction were lying idle in the openyard. A sum of Rs. 258,188 had been spent during the years 2001 and 2002 to provide security for the materials at the site.*
- c) *Building materials valued at Rs. 12,650 had been destroyed during the year under review. Further, building materials valued at Rs. 224,000 were lying idle in the University premises since the year 2000.*
- d) *A sum of Rs. 275,700 had been paid for revaluation of fixed assets with a view to prepare a Register of Fixed Assets and an officer had been appointed on contract basis for that purpose and at the end of the contract period the officer had resigned from the post. But, the Register of Fixed Assets had not been prepared up to December 2002.*
- e) *The Environmental Centre constructed in 2001 at a cost of Rs. 3,716,965 had not been utilized for the purpose due to defects in the construction.*

3.2 Operating Review

3.2.1 Appointments

- a) *Approval had been sought on 12 July 2002 from the Department of Management Services to recruit four executive grade officers on contract basis and the approval had been granted on 17 October 2002. However, the U.G.C. had appointed 7 officers permanently prior to the grant of the approval of the Department of Management Services but, after making the request for such approval. Three Assistant Registrars, one Assistant Bursar and one Deputy Bursar had been appointed without provision for such posts in the approved cadre of the University.*

- b) *Eleven persons had been recruited to labour grades and posts of clerks and stenographers during the year under review contrary to the directives of the Department of Management Services.*
- c) *Services of 20 temporary staff had been allowed to continue even after the expiration of the temporary period of service without requisite authority.*

3.2.2 Contract Administration

- a) *The contract for the construction of the Library Reading Room had been awarded to a contractor for a sum of Rs. 1,049,214 and a mobilization advance of Rs. 186,527 also had been paid even without provision in the Tender condition. Although, the contractor had completed works valued at Rs. 98,016, a further sum of Rs. 88,215 had been paid to him. However, the contractor had suspend the work and action had not been taken to recover from the contractor the sum of Rs. 176,726 paid in excess and to complete the balance construction work.*

b)

- (i) *Construction of buildings had been commenced in 2000 under labour contracts and materials also had been supplied by the University. The contractor had abandoned his work after obtaining payments of Rs. 354,635 for the work done. However, the retention money amounting to Rs. 39,404 had been released without recovering an overpayment of Rs .19,095 made to him. Subsequently, an unrealistic estimate had been prepared by the Engineer and the contract had been awarded to an unsuccessful contractor of the University for a sum of Rs. 7,312,483. A sum of Rs. 2,757,251 including mobilization advance of Rs. 1,299,992 had been paid to the contractor and materials valued at Rs. 320,324 also had been supplied to this contractor.*

The value of work completed by the contractor amounted to Rs. 1,619,171 although a sum of Rs. 2,757,256 had been paid to him. The overpayment of Rs. 1,138,080 and the cost of materials amounting to Rs. 320,324 had not been recovered from the contractor. The work had been abandoned since 2002 after spending a sum of Rs. 3,077,576.

3.2.3 Items of a Contentious Nature

Although, registration for a postgraduate degree should be done within three months from the date of appointment, two lecturers had not complied with this requirement and action had not been taken to terminate their services in terms of Section 72 of the Universities Act.

3.2.4 Underutilised / Idle Assets

- a) *Stores materials valued at Rs. 336,967 and souvenir items were lying idle in stores for long periods without being used.*

b)

Construction of buildings had been done at Belihuloya with a view to transferring the Agriculture Faculty situated at Rahangala. However, the UGC had suggested that shifting of faculty to be temporarily suspended. But, in March 2001 the students of the Rahangala, Agriculture Faculty forcibly came to Belihuloya from Rahangala. The premises at Rahangala had not been utilised during the last two years. As a result, fully developed farm, faculty buildings, hostels, library books, scientific equipment, agricultural equipment, Computers etc. had not been utilised and some of them were destroying. However, 32 non academic staff and labourers are still in that premises and a sum of Rs. 3,980,697 had been paid as salaries to them. In addition a large sum had been spent for security, electricity and telephones. The responsibility regarding the assts had not been vested to any officer. The stock of materials at Rahangala premises as at 31 December 2002 had been omitted from the accounts

3.2.5 Receipts to the University Fund

- a) The money collected by the University by conducting various courses at Belihuloya had not been brought to account as required by the above section of the Act. According to information made available a number of courses had been conducted during the year under review and preceding year. However, the amount collected and the expenses incurred had not been made available to audit.
- 0b) According to information available a sum of Rs, 650,000 had been granted by a well known social services club to an organization of the University named as Seniors' Commons Association for miscellaneous construction works and further sums which could not be ascertained for the construction of a home for the aged. The money which had been obtained in the name of the University had been utilised without any involvement of the University.

