

**1. Financial Statements**

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**1.1 Qualified Opinion**

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The audit of the financial statements of the Uva Wellassa University for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 provisions of the National Audit Act No. 19 of 2018 and section 107(5) of the University Act No.16 of 1978. 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 the Paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Uva Wellassa University as at 31 December 2020, and of its financial performance and cash flows for the year then 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 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 Uva Wellassa 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 Uva Wellassa 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.

#### **1.4 Auditors Responsibility for the Audit of the Financial Statements**

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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 Audit Observations on the preparation of Financial Statements**  
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**1.5.1 Internal Control over the preparation of financial statements**  
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The entity is 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 Accounting Deficiencies**  
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The following observations are made.

Audit Observation -----	Comments of the Management -----	Recommendation -----
(a) The total expenditure amounted to Rs. 2,627,721,241 incurred from the capital grants received from the year 2012 up to the year under review was credited to the Cumulative Fund Account instead of being credited to the Capital Grants Expenditure Account. Further, due to non-amortization of capital expenditure held in the	Government Capital Grants provide for the establishment of universities had been transferred to the Cumulative Fund and Government Capital Grants provide annually for the acquisition of assets, had been accounted for	Capital grants should be accurately accounted for.

accumulated funds account as a deferred income annually, the General Reserve Account was under stated by Rs.755,984,051 and due to non-accounting of amortization amounted to Rs.109,007,627 relevant to the year under review, the deficit for the year was over stated by that amount in the financial statements.

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| (b) | Unspent Government Capital Grant as at 31 December of the year under review amounted to Rs.1,594,333 had been stated under current liabilities instead of shown under the Equity in the Statement of Financial Position and therefore, the current liabilities were overstated by that amount.                         | Action will be taken in the future to disclose the unspent government capital grants under the Equity in the statement of Financial Position. | Action should be taken to state the Equity and Liabilities in the statement of Financial Position under the correct classification. |
| (c) | The balance of the Incurred Capital Grant Spend Account as at 31 December of the year under review amounted to Rs. 870,272,961 had been shown as deferred income under the non-current liabilities instead of shown under the Equity in the statement of Financial Position.   | Government capital grants identified as differed income in the financial statements will be disclosed under "Equity" in the future.           | Action should be taken to state the Equity and Liabilities in the statement of financial position under the correct classification. |
| (d) | Due to erroneously removed of Rs. 1,474,857 instead of removing a sum of Rs. 392,051 from the provision for depreciation account in correcting an error that occurred in the previous year in relation to the buildings, the net value of the buildings was under stated by Rs. 1,082,806 in the financial statements. | Action will be taken to remove that error from the provision for depreciation account.  | When correcting errors, correct values should be identified and accounted for, so that errors do not recur.                         |

## 1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions

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	<b>Reference to Laws, Rules and Regulations</b>	<b>Non-compliance</b>	<b>Comments of the Management</b>	<b>Recommendation</b>	
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(a)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka. -----	Financial Regulation 571	31 deposits retained as retention money for various construction works over 02 years amounted to Rs. 30,097,147 had not been disbursed.	Action will be taken to release after settling the final bills.	Action should be taken as per the financial regulations.
(b)	Establishmen ts Code of the University Grants Commission and Higher Education -----	Paragraph 7.6 of chapter V	Due to breach of bond agreements, the university should have received a sum of Rs.21,577,658 as at 31December of the year under review from 06 lecturers.	A sum of Rs.13,266,150 due from 05 lecturers has been recovered so far and action will be taken to recover the remaining amount.	Action should be taken to recover the amount immediately due for breach of bond agreements.

(ii) Paragraph 4.1 of Chapter VII A sum of Rs.40,580,180 had been paid as accommodation allowances for 390 officers for the period from 01 January 2017 to 31 December of the year under review without obtaining the approval of the University Grants Commission or concurrence of the Treasury. The houses rented by the university around the university were used as dormitories of the staff until 2017 and as staff welfare was provided by paying the existing rent due to the inability to provide hostel facilities due to the increase the number of employees. Allowances should not be paid without formal approval according to the Universities Establishments Code.

