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The Gazette of the Democratic Socialist Republic of Sri Lanka  
EXTRAORDINARY

අංක 1.466/23 – 2006 ඔක්තෝබර් 13 වැනි සිකුරාදා — 2006.10.13  
No. 1,466/23 — FRIDAY, OCTOBER 13, 2006

(Published by Authority)

PART I : SECTION (I) — GENERAL

Government Notifications

AUDITOR GENERAL'S DEPARTMENT

**Report of the Auditor General on the Accounts of the University of Peradeniya for the year ended 31st December, 2003 in terms of Section 108 (2) of the Universities Act, No. 16 of 1978 and Section 14 (2) (c) of the Finance Act, No. 38 of 1971**

The audit of accounts of the University of Peradeniya for the year ended 31st December, 2003 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 section 108 (1) of the Universities Act, No. 16 of 1978 and 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 14 (2) (c) of the Finance Act. This report should also be considered as the report to be issued in terms of Section 13 (7) (a) of the Finance Act.

1 : 2 *Scope of 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 the 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, methods and practices to obtain 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 judgements 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. *Accounts*

2 : 1 *Audit Opinion :*

In view of the comments and observations appearing in this report, I am unable to express an opinion on the accounts presented.

2 : 2 *Comments on Accounts*

2 : 2 : 1 *The following observations are made.*

- (a) Payments amounting to Rs. 88,852,196 and income amounting to Rs. 759,287 relating to preceding years had been accounted for in the Prior year Adjustment Account contrary to Sri Lanka Accounting Standard No. 10.

- (b) All receipts from any source by institutions of higher education should be credited to the Fund of the institution. However, the University had created various funds and a sum of Rs. 53,235,984 received and expenditure of Rs. 37,030,731 incurred there from had been adjusted to those fund accounts. As such, such income and expenditure had not been taken for purposes of computing the financial result of the University.

*2 : 2 : 2 Accounting Deficiencies :*

The following accounting deficiencies were observed.

- (a) Income of Rs. 1,632,720 and expenditure of Rs. 469,647 relating to 17 items requiring direct accounting for as miscellaneous income and expenditure of the University had been accounted for under other fund accounts.
- (b) Credit balances aggregating Rs. 775,189 which comprised 71 staff loan balances amounting to Rs. 551,931, four loan balances of Rs. 5,500 given for the purchase of computers and 37 distress loan balances amounting to Rs. 217,758 had been shown after deducting from debtors, instead of being shown as creditors.
- (c) Although the total of cash and cash equivalents had been shown at Rs. 5,315,887 in the cash flow statement, it was disclosed to be Rs. 7,079,859 (credit). Accordingly, a difference of Rs. 12,395,746 was observed in the total of those items.
- (d) A sum of Rs. 1,123,640 recovered as administrative charges in respect of researches of the Agricultural Science Faculty and the Veterinary Science Faculty had been accounted for under Research Funds Account instead of being accounted for as income.
- (e) The debit balance of Rs. 1,090,474 representing the net difference of unidentified debit and credit balances due to accounting deficiencies in preceding years had been shown under debtors.
- (f) The expenditure of Rs. 935,419 incurred during the year under review by the University in respect of the External Examinations Division had been written off from the External Examinations Development Fund Account, instead of being charged to the Income and Expenditure Account.
- (g) A sum of Rs. 1,081,959 spent in excess of funds received by the University for 07 various research projects had been written off in the year under review from the University Research Fund without being accounted for as a receivable from the parties concerned.
- (h) A balance of Rs. 182,884 out of recoveries made from University employees who had retired before the refund of Employees' Provident Funds had been shown in the accounts as Employees' Provident Fund deposits.

*2 : 2 : 3 Unexplained Differences :*

Although a sum of Rs. 5,045,377 had been shown in the accounts as at end of the year under review on account of interest receivable on fixed deposits and restricted funds deposits, the interest receivable according to the schedule furnished amounted to Rs. 7,818,767. The difference of Rs. 2,773,390 was not explained to audit.

*2 : 2 : 4 Omissions in the Accounts :*

The following deficiencies were observed.

- (a) Although a sum of Rs. 47,500 had been shown in the accounts as at end of the year under review on account of retention from contractors, it was observed that the retentions as at that date according to the Register of Contracts aggregated Rs. 8,028,609. Accordingly, a sum of Rs. 7,981,109 had been omitted in the accounts.
- (b) Nine items of assets valued at Rs. 1,628,287 and 13 items of assets, the values of which had not been mentioned, received by the University during 2002 from the Ministry of Higher Education under the Teachers' Education and Teacher Development Project had not been brought to account.

2 : 2 : 5 *Unreconciled Control Accounts.*—

The following deferences were observed.

