

1.1 Qualified Opinion

The audit of the financial statements of the University of Sri Jayawardenapura 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 notes to the financial statements, including a summary of significant accounting policies, 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 the provisions in section 108 and sub-section 107 (5) of the Universities Act No. 16 of 1978 and National Audit Act, No. 19 of 2018. My comments and observations which I consider should be reported to 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 University as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified based 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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, 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 intend 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 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 Auditors Responsibility for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. 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 University;
- 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

1.5.1 Internal Control over the preparation of financial statements.

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.

1.5.2 Non-Compliance to the Sri Lanka Public Sector Accounting Statements

Non-compliance with reference to the Particular Standard	Management Comment	Recommendation
Even though, In accordance with paragraph 76 (c) of the Sri Lanka Public Sector Accounting Standard 01, assets expected to be realize within 12 months after the date of reporting date should be classified as current assets, 42 short term deposits total amounting to Rs. 298,416,940 and total 9 savings accounts total amounting to Rs. 12,650,598 had been shown under non-current assets.	According to the Sri Lanka Public Sector Accounting Standards 02, Cash Flow Statements, cash includes cash in hand and demand deposits. Accordingly, the interest rate paid by the bank for the money invested in investment purposes by the university in fixed deposits, is also taken into account. Even though invested in short-term (03 months) fixed deposits, those are maintained as investments until the balance is utilized for the relevant purposes subject to renewal of those deposits. Therefore, these balances are shown as investments and not as cash equivalents.	Should be complied with Sri Lanka Public Sector Accounting Standards.

1.5.3 Accounting Policies

Audit Observation	Management Comment	Recommendation
Due to the annual renewal fee paid for a library database amounting to Rs. 3,142,905 was erroneously debited to the library book account, the value of the library books by that amount and the depreciation for the year by Rs. 70,608 were over stated.	Corrections will be made in 2020.	Should be act in accordance with the depreciation policy of the University.

1.5.4 Accounting Deficiencies

Audit Observation	Management Comment	Recommendation
Fixed assets Procured for 04 research projects total valued for Rs. 2,236,807 had not been capitalized.	Corrections will be made in 2020	All fixed assets procured for research projects should be capitalized

1.6 Accounts Payable and Receivable

1.6.1 Accounts Receivables

Audit Observation	Management Comment	Recommendation
(a) Due to the contractor had abandoned the works of repairing the chemical laboratory building and the new art gallery, the contract was terminated on 25 April 2012. However, out of the advance paid to the contractor amounted to Rs. 2,268,483 a sum of Rs. 1,764,013 receivable for the uncovered works had not been recovered even during the year under review.	Legal action had been taken.	Action should be taken to recover the dues immediately.

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| (b) | 42 lecturers who had gone abroad for postgraduate degrees had not reported for duty and due to breach of bond agreements a bond value of Rs. 113,714,235 had to be recovered as on 30 June 2020. | A sum of Rs. 24,964,784.54 had been recovered in the year 2019. | All bond balances should be recovered within a specified time frame and the terms of the agreements should be strengthened to prevent bond breaches in the future. |
| (c) | Out of the disaster loan balance due as on 31 December 2019, the balance for the period ranged from 2 to 3 years was Rs. 241,980 and balance ranged for the period of 3 years and above total was Rs. 1,145,505. | A sum of Rs. 217,680 had been recovered during the year 2020. A case is pending in the Labor Court for two and the remaining loan balance amount will be recovered in the payment of the provident fund. | A systematic plan should be formulated and implemented to recover the dues. |

1.6.2 Accounts Payable

----- Audit Observation -----	----- Management Comment -----	----- Recommendation -----
The total retention money since the year 2013 in respect of 92 contract works was Rs. 116,737,289 and action had not been settled or taken in to the income.	Some of the contracts in here have been completed and action will be taken to release the retention money in the termination of those contracts. Action will be taken get other in to the income	Should be complied with the Financial Regulations.

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

	Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a)	Establishments Code of the Democratic Socialist Republic of Sri Lanka As per Section 3.18 of the Chapter XXIV	Without recovering or making any satisfactory recovery arrangements of total distress loan balance amounting to RS. 366,648 from 03 officers, no pay leave had been granted.	The loan amount of one of the three mentioned in the audit query is being recovered from June 2019 and the other two have resigned from the University. Their balance will be recovered from the provident fund.	Provisions of the Establishments Code should be complied.
(b)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i)	Financial Regulation 371 (2), (5) and Public Finance Circular No. 03/2015 dated 14 July 2015.	(i)Even though the ad-hoc imprest taken by an officer should be settled soon after the intended work is completed or within 10 days, settlement of 84 advances total amounting to Rs. 4,232,885 were delayed ranged period	Settlement of Advances had been delayed due to the employees strike but those advances have already been settled. Also, some advances have been settled on time after completion of the relevant work.	Financial Regulations and circulars should be followed.

from 21 days to 164 days.

