

Wayamba University of Sri Lanka - 2021

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Wayamba University of Sri Lanka for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended 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 Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Wayamba University as at 31 December 2021 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 Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements is further described in the Auditor's Responsibility Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of the 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 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 Auditor's 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 Company'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 Financial Statements

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

	Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
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(a)	Establishment Code for the University Grants Commission and Higher Education Institutions			

(i)	Paragraph 3.1 of Chapter XXVI	Copies of board of survey reports for the year under review were not submitted to the Auditor General before the end of February 2022.	It will be corrected in future.	Should be act in accordance with the Establishment Code.
(ii)	Paragraph 3.1 and 3.2 of Chapter XXVII	The state emblem, name and address of the university should be painted on every car,	-Do-	-Do-

but it was not done accordingly for 17 vehicles owned by the university.

(b) Establishment Code of the Democratic Socialist Republic of Sri Lanka.

 Paragraph 2.2 of Chapter IX of the Establishment Code. Although 10 percent of the fee received for the unofficial work done during office hours using the knowledge of the government service should be credited to the consolidated fund, state half was not charged from allowances related to external courses in Makandura campus. A management decision will be taken in this regard. Should be act in accordance with the Establishment Code.

(c) Paragraph 4 of Public Finance Circular No. PED/RED/01/04/2014/01 dated 17 February 2014. The action plan prepared for the year under review was not prepared to comply with the provisions of the circular. That will be done accordingly in the next year. Action should be taken in accordance with circulars.

1.6 Investment Management

----- Audit Observation -----	----- Comments of the Accounting Officer -----	----- Recommendation -----
Rs. 2,172,842 to be charged due to breach of contractual obligation from 06 university lecturers to go abroad for further education had not been recovered since the year 2008. Furthermore, Rs. 17,520,686 collected in the years 2020 and 2021 were retained in a current account without investing in fixed deposits.	Investments will be made with the approval of the treasury.	Action should be taken to recover the money to be charged due to the breach of contractual obligations and to invest in fixed deposits without retained money in the current account.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs. 53,983,044 and the corresponding deficit in the preceding year amounted to Rs. 68,492,160. Therefore an improvement amounting to Rs. 14,509,116 of the financial result was observed. The main reasons for the improvement were increase of government grants by Rs. 82,500,000 and decrease of capital expenditures by Rs. 12,384,548 for the year under review.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) Rs. 206,847 had been spent for publishing newspapers advertisements in three languages for the Department of Nanoscience and Technology in the Kuliypitiya premises of the university. However, after receiving the report of the Technical Appraisal Committee, the head of the department of nanoscience and technology decided that the industry was not necessary and due to that, the expenditure on newspaper advertisement was an inactive expenditure.	This will be submitted to the procurement committee and act in according to that committee decision.	The need should be properly identified and carried out the procurement activities. If there is a responsible party for the occurred loss, it should be identified and surcharged.
(b) Although all the assets belonging to each category should be revalued at once in case of revaluation of assets, due to that the university has not submitted the correct assets categories and information about all fixed assets to the Valuation Department, the Valuation department had not assessed the current values of the assets categories other than vehicles and laboratory equipment belonging to the university during the year under review. Also. Vehicles and laboratory equipment	Fixed assets will be re-assessed and accounted.	Fixed assets should be revalued correctly and accounted.

were revalued for Rs. 59,797,000 and Rs. 250,679,200 respectively, but those revaluated values were not accounted.

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| (c) The effective life time of non-current assets were not reviewed annually and non-current assets, which were cost of Rs. 778,570,309, were dully depreciated, but continued to be used. | It will be corrected in future. | The effective life time of non-current assets should be reviewed and accounted annually. |
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3.2 Operational Inefficiencies

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) The dropout percentage of students enrolled for the academic years 2016/2017, 2017/2018 and 2018/2019 was 12 percent, 5 percent and 3.59 percent respectively. This was due to that the percentage of students who were enrolled for the Faculty of Applied Science and the Faculty of Livestock Fisheries and Nutrition was high.	Dropouts of the university are reduced through the programmes conducted by the counselors.	Further reasons should be examined and action should be taken to reduce student dropouts.
(b) The action plan prepared by the university for the year under review included only the plans of the academic departments and plans of non-academic sectors were not included. Furthermore, the budget allocation for each task was not included and 13 tasks that were to be completed during the year under review were not started.	The action plan will be prepared accordingly in the year 2022 and that the 13 planned tasks could not be completed due to the Covid epidemic.	The action plan should be prepared to apply for all sectors and action should be done to accomplish the related tasks as planned.

3.3 Under Utilization of Funds

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
Rs. 2,003,150 received by the University form the World Bank for the Improving Relevant & Quality of Under Graduate Education project	It is expected to be used for the related project in future.	Funds should be used more efficiently and effectively.

had not been utilized and invested in a fixed deposit since the year 2014.

3.4 Deficiencies in Contract Administration

----- Audit Observation -----	----- Comments of the Accounting Officer -----	----- Recommendation -----
(a) 15 Construction industries with a contract value of Rs. 514,303,211 were not completed and handed over by the respective contractors within the stipulated time during the period from 2013 to 2017. But, the university had not paid enough attention to that.	Dates have been extended with the relevant approval due to weather conditions and power delays.	Action should be taken to complete the work within the agreed contract period to minimize possible losses due to future price fluctuations.
(b) The building which was constructed under phase III of the Faculty of Agriculture and Plantation Management with a contract value of Rs. 176,000,000 was handed over to the university on 01 March 2019, but the head of that faculty and the engineer of the university informed the contractor on 02 December 2019 to correct the defects that were later identified. But, they had not been corrected that at the date of this report.	It has been decided to deduct the cost of rectifying the defects from the final bill.	The relevant defects should be rectified or after the defects are rectified, the actual cost incurred should be deducted from the final bill during the contract period.