- (a) A difference of Rs. 8,975,000 was observed between the balance shown in the accounts of the University on account of payables to the External Examinations Division and the balance receivable by that Division as shown in the accounts of the External Examinations Division furnished as an annexe to the financial statements.
- (b) The difference of Rs. 582,788 between the balance of the unsettled capital Advance Account for 1998 and the schedule had been shown after deducting from the total of the schedule of advances without investigation.
- (c) A net difference of Rs. 5,138,031 in balances due from 17 lecturers was observed at a reconciliation of the schedule of teachers who had breached agreements furnished with the financial statements for the year under review and the information furnished by the relevant division.

2 : 2 : 6 *Uncertainty over Accounts Receivable and payable.*—

The following uncertain instances were observed in the accounts.

- (a) Receivables from other Universities and institutions amounting to Rs. 68,448 and Rs. 114,481 remained outstanding in the accounts for over 6 years and 3 years respectively without action being taken for recovery.
- (b) A sum of Rs. 685,342 shown in the accounts as due from the Postgraduate Institute of Agricultural Science was not reflected in the accounts of that Institute whilst the sum of Rs. 166,131 shown in the accounts of that Institute as due to the Institute from the University had been shown in the accounts of the University.
- (c) 44 balances aggregating Rs. 2,516,464 and 14 balances aggregating Rs. 1,547,211 shown in the accounts as balances of other funds as at end of the year under review had been outstanding for over 5 years and 2 years respectively.
- (d) Loan instalments had not been recovered for a period of 2 to 3 years from balances of vehicle loans amounting to Rs. 103,368, distress loans amounting to Rs. 5,708,679, computer loans amounting to Rs. 27,500 and staff loans amounting to Rs. 51,592 included in the balance of staff loans as at end of the year under review.
- (e) Balances of the Inter University Sports Festival Account, University Arts Association Account and the Printing Charges Account aggregating Rs. 130,623 included in the Sundry Creditors Account balance as at end of the year under review had been outstanding for over 03 years.
- (f) An advance of Rs. 300,000 paid to a lecturer during 2001 for the supply of furniture to the Structural Engineering Science Laboratory of the Engineering Faculty and the Conference Room had not been settled even up to the date of audit.
- (g) Advances amounting to Rs. 852,865 paid to 58 officers of the University from 1993 to 2001 to procure voted expenditure services had not been recovered up to the date of audit.
- (h) Balances of advances given on orders included 27 balances aggregating Rs. 305,152 over 06 years old and 85 balances aggregating Rs. 795,582 over 02 years old.
- (i) Action had not been taken since 2000 to settle a sum of Rs. 34,038 shown in the accounts under Sundry Advances on account of petty cash advances requiring settlement.
- (j) An advance of Rs. 275,995 paid to students who had come from disturbance affected areas prior to 1996 had remained outstanding due to non-recovery during those years.

- (k) A sum of Rs. 62,432 included in the blances of sundry debtors on account of salaries receivable remained outstanding without being recovered since the year prior to 1999.
- (l) A balance of Rs. 620,114 shown under the General Transfer Account included in the sundry debtor balance remained outstanding since the year prior to 2000.
- (m) A sum of Rs. 667,005 had been shown under sundry creditors as unpaid salaries and it was observed that this included salaries of officers who had proceeded abroad, violated agreements, resigned and vacated posts. Necessary action had not been taken to identify and settle these balances.
- (n) The credit balance of the Stock Adjustment Account as at 31st December, 2003 amounted to Rs. 7,395,290 and the net difference of shortages and excesses detected at the stock verification had been transferred to the account in the respective years. These differences had not been investigated, officers responsible therefore had not been identified and appropriate action had not been taken against those officers.
- (o) A cash recovery of Rs. 67,800,000 from 190 teachers and a recovery of Rs. 21,775,532 from the Employees' Provident Fund in respect of 124 teachers who had violated agreements due as at 31st December, 2003 had remained outstanding. Steps had not been taken at any stage to recover these amounts from the sureties of these teachers.

*2 : 2 : 7 Lack of Evidence for Audit.-*

The following items in the accounts could not be satisfactorily vouched or accepted in audit in the absence of evidence relating to those items.

- (i) Absence of schedules, age analyses and subsidiary records for rewards valued at Rs. 69,272,239, two voted expenditure services advance accounts aggregating Rs. 2,437,413, creditor balance of Rs. 935,419 of the External Examinations Division, five balances of Accounts Receivable from other Universities aggregating Rs. 884,801, four debtor balances aggregating Rs. 768,548, research advance balance of Rs. 3,746,820, Advance Accounts of Funds aggregating Rs. 3,481,231 staff loans amounting to Rs. 100,869,918 and contract security deposits amounting to Rs. 1,003,525.
- (ii) Attendance registers and leave registers in respect of lecturers in support of payment of Rs. 191,935,544 on account of salaries and wages of lecturers.
- (iii) Non-maintenance of updated subsidiary records in support of tender deposits aggregating Rs. 3,150,694 and the value of electricity bills receivable aggregating Rs. 2,129,541 shown in the accounts.

*2 : 2 : 8 Non-compliance with Laws, Rules, Regulations and Management Decisions.-*

Instances of non-compliance with provisions of the following laws, rules, regulations and management decisions observed in audit were pointed out to the University from time to time.