(ii) Even though Advances had Financial ad-hoc imprest been given with Regulations and can be given to a the permission of circulars should be a maximum limit the Vice followed of Rs. 100,000, Chancellor exceeding that limit, advances had been given to 07 officers ranged from Rs. 102,240 to Rs. 277,800 in 15 instances

(ii) Financial Regulation 396 Action had not been taken in terms of Financial Regulation with regards to the 161 cancelled cheques valued for Rs. 1,303,000 relevant to the period from 23 January 2014 to 29 May 2019. Action is being taken to get in to the income on the recommendation of the finance committee. Should be act in accordance with the Financial Regulations.

(c) Establishment Code of University Grants Commission and Higher Education

Section 3.1 of Chapter XX and Section 1.6.1 of Chapter 10 Records of attendance, departure and leave of academic staff had not been maintained and had not been complied with the instructions given at the Committee on Public Enterprises (COPE) to establish a mechanism to verify in and out and leave of academic staff. The University Grants Commission should advise on how to take a decision and act in this regard. Follow the recommendations of the Committee on Public Enterprises.

(d)	<p>University Grants Commission Circular No. 13/2015 dated 18 September 2015 and Public Administration Circular No. 1/2015 dated 25 May 2015.</p>	<p>In addition to the approved monthly fuel liter in terms of circular provisions, additional fuel liters 6,797 valued for Rs. 856,569 had been issued to the 06 Deans in the University during the year under review.</p>	<p>In terms of the circulars, the Governing Council had approved additional fuel as per the requirement. Also, as the vehicles belonging to the university are very old and, even though approval was sought to dispose and buy new vehicles, the approval has not granted.</p>	<p>Should be act in accordance with the circular provisions.</p>
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Procurement Guidelines of the Democratic Socialist Republic of Sri Lanka

(i)	<p>As per the Government Procurement Manual 2.8.4</p>	<p>Even though at least one member of the Technical Evaluation Committees for Departmental Procurement Committees, for contracts over Rs. 100 million, should be from the line ministry or outside from the procurement entity having knowledge of the relevant subject, but it was observed that all the three members of the Technical Evaluation Committee of the</p>	<p>The Technical Evaluation Committee has been duly appointed on the basis of the contract value.</p>	<p>Procurement guidelines should be followed.</p>
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contract for the expansion of the University Administration Building, which cost Rs. 41.5 million, were University officials.

- (ii) Section 8.13.3 and 8.13.4 of the Procurement Guidelines
- When the contingency provision is exceeded 10% from the estimated contract value, the contract variation order should be submitted for approval to the appropriate level of authority. But the appropriate approval had not been taken for the variation exceeded 25% valued for Rs. 10,557,915 in the contract of the expansion of the administrative building.
- As per the decisions taken at the progress review meetings, the Governing Body approval has been obtained for additional works and variable items that do not exceed the total value of the contract.
- Procurement guidelines should be followed.

1.8 Financial Management

----- Audit Observation -----	----- Management Comment -----	----- Recommendation -----
A sum of Rs. 3,763,349 had been fraudulent by a clerk in the Faculty of Humanities by changing the computerized information of external lecturer allowances and action had been taken to recover Rs. 3,355,624 in 03 installments without preceding any legal action. The	Her consent has been obtained to recover the balance from the University Provident Fund as per the recommendations of the formal inquiry. The amount receivable from her is shown in the financial statements as a balance	- Efforts should be made to prevent fraud and errors and to detect such practices, and to introduce, maintain and update an adequate and appropriate new accounting and internal control system.

remaining balance of Rs. 407,725 and the related financial costs have not yet been recovered and no action had been taken against the parties responsible for the authorization, recommendation and approval of the payment of external lecturer allowances. according to the accounting standards. The relevant clerk has paid Rs. 3,355,624 to the university.

2 Financial Review

2.1 Financial Result

The operations for the year under review had been a deficit of Rs. 871,320,870 as compared with the corresponding deficit of Rs. 159,969,855 for the preceding year, thus indicating an deterioration of Rs.711,351,015 in the financial result. Increase in the personal emoluments and gratuity expenditure had been the main reasons for the said deterioration.

3. Operational Review

3.1 Operational Inefficiencies

Audit Observation	Management Comment	Recommendation
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Even though the university should introduce new courses for new ideas, innovations and technological advancements and for the new job market, the University of Sri Jayewardenepura had introduced only 01 and 04 new courses in 2011/2012 and 2015/2016 academic years only in the last 10 years period.	New courses have been introduced according to the resources available at the University and the annual allocation.	In line with the increase in the annual financial allocation, new courses should be introduced targeting the new job market.

