

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the University of Sri Jayawardenepura for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 Subsection 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, the financial statements give a true and fair view of the financial position of the University as at 31 December 2022 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 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 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 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 Council 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 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

The following observations are made.

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a)	Establishment Code of University Grants Commission and Higher Education			
(i)	Section 18.8.1 and Section 18.8.3 of Chapter III	Although no recruitment should be done to any post without calling applications by an advertisement and, also, employment on contract basis should not exceed two years, 18 officers recruited on contract basis from the year 2013 to year 2019 were employed till the end of the year under review.	That recruitments will be done on contract basis when newspaper advertisements will not be effective as the prescribed salary and emoluments are not sufficient to attract suitable applicants, in the absence of permanent staff and at the commencement of new faculties and departments where required academic and non-academic staff are not approved in the students are registered.	The University Grants Commission and Establishment Code for Higher Education Institutions should be followed.
(ii)	Section 24.2 of Chapter III	94 officers on assignment basis were appointed on temporary basis under monthly allowances from Rs.20,000 to Rs.100,000.	That appointments have been made on the assignment basis on the approval of the Governing Council when the posts are not reserved in relation to some subject fields and for special duties in the areas of study and testing.	The Establishment Code for the University Grants Commission and Higher Education Institutions should be followed.

- (iii) Section 3.1 of Chapter XX A total sum of Rs.4,247,254,286 had been paid as salaries and allowances during the year under review without confirming the attendance and departure of the academic staff. Further, salaries and allowances were paid for 54 assistant academic officers without confirming their arrival and departure.
- Since this is a matter affecting the whole university system itself, the University Grants Commission should give instructions in this regard.
- The Establishment Code for the University Grants Commission and Higher Education Institutions should be followed.

2 Financial Review

2.1 Financial Result

The operations for the year under review had been a surplus of Rs.965,566,887 as compared with the corresponding surplus of Rs.1,938,016,934 for the preceding year, thus indicating a deterioration of Rs.972,450,047 in the financial result. Increase in expenditure of the university by Rs.1,152,033,094 had been the main reason for the said deterioration.

2.2 Ratio Analysis

The profitability ratio of the previous year was 10.36 percent, compared to 21.43 percent in the year under review. Current ratio in the year under review was 3.08 : 1 and previous year the ratio was 7.98.1

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Although a sum of Rs. 74 million had been paid to the Western Provincial Council for the 7 acres land on which "Methsewana House" was established, the acquisition of 3 acres of it had not yet been completed. Although a sum of Rs. 13 million was paid to the Divisional Secretary of Kesbewa for Boralasangamuwa land in 2018 and a sum of Rs. 2.5 million was paid to the Divisional Secretary of Maharagama for 03 plots of land in 2013, it was unable to acquire of these lands even at the end of the year under review.	On the recommendations of the Committee on Public Enterprises held on 24.03.2023, a letter was issued to the Secretary Defense Ministry on 28.03.2023 by the Committee on Public Enterprises to hand over the land occupied by the Army to the University. The owners of the Hemavimana Davatagahawatta land have filed a complaint to the Compensation Review Committee and the inquiry has been completed and the report is being prepared. That the possession of Kekunagahawatta Mattegoda land acquired by the Homagama Divisional Secretary was handed	Necessary action should be taken to complete the related land acquisitions as soon as possible.

over to the University on 31.07.2017 and it has been forwarded to the Homagama Land Registrar's Office for registration.

- (b) Forty One academic and non-academic staff who were overseas have not reported back to service and a sum of Rs.77,235,211 was due from them due to breach of bonds as on 31 December 2022. Also, 05 officials had expressed their willingness to recover an amount of Rs.5,188,694 from the University Provident Fund, but the money had not been recovered even by 31 December 2022.
- Out of the receivable amount as on 31 December 2022, a sum of Rs.4,864,336.29 had been recovered by 15.05.2023. It has been submitted to the University Grants Commission to recover from the provident fund of the 05 officers who had expressed their consent.
- Arrangements should be made to recover the due balance promptly.

3.2 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comment of the Management	Recommendation
A sum of Rs.2,090,357 received in the years 2020 and 2022 for the expenses of the Center for Gender Equality/Equity from the University Grants Commission had not been spent on the related works.	The work related to this project has not yet been completed and funds will be used in the year 2023.	Action should be taken to utilize the funds received for related works in the same year.

3.3 Deficiencies in Contract Management

Audit Observation	Comment of the Management	Recommendation
(a) Construction works of "Kale Kade" cafeteria of the university were sliced in to 02 as Phase II and III and awarded to one contractor with a contract value of Rs.29,561,377 in the year 2019. While these two contracts were delayed by 1,261 days and 1,155 days respectively by 13 January 2023, the Vice-Chancellor had instructed to terminate the contract on 06 May 2022 with the consent of both parties. Due to the expiry of the validity period of the performance security bond, a sum of Rs.1,478,069 could not be recovered and a sum of Rs.6,515,825 had been paid in excess of the amounts mentioned in the BOQ.	A special progress review meeting was held on 06.05.2022 regarding the contract and decided to terminate the contract works based on the mutual agreement of the two relevant parties and that payments have been made within the relevant contract value.	Actions should be taken to complete the contracts in due time and should be done in accordance with the procurement guidelines manual.

- (b) A sum of Rs.5,794,676 had been spent in the year 2016 for consulting fees and planning for the construction of an auditorium without determining the viability of implementing the project through a feasibility study, but the work was not completed till the year under review.
- Since this project is an essential project for the university, action will be taken to request allocation from the Treasury.
- Plans should be prepared and implemented according to the viability of the projects after a proper feasibility study.