

## **1. Financial Statements**

### **1.1 Qualified Opinion**

The audit of the financial statements of the Wayamba University of Sri Lanka for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance and statement of changes in net assets and cash flow statement for the year then ended and notes to the Financial statements and a summary of significant accounting policies, was carried out under my direction in pursuance of provisions of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with provisions of the National Audit Act No. 19 of 2018 and provisions of Sub 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 paragraph 1.5 of this report, the financial position of the University as at 31 December 2022 and of its financial performance and its cash flows for the year then ended give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards.

### **1.2 Basis for Qualified Opinion**

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 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.

#### **1.4 Auditor's Responsibilities 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 great 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 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 Board of Governors 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 Preparation of 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 with Sri Lanka Public Sector Accounting Standards**

	<b>Non Compliance with the Reference to Particular Standard</b>	<b>comment of the Management</b>	<b>Recommendation</b>
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(a)	Although total revenue should be recognized in the financial statements in relation to the period in accordance with paragraph 7 of Sri Lanka Public Sector Accounting Standard 01, due to non-accounting of the	The interest had been accounted for on the maturity date as stated in the Accounting Policy No. 2:27:1:b on Accounting of Interest Income on Fixed Deposits.	Income related to the year should be recognized in accordance with Sri Lanka Public Sector Accounting Standards.

receivable interest income of Rs.907,271 from the investment of gratuity funds for the year under review, the income of the year under review and the receivable interest income were understated by that amount in the financial statements.

- (b) According to paragraph 14 of Sri Lanka Public Sector Accounting Standard 7, an asset item shall be recognized as an asset if it is probable that future economic benefits or service potential associated with the item or the cost of the item can be measured reliably. Out of the 28 acres of land valued for Rs. 77,872,750, on which the medical faculty of the university was built, an amount of Rs. 16,500,000 had been accounted under capital advance instead of being shown under land from the year 2017. Due to non-accounting of Rs.61,372,750 the land value was understated by Rs.77,872,750. Also, the 22 acres of land occupied by the university since 1999 had not been valued and accounted for.
- (c) According to paragraph 50 of Sri Lanka Public Sector Accounting Standard 7, the cost of the road system of the university valued for Rs. 38,175,522 was shown under land without showing in the
- Since a case is being adjudicated in the Kuliapitiya District Court regarding the ownership of the land on which the medical college is built, an amount of Rs.61,840,513 had not been paid so far. It has been disclosed in accounting policy number 2.26 of the annual financial statements of the university since 2016.
- Assets should be capitalized in accordance with Sri Lanka Public Sector Accounting Standards.
- According to the Circular No. 649 of the University Grants Commission issued on the classification of fixed assets, since no asset class has been named for roads, in the 71 Audit Committee
- Assets should be identified in accordance with Sri Lanka Public Sector Accounting Standards

different asset classes meeting held in the year separately. 2020, it was decided to state land and roads in one asset class and also not to amortize lands and roads. Also, decided to disclose in the final accounts as an accounting policy. Accordingly, the values of the roads were shown under land.

- (d) According to paragraph 19 (b) of Sri Lanka Public Sector Accounting Standards 08, although accruals means liabilities to pay for goods or services that have been received or supplied but have not been paid, have not been invoiced or formally have not agreed with the supplier, a case filed in 2004 to recover the bond value of a lecturer who breached the agreement was concluded on 25 November 2022, but the money owed to the Attorney General's Department in relation to the case was not valued and shown in the financial statements. Although this case ends on 25 November 2022, since the Attorney General's Department has not yet sent the bill related to this case to the University, it cannot be shown in the financial statements as an accrued expense. Financial statement should be prepared in accordance with Sri Lanka Public Sector Accounting Standards.
- (e) Approximately an interest of Rs.35,432,101 to be paid to the land owner, on which the Faculty of Medicine is located, at annual rate of 07 percent from the date of taking over the enjoyment of the land up to 31 December 2022, under Interim Order 38(a) of the Land Acquisition Act, in addition to the assessed value of the As the legal action in the Kuliapitiya District Court has not been completed regarding the ownership of this land, no provision had been made in the accounts for this purpose. Financial statements should be prepared in accordance with Sri Lanka Public Sector Accounting Standards.

land in 2017 amounted to Rs. 77,872,750. But adjustments had not been made in the financial statements according to Sri Lanka Public Sector Accounting Standard 08.