- (a) Section 11 of the Finance Act No. 38 of 1971.
- (b) Section 72 of the Universities Act No. 16 of 1978.
- (c) Sections 93, 94, 103 : 2, 104 and 149 : 1 of the Public Finance Circular No. 352 of 25th September, 1997.
- (d) Establishments Code of the Democratic Socialist Republic of Sri Lanka -
  - (i) Section 10 of Chapter XV ;
  - (ii) Section 3 : 7 of Chapter XXIV.
- (e) Central Provincial Council Finance Ordinance No. 17 of 1990 and Central Provincial Revenue Commissioners Circular No. CP/TT/FS/09 of 17th July, 2001.
- (f) Public Finance Circular No. PF/PE/14 of 15th March, 2001.

(g) Establishments Code for the University Grants Commission and Higher Education Institutions.

- (i) Section 7 : 1 and 7 : 8 of Chapter V ;
- (ii) Sections 4 : 1, 5 : 3 and 6 : 5 of Chapter VII.
- (iii) Sections 1 : 9, 10 : 1, 20 : 6, 27 : 3, 33, 84 and 50 : 1 of Chapter X.
- (iv) Sections 2 : 1, 3 : 1, 3 : 5 and 3 : 6 of Chapter XX.
- (v) Sections 2 : 1, 5 : 1 and 5 : 2 of Chapter XXVI.
- (vi) Sections 5 : 1 : 1, 8 and 9 : 1 of Chapter XXVII.

(h) Section 4 : 7 : 12 (b) of University Housing Management Committee Decision No. C/02/06/307/102.

2 : 2 : 9 Transactions not supported by Adequate Authority.-

Following matters were observed.

- (a) Payments amounting to Rs. 71,833,057 and Rs. 14,366,611 had been made from 1998 to December, 2003 as contributions to the Employees' Provident Fund and Employees' Trust Fund respectively, after computation of academic and compensatory allowances based on a circular issued by the University Grants Commission contrary to the Employees' Provident Fund Act.
- (b) Payments aggregating Rs. 17,409,283 had been made from 1994 to 2003 on account of Language Proficiency allowances, Long service allowances, medical insurance contributions and course fees computed on the basis of a circular issued by the University Grants Commission contrary to Circular No. 95 of 14th June, 1994 of the Department of Public Enterprises.

### 3. Financial and Operating Review

#### 3 : 1 Financial Results.-

(a) According to the accounts presented, the operations of the University for the year ended 31st December, 2003 had resulted in a deficit of Rs. 1,310,511,087 before accounting for of the grant of Rs. 942,462,339 received from the Government for recurrent expenditure as compared with the deficit of Rs. 1,166,544,713 for the preceding year before taking into account the grant of Rs. 944,640,710 from the Government for recurrent expenditure. The deficit for the year under review after taking into account the Government grants for recurrent expenditure amounted to Rs. 368,048,748 as compared with the deficit of Rs. 221,904,003 for the preceding year. A net deterioration of Rs. 146,144,745 was accordingly indicated in the financial result for the year under review.

(b) Adjustments in the ensuing year to the financial result in respect of each year disclosed in the financial statements furnished to audit on account of various accounting errors, omissions, etc. observed in subsequent years had been a regular feature of the University. Such adjustments made in the year under review and three preceding years are given below.

<i>Year in</i>	<i>Financial Result according to accounts surplus (Deficit) Rs.</i>	<i>Net adjustments made the subsequent year Rs.</i>
1999	(367,891,666)	(3,948,915)
2000	(433,718,943)	(184,280,274)
2001	(511,410,067)	(19,475,385)
2002	(221,904,003)	(85,824,647)

In this context, the possibility of such adjustments to the financial result for the year under review in subsequent years cannot be ruled out. Therefore, no reliance can be placed on the financial results and the financial position disclosed in the accounts.

3 : 2 Performance.-

The following matters were observed.

- (a) According to information relating to 03 academic years furnished to audit, the number of students who sat for the examinations under the respective departments of the Engineering Faculty and the number of successful students and the number of unsuccessful students as a percentage of the number who sat are given below.

<i>Department</i>	<i>Academic year</i>	<i>No. who sat</i>	<i>No. successful</i>	<i>Number successful as a percentage of No. who sat</i>	<i>Number unsuccessful as a percentage of No. who sat</i>
Mechanical Engineering Department	January 2001	83	19	28.1%	71.9%
	November 2001	82	24	29.2%	70.8%
	November 2002	67	08	11.9%	88.1%
Manufacturing Engineering Department	January 2001	80	30	37.5%	62.5%
	November 2001	85	33	38.8%	61.2%
	November 2002	90	49	54.4%	45.6%
Chemistry Engineering Department	January 2001	29	06	20.4%	79.6%
	November 2001	26	04	15.3%	84.7%
	November 2002	27	07	25.9%	74.1%
Civil Engineering Department	January 2001	559	265	47.4%	52.6%
	November 2001	530	275	51.8%	48.2%
	November 2002	486	262	53.9%	46.1%

According to the above information, it was observed that a considerable number out of the students who sat for the examinations had been unsuccessful and that the decrease of the students who had been successful, specially of the Mechanical Engineering Department was significant.

