

**1.1 Qualified Opinion**

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The audit of financial statements of Wayamba University of Sri Lanka for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and relevant notes to the financial statements, including the summary of significant accounting policies, was carried out under my direction in pursuance of Provisions Article 154 (1) of Constitution of Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No 19 of 2018. My comments and observations which I consider should be presented in the Parliament appear in this Report.

In my opinion except for the effects of the matters described in paragraph 1.5 of this report, the financial statements give a true and fair view of the Financial position of the Wayamba University of, Sri Lanka as at 31 December 2019, and of its Financial performance and its cash flow for the year ended in accordance with Sri Lanka Public Sector Accounting Standards.

**1.2 Basis for Qualified Opinion**

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My opinion is qualified on the matters described in Paragraph 1.5 of this Report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my Report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

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

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Management is responsible for the preparation of Financial Statements that gives a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as the management determine is necessary to enable the preparation of Financial Statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University's financial reporting process.

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the University is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the University.

#### **1.4 Scope of Audit ( Responsibility of Auditor on audit of Financial Statements)**

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My objective is to provide a fair assurance on the financial statements that they are free from material misstatements whether due to fraud or error as a whole and to issue the Auditor's Report comprising my opinion. Although fair assurance is a high quality assurance, it does not confirm that it would always expose quantitative misstatements when auditing is implemented in accordance with Sri Lanka Audit Standards. It is expected that individual or collective impact of fraud or error may result in material misstatements and it may have an effect on the decisions taken by the users based on these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. However, future events or conditions may cause the University to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the University, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the University has complied with applicable written law, or other general or special directions issued by the governing body of the Institute
- Whether the University has performed according to its powers, functions and duties; and
- Whether the resources of the University had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## **1.5 Financial Statements**

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### **1.5.1 Internal Control on preparation of Financial Statements**

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Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Issues with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under this heading.

### **1.5.2 Non compliance with Sri Lanka Public Sector Accounting Standards**

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<b>Non-compliance with reference to related standard</b>	<b>Comments of Management</b>	<b>Recommendation</b>
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As the useful life of non-current assets had not been assessed annually in terms of Paragraph 65 of Sri Lanka Public Sector Accounting Standards No. 07, assets worth Rs.199,494,369 were further in use despite being fully depreciated. Nevertheless, action had not been taken to revise the estimated error in accordance with Sri Lanka Public Sector Accounting Standards No. 03.	The Department of Valuation carried out the revaluation of fixed assets of the University and steps will be taken to include it in the 2020 Accounting Statement following the receipt of the Revaluation Report.	Action should be taken to review useful life of the assets annually in accordance with Sri Lanka Public Sector Accounting Standards.

### 1.5.3 Accounting Deficiencies

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<b>Audit Observations</b>	<b>Comments of Management</b>	<b>Recommendation</b>
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(a) An electricity income of Rs. 4,145,363 that remained recoverable from the contractors by the end of the year under review had been omitted from the accounts.	A sum of Rs. 3,207,200 has been recovered by June 2020 and measures will be taken to recover the balance in the year 2020 through additional bill payment No. II.	The recoverable monies should be accounted for correctly.
(b) Even though the wire fence which had been constructed at a cost of Rs. 1,188,230 around the land where the Medical Faculty had been capitalized during the year under review, it had been destroyed by the end of the year. Nevertheless, no action had been taken to write off that value from the Accounts.	Since the final bill relevant to the contract had been referred to account for as a payable bills and named as a completed project, the relevant bill was brought to account as a payable contract bill and the relevant project was capitalized.	Action should be taken to write off the unusable assets from the accounts.
(c) Since the value of 05 construction contracts worth Rs.759,174,529 completed by the end of the year under review had been stated under the work-in-progress without being included in the building account, the value of the building had been understated by that amount in the accounts. Likely, depreciation of Rs. 71,489,616 from the date of use of the building had not been brought to account.	As the final bills in respect of 05 contracts have not been presented, it has been accounted for as work-in-progress.	Action should be taken to capitalize assets and make provision for depreciation thereon in accordance with the Accounting Standards.
(d) An overprovision of Rs. 4,957,735 had been made as accrued expenses for cleaning service, security service and personal labour service supplies for the year under review	The accrued expenses for the cleaning service were presented by taking into account the engineering estimate, the BOQ and the receipts submitted by the relevant institute. Due to violations of the terms of the service agreement and deficiencies in the service, a sum of Rs. Rs. 282,222 has been deducted when making payments for security services and in paying labor service bills, a sum of Rs. 302,149 less than the value	Expenditure payable should be accurately estimated and brought to account.

accounted for as the accrued expenses has been paid due to the decrease in the number of working days of the labourers attached under the personal labour service supplies and decrease in the number of overtime hours.