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| (f) | Although contingent liabilities should be disclosed in the financial statements as per the paragraph 100 of Sri Lanka Public Sector Accounting Standard 8, a lecturer who was employed at the university and was sent on compulsory leave has filed a lawsuit in the year 2019 and currently pending with 25 parties including the university as defendants demanding compensation of Rs.150 million, had not been disclosed in the financial statements. | Rs. 150 million has been demanded as compensation from all the parties in the case. Accordingly, if the amount of 150 million is disclosed as an amount due from the university before the judgment is given, the university is implicitly obliged to pay the entire value of this case. That the exact amount to be paid for this case cannot be identified until all the proceedings are concluded. | Contingent liabilities should be disclosed in the financial statements in accordance with Sri Lanka Public Sector Accounting Standards. |
| (g) | Capital grants, donations and other capital nature receipts total amounting to Rs.736,471,987 received during the year under review had not been adjusted in the financial statements as per Sri Lanka Public Sector Accounting Standard 11.                                                                                                                                                                                                              | Capital grants, donations and other grants will be accounted for according to the relevant standard From the year 2023.                                                                                                                                                                                                                                                                               | Financial statements should be prepared in accordance with Sri Lanka Public Sector Accounting Standard 11.                              |

### 1.5.3 Accounting Deficiencies

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
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Furniture and fixtures worth Rs. 19,515,924 procured in November 2022 for the laboratory of	The necessary adjustments in the accounts had been made through J/V 2023	Non-current assets should be accounted for in accordance with

Horticulture and Landscaping based on the billing a correct classification. Studies Department were accounted information received by us under buildings. for payment of the final bill relating to the contract.

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

<b>Reference to the Laws, Rules, and Regulations</b>	<b>Non Compliance</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) Paragraph 3.1 of Chapter XX of the Code of Establishment for the University Grants Commission and Institutions of Higher Education	A sum of Rs.1,039,705,068 had been paid as salaries and allowances during the year under review without verifying the arrival and departure of the academic staff of the University.	Although as a general practice academic staff of the university system do not record arrivals and departures by fingerprints or otherwise, all academic and administrative duties are performed by them without hesitation.	Provisions in the Code of Establishment for the University Grants Commission and Institutions of Higher Education should be followed.
(b) University Grants Commission Circular No. 04/2016 dated 01 March 2016			
(i) Paragraphs 02 and 4.5	Although it has been informed that self financing activities should be carried out under zero basis, an amount of Rs. 126,452,295 from the income received from self financing activities was invested in fixed deposits.	The balances in the Course Development Fund had been invested.	Circular provisions should be complied with.
(ii) Paragraph 5.1.6	A percentage of 0.01 percent of the total income from self-financing activities had not been sent to the University Grants Commission.	Decision has not been taken to remit this contribution to the University Grants Commission.	Circular provisions should be complied with.

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| (c) (ii) | Paragraph 5.2.3                                                       | Although it has been stipulated that the payment to officers indirectly involved in self-financing activities should be limited to a maximum of 10 percent of the total indirect cost, 93 self financing activities carried out by the university from 01 January 2018 to 31 July 2022 overpayments of Rs. 35,459,271 had been made exceeding the maximum limit.                                                                                                                                                                                 | The payments had been made in accordance with the budget documents approved by the Governing Body.                                                                                                          | Circular provisions should be complied with |
| (iv)     | Paragraph 5.3                                                         | Although it has been stated that the contributions allocated for development expenditure subjects should be credited to the University Fund, an amount of Rs. 6,276,882 were estimated for the development expenditure subjects under 5.2.1 and 5.2.2 from the self-financing activities implemented by the university from 01 January 2018 to 31 July 2022, the university fund had not been credited even by 31 July 2022.<br>Also, the estimation for development expenditure subjects under 5.1.4 of self-financing activities was not done. | That these funds are accounted for in accordance with the budget documents approved by the Governing body.                                                                                                  | Circular provisions should be complied with |
| (c)      | University Grants Commission Circular No. 03/2022 dated 10 June 2022. | Although the re-employment of retired officers was suspended by the relevant circular, contrary to that, an officer was recruited on contract basis from May 2022 and a total allowance of Rs.800,000 had been paid till January 2023.                                                                                                                                                                                                                                                                                                           | As the Vice Chancellor is the Chief Executive Administrative Officer of a university, the functions related to him should be maintained in an excellent manner, as such, the personal secretary of the Vice | Circular provisions should be complied with |



Chancellor had to be given an extension after her retirement. However, her service has been suspended from 09.02.2023.