- (b) Particulars relating to 2003 of the approved cadre, staff recruited and the number of lecturers who were on study leave left and engaged on academic activities under the respective departments of the Engineering Faculty are given below.

<i>Department and Post</i>	<i>Approved Cadre</i>	<i>No. recruited already</i>	<i>Excess/ (Shortage)</i>	<i>No. released on study leave</i>	<i>No. presently in service</i>
<i>Mechanical Engineering Department</i>					
Lecturers	19	08	(11)	04	04
Research Assistants	02	01	(01)	—	01
Engineer (Teacher Extension)	07	04	(03)	—	04



<i>Department and Post</i>	<i>Approved Cadre</i>	<i>No. recruited already</i>	<i>Excess/ (Shortage)</i>	<i>No. released on study leave</i>	<i>No. presently in service</i>
<i>Manufacturing Engineering Department</i>					
Professors/Lecturers	11	08	(03)	07	01
<i>Maths Engineering Department</i>					
Professors / Lecturers	12	09	(03)	05	04
Teaching Assistants	07	07	—	02	05
Temporary Instructors	03	16	13	—	—
<i>Chemistry Engineering Department</i>					
Professors/ Lecturers	08	08	—	05	03
Teaching Assistants	03	02	(01)	01	01

Only 12 lecturers, out of a staff consisting of 50 lecturers had engaged on academic activities in the Engineering Faculty due to vacancies in the posts of lecturer and the release on study leave of a more number of lecturers recruited. Therefore, most of the academic activities of the Faculty had been performed by temporary lecturers, assistant lecturers and instructors and the possibility of this state of affairs adversely affecting the results of the students cannot be ruled out in audit.

### 3 : 3 Vehicle Utilization.—

The University had a fleet of 106 motor vehicles comprising 42 petrol vehicles and 64 diesel vehicles during the year under review and the preceding year. Particulars relating to these vehicles such as the number of kilometers performed, quantity of fuel consumed, expenditure on fuel and repairs, salaries and allowances of drivers etc., in respect of the period from 1993 up to the year under review had not been made available for audit. In the circumstances, it was not possible to make any comment in audit in regard to their performance.

### 3 : 4 Idle and Under-utilized Assets.—

The following observations are made.

- (a) It was observed that 12 unusable motor vehicles had been lying open to elements and deterioration at various places inside the premises of the University of Peradeniya.
- (b) No observations could be made with regard to the idle, under-utilized, and unusable assets as the fixed assets had not been physically verified during the year under review.

### 3 : 5 Identified Losses.—

The following matters were observed.

- (a) The University had sustained a loss of Rs. 893,118 as a result of failure to renew, before the date of expiry, the bank guarantee obtained for the payment of the mobilization advance relating to the contract for the construction of the Physical Science Laboratory building of the Science Faculty.
- (b) A mobilization advance of Rs. 699,280 had been paid on 29th June, 1998 in respect of the contract for internal decorations of the library auditorium of the Agriculture Science Faculty. The contractor had abandoned the work without commencement and the advance had become irrecoverable.

- (c) Estimates relating to 09 items had been revised without formal approval so as to result in differences ranging from 116% to 1364% in contravention of the plans and bills of quantities approved for the construction of the Canteen of the Arts Faculty and the construction works carried out. An additional payment of Rs. 1,225,281 had to be made consequent to the revision of those items.
- (d) 104 steel book racks valued at Rs. 1,258,400 received by the library of the Engineering Faculty under the Asian Development Bank Project could not be used due to their low quality and therefore kept in stores.
- (e) As a result of non-recovery of rent from 01st January, 2003 in accordance with Governing Council decisions, rent in respect of 143 houses amounting to Rs. 1,258,950 had not been recovered.
- (f) Although the University had paid a sum of Rs. 423,493 in 02 instances on account of bank guarantees, insurance, establishment and customs charges for foreign purchases relating to the Engineering and Science Faculties, those goods had not been cleared thus resulting in a loss to the University by a similar amount.
- (g) An overpayment of Rs. 44,258 had been made on account of Divisional Heads Allowance as a result of failure to furnish the returns of changes to the Pay Section in respect of 03 departments of the Arts, Medical and Engineering Faculties.
- (h) An overpayment of Rs. 32,977 had been made due to errors in conversion of salaries of 03 officers of the non-academic staff.
- (i) Payments had been made at rates in excess of those in the agreement for the construction of the Institute of Information Technology. As a result a payment of Rs. 409,600 had been made over and above the agreement.

3 : 6 *Contract Administration.*—

The following matters were observed.