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| (e) | A sum of Rs. 329,259 payable in respect of the supply creditors pertaining to the year under review had been omitted from the accounts. | As details of the assets related to the 03 vouchers due on 31.12.2019 were received in the year 2020, it could not be accounted for in the year 2019. | Action should be taken to properly account for liabilities applicable to the year. |
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## 1.6 Accounts Receivable and Payable

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### 1.6.1 Receivables

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Audit Observations	Comments of Management	Recommendation
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(a) The salaries of Rs. 2,072,770 paid by the University during the years 2018 and 2019 to two lecturers attached to two external projects had not been reimbursed from the relevant projects even as at 12 May 2020.	Even though the relevant external project was informed in writing to reimburse the amount of Rs. 613,836 due from one officer to the University, it has not been reimbursed as yet. The University has withheld her salaries of Rs. 613,836 for the September and October, 2019 until the reimbursement of the above sum. A letter has been sent on 18.12.2019 to the Ministry in charge of the respective projects through the Vice Chancellor requesting to reimburse the amount of Rs. 1,458,934 due from another officer.	Action should be taken to reimburse the relevant balances from the projects.
(b) An overpayment of Rs.238,682 made as salaries and research allowances to three staff members of the University as at 31 December of the year under review had not been recovered even as at the date of audit (12 May 2020)	The amount due from an officer who has resigned the service is due to be recovered from the University Provident Fund while the amount due from another officer is to be charged from his salary in equal installments from January 2020. It has been informed via e-mail that the final installment	Action should be taken to recover the balances due from the officers concerned.

of Rs. 68,462 due from one officer will be settled after the alleviation of the current pandemic situation.

- (c) Expenditure of Rs.116,832 incurred by the University on the external courses had not been recovered to the University even as at the date of audit (06 May 2020). As the funds sufficient enough to meet the expenses of the relevant courses have not been earned by those courses, measures are being taken to recover that amount from the income of another external course of the Faculty. Action should be taken to recover the relevant balances.

### 1.7 Non compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules and Regulations	Non Compliance	Comments of Management	Recommendation
(a) Financial Regulations of Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulations 383	Steps had not been taken to identify the unidentified credit balances of Rs.831,700 relating to 02 bank accounts according to Bank Reconciliation Reports.	Actions will be taken to identify this unidentified balance.	Action should be taken to identify the unidentified credit balances and adjust in the accounts.
(ii) Financial Regulations 396 (C) and (d)	Action in terms of Financial Regulations had not been taken on 07 cheques worth Rs. 47,315 which had not been presented for payment despite lapse of 02 years from their issuance.	Action is being taken to settle this balance.	Action should be taken in accordance with Financial Regulations regarding these cheques.

(iii).Financial Regulation 770	Action in terms of Financial Regulations had not been taken with respect to 22 stock items worth Rs.961,792 that remained unissued over a long period.	Further action will be taken on the recommendations of the survey report.	Actions should be taking in terms of Financial Regulations regarding the stocks.
(b) Decision No 10 of Committee on Public Enterprises held on 28 . November, 2017.	The instructions given as per the decisions of the Committee to maintain the money earned from Self Financing Courses under a Common Fund had not been implemented.	It was decided at the 63 <sup>rd</sup> Audit Committee that it would be suitable to transfer the excess funds of the specifically completed courses to the Program Development Fund. Hence, the relevant funds have been transferred to the Program Development Fund.	Action should be taken as per the decision of the Committe on Public Enterprises.

## 2 Financial Review

### 2.1 Financial Results

- (a) According to Financial Statements presented, the poerations of the University for the year ended 31 December 2019 had resulted in a deficit of Rs. 205,502,778 as compared with the corresponding deficit of Rs. 159,337,064 for the preceding year. Increase in salaries and contractual service cost and provision for depreciations during the year under review had mainly attributed to the increase in the deficit.
- (b) Even though the deficit was on the increase/decrease from year 2016, deficit of review year under review gone up by 29 per cent compared to the preceding year. However, value addition of University had continuously increased.

