

Eastern University, Sri Lanka -2012

1. Financial Statements

1.1. Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the financial position of the Eastern University, Sri Lanka as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with the Sri Lanka Accounting Standards.

1.2. Comments on Financial Statements.

1.2.1 Accounting Deficiencies

The following accounting deficiencies were observed in audit.

- (a) Although the Improving Relevance and Quality of Undergraduate Education (IRQUE) Project had handed over the assets to the University after completion of the Project, the value of assets had not been disclosed in the financial statements.

- (b) Laboratory equipment valued at Rs. 9,555,427 received as donations from the Central Environmental Authority during the year 2006 had not been brought to account.

1:2:2 Non- compliance with Laws, Rules, Regulations and Management Decisions.

Instances of non- compliance observed in audit are given below.

**Reference to Laws, Rules,
Regulations and Management
Decisions**

Non- compliance

(a). Financial Regulations

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|---------------|---|
| (I) F.R 102 | Action had not been taken in respect of losses amounting to Rs 17,860,815 sustained during the year 1990. |
| (II) F.R 371 | Action had not been taken to recover the advances aggregating Rs 14.61 million paid for various purposes and lying for a period ranging from 01 year to 17 years. |
| (III) F.R.756 | Physical verifications had not been carried out as at and of the year under review in respect of the assets of the University. |
| (IV) F.R 1646 | Daily running charts had not been rendered for audit in respect of vehicles of the University. |

**(b) Establishments Code of the
University Grants Commission
and Higher Educational
Institutions**

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|---|---|
| (i) Section 20.6 of Chapter- X | Particulars of no-pay leaves obtained by the officers had not been reported monthly to the Auditor General in Form General : 96 |
| (ii). Section 3:1 of Chapter-
XXVII | The arrival and departure of the academic staff of the University had not been recorded in attendance register. |

2. Financial Review.

2.1 Financial Results

According to the financial statements presented, the operations of the University during the year under review had resulted in a deficit of Rs. 84,147,590 after taking into account the Government Grant of Rs. 516,211,000 for recurrent expenditure as compared with the corresponding deficit of Rs. 59,498,212 for the preceding year after taking into account the Government Grant of Rs. 437,448,075 for that year thus indicating a further deterioration in the financial results by Rs.24, 649,378. Increase in operating expenditure by Rs. 96,267,379 had mainly contributed for this deterioration.

3. Operating Review

3.1. Performance

(a) Results of Examinations held

According to the information made available, the performances of the undergraduates at the examinations held during the year under review are given below.

<u>Faculty</u>	<u>Period of Examination held</u>	<u>No of Students sat for the examinations(first to final year)</u>	<u>No of Students passed(final year)</u>
Agriculture	March, April, October, November and December 2012	175	27
Arts	March, April, June, July, October and November 2012	1220	333
Commerce and Management	February ,March, April, May, June, July,	716	91

	September, November and December2012		
Science	February ,March, April, October, November and December2012	422	48
Health Care Science	February ,March, April, October, November and December2012	<u>238</u>	<u>27</u>
Total		<u>2,771</u>	<u>526</u>

(b) Cost per Student

Total recurrent expenditure incurred by the University during the year under review amounted to Rs. 482,847,281. The average recurrent cost per student for the year was Rs. 174,376. The cost per student had increased by Rs 43,705 as compared with the preceding year.

(c) Mahapola and Bursaries

A sum of Rs. 11,833,100 had been paid as Mahapola to 5,503 students and a sum of Rs. 16,598,400 had been paid as Bursary to 8,301 students during the year under review.

(d) Library Administration

409 books had not been returned within the stipulated period by the academic staff and students who had obtained books from the Library. In this regard, no proper action had been taken to get back these books.

3.2 Management Inefficiencies

The following observations are made.