- (a) Action had not been taken to recover liquidated damages amounting to Rs. 3,961,707 in terms of clause 52 of the contract agreements in respect of 04 works.
- (b) Quotations had been invited for the supply of 225 chairs on an estimate for Rs. 11,250,000 without preparing the specifications of the chairs required for competitive quotations. This was observed as a purchase made without regard to the tender procedure.
- (c) A sum of Rs. 777,158 had been paid for the supply and fixing of a rust free hand-rail (GI Hand-rail) to cover the lobby and the hand-rail of the Information Technology building together with a payment of Rs. 950,575 for the supply and fixing of fibre ceilings. The technical officer had reported that the materials used for the ceiling was of sub-standard and that it was not possible to be satisfied in regard to the quality and the life period of the ceiling work. As the construction and consultancy had been entrusted to the same firm, the reliability of the consultancy is open to question.
- (d) Although the engineer had recommended 9" x 4" x 2" bricks for maintenance works of the University, the Tender Board had decided to purchase 8" x 3" x 2" bricks. The contractor had, however, supplied 6" x 3" x 2" bricks. It was observed that the use of under sized bricks had damaged the quality of the constructions and had to incur an additional expenditure.



3 : 7 *Operating Deficiencies.*—

The following matters were observed.

- (a) The following deficiencies were observed at the test check relating to the settlement of research advances amounting to Rs. 385,812 by 10 officers.
  - (i) It could not be satisfied in audit in regard to 38 bills for Rs. 58,071 due to differences in numbers and dates in bills and other unacceptable reasons in the bills.
  - (ii) A sum of Rs. 62,325 out of the advance of Rs. 100,000 drawn by a certain officer, had been paid on account of labour expenses of which receipts for Rs. 27,750 could not be accepted in audit.
- (b) Although the University Senate Research Committee had decided on 19th March, 2003 that research advances over 21 days should be recovered from the salaries of the officers, action had not been taken to recover advances amounting to Rs. 14,950 granted to 03 officers in the years 1990 to 1999.
- (c) Steps had not been taken to recover research advances amounting to Rs. 249,810 granted to 13 lecturers and 02 outside persons due to reasons such as resignation from service, release on no-pay leave, vacation of post and proceeding abroad.
- (d) A permanent lecturer and a temporary lecturer had been allowed to borrowed from the University library 15 books and 05 books respectively and retained for a period of 03 months. The following matters were observed at a test check in regard to books not returned on the due date.

<i>Department/Faculty</i>	<i>No. of</i>	<i>No. of books not returned</i>	
	<i>Lecturers</i>	<i>1 - 12 years</i>	<i>Over 12 years</i>
Main Library	04	491	62
Agriculture Faculty	95	466	111
Engineering Faculty	07	25	11
Science Faculty (Geological Dept.)	26	75	—
Veterinary Faculty	22	60	08

- (i) Two lecturers of the Engineering Faculty had been issued 59 books in excess of limit of books that can be issued at a time.
- (ii) Action had not been taken to recover the borrowed books from the lecturers going abroad, resigning from the service and leaving the country on foreign scholarships.
- (iii) Books of the Reference Section which could be borrowed for only one day had not been returned in certain instances for 1 to 3 years.
- (e) Despite the availability of an Engineering Research and Designs Division for the proper operation of activities in research and supplying services, it was observed that certain departments had undertaken 143 such works direct without the approval of its Director and the Vice Chancellor.

- (f) Thirty balances amounting to Rs. 1,385,750 included in the balance of other research grants shown in the accounts were outstanding from 1999 to 2003 and these research project were not in operation due to reasons such as retirement of officers of the research laboratory, resignation from service and the expiry of contract period.
- (g) Action had not been taken to obtain legal rights to lands at Polgolla, Dodangolla and Mahailuppalama which are being used by the University over a long period.
- (i) Although the time tables provided to the lecturers employed in the Faculties of Arts, Science and Engineering were called for in audit from the Vice-Chancellor, such information had been received only from 09 departments of the Arts Faculty as at date of issue of the audit query on 19th September, 2003. According to this information, 100 lecturers and 40 temporary lecturers had delivered lectures for 1307 hours and 540 hours respectively during a week. However, attendance registers had not been maintained in respect of permanent lecturers. As such, it was not possible to determine the number of hours of lectures delivered.

3 : 8 Students' Cost.-

Expenditure incurred on academic activities and the average expenditure incurred per student during the year under review as compared with the two preceding years are given below.