### 2.2 Analytical Financial Review

At the end of the year under review, the current assets of the University amounted to Rs. 313,742,113 and the current liabilities were Rs.588,226,134. Accrdingly, the current ratio was 2: 1.87 and the standard ratio was 2: 1. Thus, the a current liability of 0.87 which exceeded the standard ratio was observed.

### 3 Operating Review

#### 3.1 Identified Losses

<b>Audit Observations</b>	<b>Comments of Management</b>	<b>Recommendation</b>
Due to delay in settling the electricity bills by the University of Wayamba pertaining to the month of September 2019, a sum of Rs.45,834 had been paid as interests.	An additional fee of Rs. 45,833 had to be paid due to delay in paying money relating to the electricity bills for the month August 2019 as a result of Administrative and non-academic staff strike. It is kindly informed that necessary steps will be taken to make such payments without delay in the future, even during course of trade union action.	Action should be taken to minimize additional expenses by making payments on time.

#### 3.2 Management Inefficiencies

<b>Audit Observations</b>	<b>Comments of Management</b>	<b>Recommendation</b>
(a) For 08 plots of paddy lands situated within 711 perches of land belong to the Pannala Divisional Secretariat area with an estimated value of Rs. 3,835,000, a sum of Rs. 1,013,750 had been deposited in the relevant Divisional Secretariat in the year 2013. Nevertheless, action had not been taken to vest the the relevant paddy lands expeditiously even up to the end of the year under review.	A request has been made through the Registrar of University to the Minister of Higher Education in order to obtain an Order under Sub-provision 38 (a) for conducting an investigation on expressing objections under Land Acquisition Act No. 4 (4) regarding vesting of 8 lots of lands and for expediting acquisition process.	Action should be taken to vest the relevant lands expeditiously.
(b) Out of Rs. 3,437,160 provided by United Nations Foods and Agriculture Organization to University for the project of “The assessment of water and sediment quality and associated sea urchin of the gulf of Mannar coastline” in years 2014 and 2016, a sum of Rs. 2,266,439	The first phase of this project has been completed and the relevant officer has been released from the University as an Instructor with immediate effect as per the letter of the Vice Chancellor dated 01.08.2019. Therefore, work on the second phase has been discontinued temporarily and it has	Action should be taken to implement the relevant project immediately and thereby utilize the funds received expeditiously.



remained underutilized for more than 3 years since 2017 without being used for the relevant project.

been informed that the project activities will be commenced from the year 2020.

(c) As the University had not maintained adequate information, the audit could not ascertain information on whether 08 lecturers of the Faculty of Business Studies and Finance who received research grants totalling Rs. 1,793,067 during the period from 2016 to 2019 had submitted research reports to the Research Committee at the end of the research period and obtained approval.

Arrangements will be made to inform them to submit their final research reports to the Faculty Research Committee. Action will be taken to inform all lecturers that, on completion of the research, the relevant research report should be submitted to the Faculty Research Committee and obtained approval thereon in the future.

Action should be taken to obtain relevant approvals for research reports.

(d) Contrary to Paragraph 03 (i) of the Higher Education Circular No. 1/2011 dated 20 April 2011, seven lecturers of the Faculty of Business Studies and Finance had been paid research allowances of Rs. 2,881,619 in the subsequent years in respect of the research reports that had lapsed several years from their publishing in the recognized publications on 12 occasions during the period from 2015 to 2019.

It is expected to make the necessary corrections once this matter is established before a Research Monitoring Committee.

Approval should be taken by appointing committees.

### 3.3 Operating Inefficiencies

<b>Audit Observations</b>	<b>Comments of Management</b>	<b>Recommendation</b>
(a) Although the External Degree and Applied Courses Unit of Wayamba University had been in operation since November 2018, self-financing courses of the University had not been absorbed under this Unit even by May 2020 and an adequate staff had not been attached to this Unit.	Steps are being taken to absorb those courses under the External Degree and Self Financing Course Unit of the University and an officer had been appointed on acting basis to that Unit.	Measures should be taken to place the relevant courses under the relevant units.