3.2.6

The following matters pointed out in the audit reports on the accounts of the University for the preceding years had not been settled up to the date of this report.

<u>Year of Account</u>	<u>Reference to the paragraph of the report</u>	<u>Particulars</u>
1998	2:3:8 (a)	Appointment of officers on sabbatical leave
	2:3:8: (b)	Recruitment of persons to non-administrative posts
	2:3:8 (e)	Payment of Foreign Travel Expenses
	2:3:8 (f)	Payment of telephone charges of private residences from University funds
	2:3:8 (h)	Publication of a loan scheme
	2:3:8 (j)	Quality of constructions
	2:3:8 (l)	Funds for , Extension External Courses
1999	2:3:8 (m)	External Degree Courses
	2:3:9 (e)	Transfer of ownership of 4 buses received as donations
2000	2:4:5	Unrecovered overpayments amounting to Rs. 887,419
2001	3.1.2	Contract Administration
	3.1.3	Activities of Miscellaneous Funds and Organizations

3.2.7

- a) Sabaragamuwa University Center for Environment and Sustainable Development (SUCEDS)
 - i) This Centre is operated as a Non-Governmental Organization though there is no provision in the Universities Act for such operations.

- ii) Although the Bursar of the University is responsible for the financial control and accounts of the University, under the guidance and control of the Registrar, the Bursar had been precluded from overseeing the operations of this Fund in terms of provisions in Section 101 (a), (b) and (c) of the Universities Act.*
- iii) Although the audit of accounts of the Institutions of Higher Education should be carried out by the Auditor General in terms of Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka and Section 107 of the Universities Act, contrary to such provisions, arrangements had been made to audit the accounts of SUCEDS by an auditor appointed by a Board of Management of that Centre.*
- iv) A donation of Rs. 10 million was made by the Ceylon Electricity Board, Sabaragamuwa HEP Project to establish a Centre for Environment and Sustainable Development to promote specific activities. This amount had not been credited to the University fund in terms of section 98 of the Universities Act No. 16 of 1978 and the accounts of this fund had been kept outside if the accounts of the University.*

Of the above donation, the following funds had been utilized outside the scope of the criteria laid down by the donors as shown below.

- a) Rs. 1.2 million has been utilized to pay the freight insurance, clearance charges and other charges on 4 buses donated by the courtesy of the Mayo of Niyoko city in Japan. However, these buses had not been registered under the University and proper documents relating the expenses on those buses had not been furnished for audit.*
- b) Out of this fund a sum of Rs. 4,500,000 had been given as an advance to the University to meet recurrent and capital expenditure as at the end of the year under review.*
- v) Although a building had been constructed out of this fund incurring an expenditure of Rs. 3,716,965, it had not been utilized due to defective construction. Further, the payments had been made contrary to the terms of the agreement.*

3.2.8 Cost per student

The total cost incurred during the year under review on the academic activities if 1375 students amounted to Rs. 81,793,961. Average cost per student for the year amounted to Rs. 59,487.

3.2.9 GELT Programme

This programme had been conducted under the supervision of the UGC and necessary funds had been released from the Treasury Deposit Account. A sum of Rs. 4,069,957 had been spent in excess to the provision during the years 1999 and 2000. Funds received for the year 2001 had been set off against the above excess expenditure without utilising for the purposes of the programme. Subsequently, balance receivable at beginning of the year amounting to Rs. 2,768,412 had been written off to the General Reserve without proper approval considering as non receivables. However, during the year under review a sum of Rs. 1,430,000 had been received for this programme, but, only a sum of rs. 6,000 had been spent therefrom.

3.2.10 Cooperate Plan

A Cooperate Plan for the University had not been prepared as required by section 7(1) of the Finance Act and the Treasury Circular Letter No. PD 52.

4 Weakness in Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Vice Chancellor of the University. Special attention is needed in respect of the following areas of control.

- a) *Accounting*
- b) *Banking and Finance*
- c) *Internal Control*
- d) *Construction Administration*
- e) *Advances*
- f) *Procurements*
- g) *External Courses*
- h) *Vehicle Utilization*
- i) *Recruitments*