3.2 Under -utilization of Funds

Audit Observation	Management Comment	Recommendation
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Out of total sum of Rs. 32 million available in 101 Prize and Scholarship Funds, had been utilized only Rs. 5 million or about 15.6 less percentage for the intended purpose at the end	Scholarship and prize funds were established for a specific purpose or objective and will only be utilized if the relevant	Funds should be utilized for the relevant purposes.

of the year under review and a sum of Rs. 20,385,955 remained in 30 inactive funds had not been utilized for the relevant purpose. Also, as on 31 December of the year under review, a sum of Rs. 40,074,900 available in 36 research fund accounts had not been utilized for more than 04 years and total sum of Rs. 4,699,502 available in 08 research fund accounts and a total sum of Rs. 73,067,553 available in 15 special funds had not been utilized during the year under review.

objective and criteria are achieved

3.3 Delays in Projects or Capital Work

Audit Observation	Management Comment	Recommendation
<p>(a) In accordance with the decision taken by the Cabinet of Ministers on 29 June 1994 for the acquisition of 5 acres of land from the Meth Sevana land for the Medical Faculty, a total sum of Rs. 74 million had been paid to the Western Provincial Council such as a sum of Rs. Rs. 24 million in 03 occasions from 1998 to 2010 and a sum of Rs. 50 million in the year under review but the acquisition of the land was not done until end of the year under review.</p>	<p>So far, payments have been made for the acquired parts only. Meetings are held regularly to obtain the remaining parts of land and it is the intention of the University to obtain the same as soon as possible.</p>	<p>Acquisition works should be expedited.</p>
<p>(b) On the occasion of the 50th Anniversary of the University of Sri Jayewardenepura, approval of the Cabinet of Ministers was granted on 13 February</p>	<p>The reason for this delay is not due to lack of land but due to the not release of financial allocations by the relevant Ministries.</p>	<p>Arrangements should be made to complete the relevant tasks without delay.</p>

2014 to carry out a project worth Rs. 618 million under the Urban Development Project for the construction of an international level conference hall, gymnasium and sports complex with a swimming pool. Even though a sum of Rs. 5,794,676 had been spent on 22 June 2016 for consultancy fees and preparation of plans for the auditorium relevant to this project, the contracts had not been awarded till the date of the report by completion of the initial procurement work.

3.4 Procurement Management

----- Audit Observation -----	----- Management Comment -----	----- Recommendation -----
<p>As per the decision of the Cabinet of Ministers in March 2016, a VAT free cost estimate amounted to Rs. 49.14 million had been approved to expand the administrative building of the University and the entire construction work was to be completed within 10 months. Due to the removal of several items from the initial cost estimate and prepare a separate estimate, the estimate was increased to Rs. 150.4 million. Accordingly, the approved initial cost estimate for the project was increased by Rs. 91,619,877 or by 186 percent and the project could not be completed even by 30 June 2020.</p>	<p>Arrangements have been made to award the contract by slicing according to the allocations received by the University in each year.</p>	<p>Should be complied with the procurement guidelines.</p>

3.5 Human Resources Management

Audit Observation	Management Comment	Recommendation
As of end of the year under review, the university had 1236 approved academic cadre, 1173 non-academic cadre, and 142 administration and academic support service cadre and the actual cadre was 959, 1045, and 142 respectively. As such, there were 277 posts in academic staff, 128 posts in non-academic and 37 posts in academic support service cadre were remained vacant.	The faculties of Engineering and Technology are the newly created faculties and recruitments are in progress. Recruitment has been delayed due to non-availability of applications from the qualified lecturers in certain specialized subject areas. Administrative officers are appointed by the University Grants Commission not by the university.	Action should be taken to fill the vacancies.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Management Comment	Recommendation
The Annual Action Plan and related progress reports had not been submitted for audit.	No reply was made.	The information required for the audit should be provided.

4.2 Sustainable Development Goals

Audit Observation	Management Comment	Recommendation
All government agencies are required to comply with the United Nations Agenda for Sustainable Development 2030, but the University of Sri Jayewardenepura did not have a sufficient understanding of how it should operate within its scope of the year under review. Accordingly, in accordance with the United Nations Agenda for 2030, the University had not identified the Sustainable Development Goals, objectives and milestones to be achieved and the indicators to be achieved on targets.	This has been taken into consideration in the preparation of the plans of the University and it is planned to include the indicators relevant to the next five year plan.	The Universities' goals should be identified in relation to the United Nations 2030 goals on sustainable development