Faculty	No. of Students			Direct Education Expenditure			Average Expenditure per Student		
	2001	2002	2003	2001 Rs.	2002 Rs.	2003 Rs.	2001 Rs.	2002 Rs.	2003 Rs.
Arts Faculty	2,630	2,337	3,102	125,735,471	130,720,728	133,640,688	47,808	65,935	43,082
Engineering Faculty	1,413	1,365	1,559	98,275,776	104,995,764	106,590,375	69,551	77,488	68,371
Agriculture Faculty	1,192	1,171	1,109	81,225,390	81,446,525	82,055,847	68,142	69,553	73,991
Medical Faculty	1,037	1,046	1,234	97,765,564	89,991,213	97,122,213	94,277	86,034	78,705
Veterinary Medical Faculty	351	471	533	34,259,664	33,570,490	24,723,910	97,606	71,275	65,148
Science Faculty	1,120	1,324	1,614	83,587,690	83,757,320	88,078,061	74,632	63,261	54,571
Dental Medical Faculty	425	430	484	67,270,307	54,090,789	55,761,035	158,283	125,792	115,209

3 : 9 Creation of a Fund for payment of Gratuity.-

Although a sum of Rs. 283,567,582 had been shown in the accounts on account of gratuity payable as at 31st December, 2003, the University had not built up a Fund to meet such liabilities that may arise in the future.

4. Systems and Controls.-

Deficiencies observed 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) Fixed Assets
- (b) Debtors and Creditors
- (c) Cash and Bank
- (d) Purchases
- (e) Contract Administration
- (f) Repair and Maintenance of Quarters
- (g) Library Activities
- (h) Advances
- (i) Budget

S. C. MAYADUNNE,  
Auditor General.

**STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2003**

Description	Note No.	Sch.	Page No.	General Fund		Eastern & Jaffna Unit for Displ. Students Rs.	Total 2003 Rs.	Total 2002 Rs.
				University Rs.	Ext.Exam.Unit Rs.			
<b>ASSETS</b>								
<b><u>Non-Current Assets</u></b>								
Property, plant and equipment	01	H	12-14	3,777,866,437.95	3,027,396.73	2,00	3,780,893,836.68	3,628,893,575.68
Work-in-Progress	02	A	15	246,885,831.30			246,885,831.30	183,148,710.23
Restricted Fund Investment-1	03	I	16-20	61,405,669.34			61,405,669.34	57,317,928.87
Restricted Fund Investment-2	04	J	21-26	147,330,496.18			147,330,496.18	130,332,065.58
				<b>4,233,488,434.77</b>	<b>3,027,396.73</b>	<b>2.00</b>	<b>4,236,515,833.50</b>	<b>3,999,692,280.36</b>
<b><u>Current Assets</u></b>								
Stocks	05	K	27	26,425,634.50	1,194,884.15		27,620,518.65	22,212,038.40
Goods in Transit-80-01-02-40	06	K-1	28-34	20,110,098.30			20,110,098.30	2,570,428.91
Receiveable University Staff defaulted agreements and violation of bonds 12-01-62-00	07	K-2	35-37	64,660,682.91			64,660,682.91	63,841,132.77
Monies due from other University and Institutions	08	Q	38	884,801.79	58,120,908.68	3,819,554.49	13,679,356.28	13,695,373.39 *
Sundry Debtors-Miscellaneous	09	L	39	12,076,771.45			12,076,771.45	17,840,057.77
Supplies & Services Advance	10	P	40	9,085,905.04			9,085,905.04	7,064,120.45
Loans & Advance to student	11	N	41	279,545.00			279,545.00	346,902.97
Loans & Advance to staff	12	M	42	101,230,211.05	2,573,832.00	28,141.90	103,832,184.95	110,061,168.06
Miscellaneous Advance	13	O	43	10,291,666.08	142,428.80		10,434,094.88	10,722,894.36
Pre-Payments	14	R	44	749,334.74			749,334.74	1,136,097.99
Cash at Bank - balance in cashbook	15	S	45	51,989,774.47	2,472,942.07	7,606.35	54,470,322.89	49,154,435.39
				<b>297,784,425.33</b>	<b>64,504,995.70</b>	<b>3,855,302.74</b>	<b>316,998,815.09</b>	<b>298,644,650.46</b>
<b>Total Assets</b>				<b>4,531,272,860.10</b>	<b>67,532,392.43</b>	<b>3,855,304.74</b>	<b>4,553,514,648.59</b>	<b>4,298,336,930.82</b>
<b>LIABILITIES</b>								
<b><u>Current Liabilities</u></b>								
Deposits	16	U	46	6,004,878.38	4,903.16		6,009,781.54	5,252,532.28
Monies due to other Universities and Institutions	17	W	47	28,336,415.13		903,982.84	902,945.84	903,982.84 *
Sundry Creditors	18	T	48	31,975,176.61	190,313.06	45,990.52	11,403,023.64	11,314,058.20
Expense Creditors	19	V	49	12,425,751.32	741,736.91		13,167,488.23	28,116,602.21
<b>Total Laibilities</b>				<b>78,742,221.44</b>	<b>936,953.13</b>	<b>949,973.36</b>	<b>31,483,239.25</b>	<b>45,587,175.53</b>
<b>Total Net Assets</b>				<b>4,452,530,638.66</b>	<b>66,595,439.30</b>	<b>2,905,331.38</b>	<b>4,522,031,409.34</b>	<b>4,252,749,755.29</b>