(c) Public Finance Circular No. 01/2020 dated 28 August 2020  
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(i) Paragraph 9.1 (i) Although the ad-hoc imprest can only be given to staff officers, contrary to that, ad-hoc imprest total amounted to Rs.1,805,054 had been paid in 87 occasions for non-staff officers. This has been done to prevent paying several ad-hoc imprests to the Heads of Staff or Staff Officers while performing several specific functions simultaneously. Should comply with the Public Finance Circular.

(ii) Although an ad-hoc imprests should not be obtained for specific and un necessary functions, a sum of Rs. 1,585,563 The staff was instructed to prepare realistic estimates with the amount required and, action will be taken to issue ad-hoc imprests according to Ad-hoc imprests should not be given for specific and un necessary functions.

obtained in 116 accurate estimates  
occasions was in the future.  
refunded from  
the imprests  
taken and it  
was ranged  
from 30 percent  
to 100 percent  
as a percentage.

## **2. Financial Review**

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### **2.1 Financial Results**

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The operating result of the year under review amounted to a deficit of Rs.180,829,830 and the corresponding deficit in the preceding year amounted to Rs. 174,635,769. Accordingly, a deterioration amounting to Rs.6,194,061 of the financial result was observed. The reasons for deterioration had been mainly attributed to the increases in staff salary and wages expenditures.

### **2.2 Students Performance**

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#### **(a) Enrolment of Students**

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Although it was planned to enroll 862 new students each to the University in the 2017/2018 and 2018/2019 academic years, the actual enrollment was only 764 students and 791 students. As such, 169 students had not been recruited as planned in the previous year and year under review. Accordingly, 169 students had lost their university admissions when there were vacancies.

#### **(b) Rented Hostels**

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The University had spent a sum of Rs.52,883,400 for 46 rented hostels for 1251 students in the year 2020 and a sum of Rs. 36,648,000 had been spent for 38 rental hostels for 952 students in the year 2019. However, due to the spread of Covid 19, after the month of March of the year under review, academic activities of the university were suspended. When there was not a single student resident in the year under review, it was problematic to enter into an agreement to pay an additional sum of Rs. 16,235,400 for rental hostels compared to previous year.

### 3. Operating Review

#### 3.1 Management Inefficiencies

The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) Even though 16 years were lapsed, action had not been taken to acquire the land extended for 29.805 hectares belongs to the Ministry of Industry which was to be granted for the establishment of the University, as per the decision of the Cabinet of Ministers on 10 February 2005, even until 31 December of the year under review. However, a retired Land Commissioner has been recruited from 06 December 2017 to the post of Land Acquisition Advisor which is not included in the approved cadre and for the acquisition of these lands and a sum of Rs.1,850,000 had been paid as monthly salary up to 31 December of the year under review.	In accordance with the instructions of the University Grants Commission, the university was instructed to appoint a suitable officer for land acquisition. Accordingly, with the approval by the 126 meeting of council of the Uva Wellassa University, a retired Land Commissioner was recruited on the basis of obtaining advisory services. A monthly payment of Rs. 50,000 will be made on the monthly report obtained from him with the approval of the Board for duties assigned to him and for reporting the relevant activities.	Action should be taken to take over the lands belonging to the University as soon as possible.
(b) A University Lecturer was granted with paid study leave for 3 years from 25 September 2015 to 24 September 2018 and unpaid study leave from the date of termination of paid study leave until 24 July 2019 for pursuing a Doctorate of Philosophy at Xiamen University, China. However, the lecturer had reported for duty on 11 July 2019 without completing his Doctorate of Philosophy. Although he had not completed his Doctorate of Philosophy for more than two years by October 2021, the	The request was made to postpone the handing over of the Certificate of Completion of the Doctorate of philosophy until December 2021. The request was also referred to the Bond Recovery Review Committee and it was decided to postpone the handing over date of Ph.D. certificate to the University till 30 June 2021 after considering the relevant report. If it could not be delivered by that date, it	Immediate action should be taken to recover the amount due from the officers who violated the bond agreements without completing the Ph.D. within the stipulated time.



university was unable to deal with proper action for the breach of bond agreements. was decided to treat the person as a bond violator.