(d) National Budget Circular No. 3/2022 dated 26 April 2022	Although foreign travel or training programs conducted using domestic funds were suspended as per the provisions in the Circular, a sum of Rs.2,631,800 had been spent for the procurement of air tickets for overseas travel to 05 officers of the university staff from May 2022 to 31 December 2022	As the provisions had been made by the letter No. UGC/DA-F/Bond Violation dated 09.11.2022 issued by the Chairman of the University Grants Commission, the money paid by the bond violating staff will be used to purchase air tickets for the academic staff on study leave and the staff on sabbatical leave. Further, as per the letter No. HE/UD/01/Letters-01 and dated 20.04.2023 of the Ministry of Education, the Cabinet approval was granted to provide of air tickets subject to a maximum limit of Rs.750,000 from the Bond Violation Fund to the recipients of sabbatical leave and study leave.	The provisions of the circulars issued suspending the use of local funds for foreign studies, travel and training programs should be followed.
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## 2. Financial Review

### 2.1 Financial Result

The operation result for the year under review had a deficit of Rs. 198,176,461 as compared with the corresponding deficit of Rs. 53,983,044 for the preceding year, thus observing a deterioration of Rs. 144,193,417 of the financial result. This deterioration was mainly due to increase in the salaries and allowance, depreciation, contractual service and supplies expenditure.

**3. Operational Review**  
**3.1 Management Inefficiencies**

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
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(a) Although about 10 years had passed since the year 2013 to transfer 08 paddy lands of 711 perches in Makandura to the university, it was not possible to complete the acquisition of those paddy lands.	The activities related to acquisition of these lands are in progress.	The taking over of these lands to the university should be carried out.
(b) Although facilities have been given to maintain the city development project office in the university from the year 2021, which is implemented by the Ministry of Education on the loan from the Saudi government, a Memorandum of Understanding agreement between the university and the city development project had not entered for this and no arrangements were made to charge a rent from the project for providing office space facilities.	The project office is maintained in a building of the University for the purpose of running it under direct supervision and since this building was constructed with government funds, it has been decided not to take rent. Also, since the funds received under this Saudi Development Foundation are given only for the development activities of the University, the money of the Treasury was not used for the payment of rent for a university property and the governing committee related to this project which met on 28.03.2023 has also decided that such payment should not be made.	An agreement should be entered into with the relevant parties to use the resources belonging to the university and arrangements should be made to collect rents and fees.

**3.2 Procurement Management**

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
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In the procurement of 03 generators worth of Rs.17,828,424, the requirements of paragraphs 2.6.1	Agreed with the audit observation. The paragraphs of the	Procurement activities should be properly planned

(b), 2.12 (a) and 4.2.2 (b) of the Government Procurement Guidelines have not been fulfilled, and in 02 occasions, the date of acceptance of bids has been changed and 06 advertisements were published in 03 newspapers. Accordingly, an additional expenditure of Rs.130,086 had to be incurred for the publish of newspaper advertisements due to the procurement activities had not been properly planned.

procurement guidelines and conducted will be followed in the future. A second advertisement had to be published due to conflict of timings of release of tenders and opening time in the first newspaper advertisement. Due to the shutdown of the country due to Covid-19, the tender opening date had to be revised and a then third newspaper advertisement had to be published.

### 3. Budgetary Control

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
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A total sum of Rs. 40,268,238 had been spent in exceeding of the allocation received under 10 capital expenditure subjects.	That the phases v and vi of the Makandura hostel construction project have been paid using unutilized funds in the year 2022 and the necessary allocations have been allocated in the treasury allocations in the year 2023.	Formal approval should be obtained to spend outside the purpose of establishment of funds.