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2003

Description	Note No.	Sch.	Page No.	General Fund		Eastern & Jaffna Unit for Displ. Students Rs.	Total 2003 Rs.	Total 2002 Rs.
				University Rs.	Ext.Exam.Unit Rs.			
<b>NET ASSETS/EQUITY</b>								
1. Capital								
1. Capital-Spent Capital Grant				1,591,263,276.08	396,934.50	1,097,232.67	1,592,757,443.25	1,521,339,989.96
2. Capital-Spent Capital Grant								151,330,833.76
Work in Progress	20-01	A	50	195,293,809.43			195,293,809.43	
3. Unspent Capital								
Grant-Building	20-01	A	50	602,090.76		536,342.33	1,138,433.09	8,101,408.76
4a. Specific Reserves :								
Unspent Capital Grant- Equipment Furniture, library books & Periodicals	20-02	B	51	6,721,636.36			6,721,636.36	5,475,396.84
4b. Rehabilitation :								
1. Rehabilitation Spent Grant	20-01	A	50	51,592,021.87			51,592,021.87	31,817,876.47
Capital Nature work in pro.								
2. Rehabilitation Unspent Grant	20-03	B1	52	12,378,303.72			12,378,303.72	3,422,481.09
2. Donation - Buildings				1,225,101,020.00			1,225,101,020.00	1,179,101,020.00
Donations (Assets)				967,529,984.82			967,529,984.82	944,257,745.06
Foreign Aid				500,745,951.84			500,745,951.84	500,745,951.84
<b>RESERVES</b>								
1. Fixed Assets Revaluation Reserve				2,440,915,018.34	4,542,658.83		2,445,457,677.17	2,023,599,664.87
2. General Reserve of the Institution				(3,156,843,288.73)	57,101,885.97	1,229,356.38	(3,098,512,046.38)	(2,732,186,884.30)
3. Retirement Gratuity	21			283,567,582.30			283,567,582.30	318,753,601.85
<b>3. RESTRICTED FUNDS:</b>								
1. (a) Endowment Fund	22:01	C	53-59	63,304,228.80			63,304,228.80	60,063,315.92
(b) Student Bursaries Fund						42,400.00	42,400.00	42,400.00
2. Special Grants	22:02	D	60	1,675,846.08			1,675,846.08	1,727,730.66
3. Research Grants	22:03	E	61-66	68,196,093.47			68,196,093.47	64,572,021.01
4. Cash Donation				60,038.09			60,038.09	60,038.09
5. Other Funds	22:04	G	67-71	200,427,025.43	4,553,960.00		204,980,985.43	170,525,163.41
				<b>4,452,530,638.66</b>	<b>66,595,439.30</b>	<b>2,905,331.38</b>	<b>4,522,031,409.34</b>	<b>4,252,749,755.29</b>

The notes annexed form an intergral part of these Financial Statements.

Certified Correct,

Prof. K. G. A. GUNASEKARA,  
Vice-Chancellor.

W. H. SUMANASIRI,  
Registrar.

JAYASENA PAYAGALA,  
Bursar.

28th February, 2004.

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31ST DECEMBER, 2003**

	Notes	2003			Eastern & Jaffna Unit for displ. Students SL Rs.	2003	2002
		General Fund				Total	Total
		University		Ext. Exam. Unit		SL Rs.	SL Rs.
		SL Rs.	SL Rs.	SL Rs.			
<b>Operating Revenue</b> <u>Recurrent Grant</u> (a) Government Grant Recurrent  <u>Other Income</u> (b) Funds from withdrawal of Fixed Deposits (c) Government Grant-Student Bursary (d) Government Grant for Mahapola  Rehabilitation Grant for Maintenance Interest from Investment Interest from Staff Loans Rent from Properties Sale of old Stores Sale of Produce Reimbursements Miscellaneous Receipts (1) Registration fees (Undergraduate) Registration fees (Postgraduate) Tuition Fees (under Graduate) Tuitioin Fees (Post Graduate) Examination Fees (Undergraduate) Examination Fees (Postgraduate) Sale of Publication Library Fine Medical Fees Proceeds from Ancillary Activities		876,256,600.00   - 10,522,500.00 19,798,400.00      8,162,771.14 4,902,596.56 4,353,100.24 139,222.72 70,484.37 1,700.80 7,640,115.93 1,501,145.00  57,896.50  382,340.00  283,442.00 378,852.93 262,620.00 6,174,644.92	       906,577,500.00  35,884,839.16  <				