- (c) Due to construction of the Faculty of Technology building was not completed on time, which was scheduled to be commenced on 09 June 2017 and completed by 29 June 2019 at an agreed estimated cost of Rs.253,219,360 (excluding Value Added Tax), the contract period was extended till 30 April 2021 due to various reasons on 06 occasions. However, a cost of Rs. 216,258,984 had been spent, including an additional works value of Rs. 15,543,225, the construction works of the building could not be completed even till 31 December of the year under review.
- The construction of the building has now reached its final stage and the physical progress is 87%. The financial progress is 80% and the value of the work to be completed is Rs. 52 million.
- The relevant construction institute is an institution affiliated to the State Ministry and it was observed that the institute was having difficulty in procuring goods and services due to conditions such as import restrictions and existing COVID-19 epidemic.
- Provide the necessary supervision and guidance to complete the relevant construction work within the contract period and extend the contract period should be given only for matters not beyond the control of the contractor.
- (d) Due to non-payment of gratuity due before 02 May 2019 to be paid to an officer who had retired from service on 02 April 2019, a sum of Rs. 206,119 had to pay as surcharge.
- She was the first non-academic officer to retire from the post of senior management assistant of the University. Relevant divisions have been informed about the arrangements should be made to pay the gratuity to the employees who are about to retire on the day of retirement. Arrangement has been made to give an advance notice to the salaries and payments division about the officers who are close to retire and then relevant gratuity could be reserved in advance.
- Action should be taken to pay the gratuity on time and the surcharges paid by the university due to delays should be examined.

### 3.2 Operating Inefficiencies

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
The total balance of the creditors amounting to Rs. 3,625,120 was remained over 01 to 05 years, but action had not been taken to settle it.	Due to non-completion of supply of goods and services and delays in submission of bills, the balances of 5 suppliers which were several years old were included in the creditors balance as at 31.12.2020.	Action should be taken to make payments as soon as the goods and services are delivered in the prescribed specifications.

### 3.3 Idle or Underutilized Property, Plant and Equipment.

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
70 units of Glassware belonging to 08 types purchased at a cost of Rs. 2,536,382 in the year 2016 for the Biology Laboratory of the Faculty of Applied Sciences of the University for more than 04 years and 04 equipment purchased for Rs. 10,741,101 in the year 2019 under the Accelerating Higher Education Expansion and Development Project had remained idle for over a year and had not been used for any purpose.	Procurement was done in 2016 with the intention of using it for practical activities in the degree courses in Science and Technology and Mineral Resources and Technology. Then syllabus was revised in 2016 and the practical activities of the above mentioned degree courses were changed and due to the change in the use of glassware which led to underutilization of stock.	The requirements should be identified correctly and procurement should be made accordingly.

### 3.4 Human Recourse Management

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) There were 86 and 43 vacancies were remained in the permanent academic and non-academic cadre of the University respectively as at 31 December for the year under review.	Although there were 86 vacancies in the permanent academic cadre as at 31.12.2020, the University has received approval for 43 of the approved vacancies through the letter of the University Grants Commission dated 19.11.2020. Newspaper advertisements have been published in 2021 and applications have been called to fill the vacancies of academic	Necessary action should be taken to fill only the essential vacancies in the academic and non-academic cadre.

and non-academic cadre. Vacancies in the posts of Senior Assistant Bursar, Assistant Bursar and Assistant Registrar are filled by the University Grants Commission. Further, the Ministry of Education has informed to suspend the recruitment for lower grade posts.

- (b) In the open recruitment for the post of Senior Assistant Librarian as per the University Grants Commission Circular No. 921 dated 23 April 2010, an applicant who had not fulfilled the relevant qualifications for the post had been recruited informally, on the Acting Vice Chancellor's letter dated 25 July 2018 and a sum of Rs. 5,418,552 had been paid as salaries and allowances for the period starting from August 2018 to July of the year under review.
- At the time of recruitment to the post of Senior Assistant Librarian, the Senior Assistant Librarian was appointed on the basis of having completed the Bachelor of Philosophy degree at the time of recruitment of the applicant after considering the post qualifications as per the University Grants Commission Circular No. 921 dated 23 April 2010. Also, inform that by now the required letters have been referred to the relevant universities to verify the qualifications.
- Candidates who have fulfilled all the qualifications relevant to the post should be duly recruited.