- (a) Fifty seven lecturers of the University who went abroad on scholarships had not reported for duty or left from the University after completion of the scholarships. However, the University had not taken action to recover a sum of Rs 70,407,561 from 57 lecturers for breach of agreements.
- (b) The University had not taken action up to 31 December 2012 to fill the 52 vacancies existed in the academic staff. Therefore, it had mainly affected the academic activities of the students.
- (c) The approval of the University Grants Commission (UGC) had not been obtained by the University in terms of Section 29 (d) and 29 (e) of the Universities Act, No. 16 of 1978 to confer post-graduate degrees even up to 31 December 2012. However, 22 post-graduate degree courses had been conducted without the approval of the UGC.
- (d) Advances amounting to Rs.1.18 million had been paid to 54 persons and these advances were remained unsettled for a period ranging from 05 years to 17 years without action being taken to identify the persons and recover advances.

3.3 Operating Review

The following observations are made.

(a) Procurement of Medical Equipment

Medical equipment to the value of Rs 13.4 million had been procured from a private company in India during the year under review for the use of Faculty of Health Care Science (FHCS). Following observations are made in this regard.

- (i) Three bidders had submitted their bids for the procurement. Out of 03 bids, two bids were forged and one bid was from a garment accessory supplier.

- (ii) Two bidders were identical in their telephone numbers and addresses.
- (iii) Although the medical equipment called “eight accessories of the tissue processor” had been procured at a cost of Rs 4.5 million, it had remained idle from the date of purchase due to lack of main part of tissue processor.
- (iv) All three quotations had been called for from India without considering the local suppliers for this equipment.
- (v) According to the information made available, prices paid for the equipment were higher than the prevailing market prices at international market. Few examples are given below.

<u>Item name</u>	<u>Market price (USD)</u>	<u>Purchased price (USD)</u>
Mortuary Refrigerator (Mortuary Chambers)	1320- 7900(Range)	26,000
Ultra-sound Scanner	8,000-15,000	36,324
Binocular Microscope	2,123-4,425	9,015

(b) **Procurement of Library Automation Management Software (“Libsys”) for USD 27,400 (Rs . 3.2 million)**

“Libsys” software system had been procured from M/S Libsys Technologies Pvt. Ltd. Haryana, India at a cost of Rs.3.2 million in the year 2008 and payment had been made during the year under review. In this regard, the following deficiencies were observed.

- (i) The Technical Evaluation Committee (TEC) had not recommended the procurement.
- (ii) The approval of the Procurement Committee (PC) had not been obtained.
- (iii) The University had not entered into an agreement with the supplier.

- (iv) The University had not obtained performance security bond from the supplier.
 - (v) According to the letter of contract, the supplier should have been supplied “Linux” System. However, the supplier had supplied and installed Windows System on 27 April 2009.
 - (vi) The physical inspection revealed that “Libsys” system had not been operated to its full capacity due to lack of system components such as data export and import module, report generating module and data backup modules.
 - (vii) The supplier had not carried out yearly support service after installation for 03 years due to non- payment of dues of USD 10,960(40% of the total cost) to the supplier.
 - (viii) Although this system had been procured at a cost of Rs.3.2 million in the year 2008, the system had been installed at the Library only on 27 April 2009.
- (c) Although funds amounting to Rs.17,372,951 had been received from TROMSO University of Norway to facilitate the BSc in Nursing Programme at the Faculty of Health Care Science, proper records had not been maintained in this regard. It was further observed that the approvals of the Council and Senate of the University had not been obtained to operate this Project.

4. Accountability and Good Governance

4.1 Budgetary Control

Major variations were observed between the budgeted expenditure and actual expenditure, thus indicating that the budget had not been made use of as an effective instrument of management control.

4.2 Audit Committee

09 Audit Committee meetings had been conducted during the year under review. The Committee had recommended to reply audit queries in several meetings. However, action had not been taken to reply 06 audit queries issued by the Auditor General during the year under review.

5. Systems and Controls

Deficiencies observed in systems and controls during the course of audit were brought to the notice 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) Assets Management
- (c) Payments and Settlement of Advances
- (d) Procurements