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| (b) | It had been possible to recruit only 19 per cent of the cadre approved for the Faculty of Medicine.  | Action will be taken to further recruit suitable persons for the relevant posts of Faculty of Medicine in the future.   | Action should be taken to fulfill the relevant vacancies expeditiously   |
| (c) | Out of the students enrolled in the Faculty of Technology in 2017/2018, six per cent had dropped out of studies.   | Even though the total number of students should be in the year 2017/2018 was 483, the number of registered students (available number of students) was 450. Accordingly, 33 students had not attended the academic activities. It has been informed that some students do not participate in academic activities due to the setback caused by not been qualified for the third year and some students do not so attend the studies due to involving in employments.   | Action should be taken to minimize the students' tendency to drop out of courses by conducting a study on the students who have dropped out of university. |
| (d) | Although the University had been ranked 8139 <sup>th</sup> and 08 <sup>th</sup> positions according to the world rankings and the Sri Lanka University ranking respectively, it had been ranked 8358 <sup>th</sup> and 08 <sup>th</sup> positions respectively during the year under review. Accordingly, the university had suffered a setback in the world rankings. | In ranking universities, particulars relating to the number of faculties in the university, the number of students, research conducted by the university, and research conferences are taken into account. Other factors have not been developed in keeping with the number of faculties of the university. It also contributes to decline in the raking. The University of Wayamba had drawn plans to hold several research conferences (National and International) in the year 2020 to upgrade its position, whereas under the prevailing situation in the country this year, it has not been possible to conduct those conferences as scheduled. Further, whilst constantly updating the web page of the university, the Wayamba University is striving to increase its position in the world rankings. | Action should be taken to do away with weakness in order to achieve higher position in ranking.  |
| (e) | Action had not been taken to recover Rs. 50,781,258 due from seven lecturers who had proceeded abroad for further studies and not returned within the prescribed time.   | Action is being taken to recover the money from the lecturers who have breached the bond agreements as stated in the query.   | Action should be taken to recover the relevant bonds expeditiously.  |

### 3.4 Underutilization of Funds

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<b>Audit Observations</b>	<b>Comments of Management</b>	<b>Recommendation</b>
Out of Capital Provisions made by the Treasury and the University Grant Commission in year under review and 03 preceding years, funds amounting to Rs.81,946,192 had not been utilized.	Since payments have been made for relevant bills at Rs. 41.8 million and 71.6 million in January and February, 2020 respectively, there is no underutilization of funds.	Action should be taken to expedite the effective use of funds.

### 3.5 Idle or Underutilized Property, Plant and Equipment

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<b>Audit Observations</b>	<b>Comments of Management</b>	<b>Recommendation</b>
Even though a van with an estimated value of Rs. 500,000 had not been in operation since 2014, expenditure of Rs. 205,264 had been incurred on repairs during that period.	On completion of the repairs installing an air conditioner, it is to be handed over to create the mobile multimedia unit of the Information Technology Centre. It has been handed over to the Maintenance Division for its service requirement until repairs are carried out.	Steps should be taken to utilize the assets effectively.

### 3.6 Human Resource Management

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<b>Audit Observations</b>	<b>Comments of Management</b>	<b>Recommendation</b>
As compared with the approved cadre, there were 64 vacancies in academic staff and 60 vacancies in non-academic staff of the University at the end of the year under review, whereas action had not been taken to fill those vacancies.	Not commented.	Urgent action should be taken to fill the existing vacancies.
According to the current performance report submitted for the audit, the total staff vacancies were 13 per cent and the permanent	In order to fill the vacancies occur on various grounds, approval of the Department of Management Services of	Urgent action should be taken to fill the relevant vacancies.

academic staff vacancies and supporting staff vacancies were 16 per cent.

the General Treasury has to be obtained again in terms of Circular No. 974 of the University Grants Commission and it takes some time. The delay occur in preparing and sending the lists from the Ministry of Higher Education to fill the vacancies under Circular No. 876 will also affect the speediness of the process of filling the vacancies.

#### **4. Accountability and Good Governance**

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##### **4.1 Annual Action Plan**

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<b>Audit Observations</b>	<b>Comments of Management</b>	<b>Recommendation</b>
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As per the Action Plan prepared by the University for the year under review, the progress of 02 faculties had not been submitted even by the date of audit (18 May 2020) and it was observed in reviewing progress submitted by 03 faculties that the faculties had failed to achieve 21 objectives.	Action will be taken to get the progress of those two faculties and it is expected to incorporate the activities that failed to be carried out in the 2019 Action Plan in the Action Plan,2020 and implement in that year.	Relevant progress should be presented and action should be taken to achieve the objectives.