**CASH FLOW FOR THE YEAR ENDED 31ST DECEMBER, 2003**

	2003 SL Rs.	2002 SL Rs.
<b>1. Cash Flow from operating activities:</b>		
<b>Surplus/Deficit from ordinary Activities</b>	<b>(367,208,748.00)</b>	<b>(221,904,003.00)</b>
<b>Non Cash movements:</b>		
Depreciation, Gratuity and other adjustments	349,619,513.00	299,008,131.00
Interest Income	(8,228,181.00)	(15,574,727.00)
Operating Surplus / (Deficit) before working capital changes	(25,817,416.00)	61,529,401.00
Working Capital Changes:		
(Increase)/Decrease Stock	(5,408,480.00)	(6,128,527.00)
(Increase)/Decrease Goods in transit	(17,539,670.00)	5,431,389.00
(Increase)/Decrease Receivable from violation of bonds etc.	(819,550.00)	(8,163,748.00)
(Increase)/Decrease Money due from other Universities	16,017.00	1,240,506.00
(Increase)/Decrease Sundry Debtors	5,763,280.00	11,643,529.00
(Increase)/Decrease Supplies and Advances	(2,021,789.00)	6,844,042.00
(Increase)/Decrease Loans and Advances to Student	67,357.00	1,897.00
(Increase)/Decrease Loans and Advances to Staff	6,228,984.00	5,021,588.00
(Increase)/Decrease Miscellaneous Advance	288,800.00	5,017,364.00
(Increase)/Decrease Prepayments Advances and Deposits	386,763.00	(1,136,098.00)
(Increase)/Decrease Refundable Deposits	757,249.00	(2,281,434.00)
(Increase)/Decrease Sundry Creditors	88,965.00	(1,352,819.00)
(Increase)/Decrease Money due to other Universities	(1,037.00)	(4,565,634.00)
(Increase)/Decrease Expens Creditors	(14,949,114.00)	(32,876,546.00)
Net Cash flows from Operating activities	(52,959,641.00)	40,224,909.00
<b>2. Cash flow from Investing activities:</b>		
Addition to Fixed Assets and Work-in-Progress	(145,362,432.72)	(105,567,857.00)
Proceeds from disposed of Fixed Assets	2,200,000.00	-
Restricted Fund Investment I	(4,087,741.00)	(7,461,599.00)
Restricted Fund Investment II	(16,998,431.00)	25,452,004.00
Interest Income	8,228,181.00	17,231,729.00
Self Financing Project	(249,935,240.02)	(137,687,834.00)
Net Cash Flow used in investing Activities	(405,955,663.74)	(208,033,557.00)
<b>3. Cash Flow from Financing Activities:</b>		
Government Grant for-		
Equipment, Books and Periodicals	52,100,000.00	15,000,000.00
Building Programme	28,000,000.00	10,000,000.00
Rehabilitation Capital Nature	26,118,893.52	-
Information Technology Centre	24,000,000.00	22,000,000.00
Special Grant for Mahailuppallama, Ministry of Agriculture	1,000,000.00	-
Special Grant for GELT Programme	-	618,000.00
Material Donations (Teaching & Lab Equipment)	69,995,764.00	-
Self Financing Project	263,016,534.22	145,827,115.00
Net Cash Flows from Financing Activities	464,231,191.74	193,445,115.00
<b>Net increase in Cash &amp; Cash equivalents</b>	<b>5,315,887.00</b>	<b>25,636,467.00</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>49,154,435.00</b>	<b>23,517,968.00</b>
<b>Cash and Cash equivalents at the end of the year</b>	<b>54,470,322.00</b>	<b>49,154,435.00</b>



**APPROPRIATION ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2003**

Description	2003			2003 Total	2002 Total
	General Fund		Eastern & Jaffna Unit for displ. Students SL Rs.		
	University	Ext. Exam. Unit			
	SL Rs.	SL Rs.			
Excess of Income over Expenditure	(369,563,219.14)	2,354,470.22		(367,208,748.92)	(221,904,003.01)
Balance brought forward from previous year	(2,736,641,442.40)	55,918,447.51	2,326,587.05	(2,678,396,407.84)	(2,367,202,164.84)
Add : Gratuity over provision in previous year	35,186,019.55			35,186,019.55	
Add: Income in respect of past years and other adjustments	759,287.28			759,287.28	5,164,417.00
	(3,070,259,354.71)	58,272,917.73	2,326,587.05	(3,009,659,849.93)	(2,583,941,750.85)
Less : Provision for previous year retirement gratuity					(123,605,331.35)
: Payment in respect of past years and other adjustment	(86,583,934.02)	(1,171,031.76)	(1,097,230.67)	(88,852,196.45)	(24,639,802.10)
Balance carried down to the balance sheet	(3,156,843,288.73)	57,101,885.97	1,229,356.38	(3,098,512,046.38)	(2,732,186,884.30)

Prof. K. G. A. GUNASEKARA,  
Vice-Chancellor.

W. H. SUMANASIRI,  
Registrar.

JAYASENA PAYAGALA,  
Bursar.

28th February, 2004.

*Auditor General's Opinion :*

Audit of accounts of the University of Peradeniya for the year ended 31st December, 2003 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 Section 108(1) of the Universities Act, No. 16 of 1978 and Section 13 of the Finance Act, No. 38 of 1971.

In view of the comments and observations appearing in my report of even date addressed to the Vice Chancellor of the University of an unable to express an opinion on the accounts presented for audit.

S. C. Maydeune,  
Auditor General.

27th July, 2004,  
Auditor General's Department,  
Colombo 07.

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