

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 2023 comprising the statement of financial position as at 31 December 2023 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 Sections 107 (5) and 108 (1) 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 2023 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 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the Reference to Particular Standard	comment of the Management	Recommendation
(a) A sum of Rs.3,061,415 incurred from the AHEAD project for networking and providing internet facilities to the new building of the Faculty of Agriculture and Plantation Management in the year 2023 was accounted for as recurrent expenditure, as such, the surplus of the year and the property and equipment were understated by that amount. Further, a sum of Rs.2,552,370 spent by the AHEAD project as installation charges of network system and distribution costs for office equipment was omitted from the accounts. Also, the road system, sewage system and communication system built in the university premises were not valued and accounted for under the property and plant according to paragraph 19 of Sri Lanka Public Sector Accounting Standard 07.	That further investigation and necessary corrections will be made in the future.	Sri Lanka public sector accounting standards should be complied with.
(b) As per paragraph 47 of Sri Lanka Public Sector Accounting Standard 7, the changes in the fair value of property, plant and equipment should be revalued in every three to five years and adjustments should be made to the financial	As the depreciation percentage for buildings is 05 percent, the buildings revalued in 2016 will be	Sri Lanka public sector accounting standards should be complied with.

statements. Although it has been 10 years since the land owned by the university was revalued for Rs.325,750,000 in 2013, and 07 years have passed since the revaluation of the buildings in 2016 for Rs.3,523,975,000, they have not been revalued and adjusted in the financial statements.

depreciated until 2035, and since money is being charged for asset valuations, unable to incur a large sum of money for revaluation work in every 03 or 05 years.

1.5.2 Accounting Deficiencies

Audit Observation	Comment of the Management	Recommendation
(a) A sum of Rs.21,475,657 due from officers who breached bond agreements as of 31 December 2023 had not been accounted for.	That will be included in the accounts of the year 2024.	Receivables revenue should be accurately identified and accounted for.
(b) The delay charges of Rs.1,898,397 charged from a supplier during the year under review, was not recognized as an income of the University and was shown as a current liability, as such, the surplus and current liabilities of the year were understated and overstated by that amount respectively.	It has been taken to the university income in the year 2024.	Income should be accurately identified and accounted for.
(c) Due to the deduction of Rs.818,886 from the expenditure of the year which should be adjusted to the accumulated fund in correcting the errors which had occurred in the payment of arrears due to the promotion of the position of two lecturers of the University, the surplus and the accumulated fund of the year had been overstated and understated by that amount respectively.	Agreed with the audit observations.	Income and expenditure of the year should be accurately identified and accounted for.
(d) Although there should be credit balances in the unspent capital grant accounts, the abnormal debit balances relating to 05 capital accounts total amounting to Rs.15,229,232 was shown in the statement of financial position for a long time as on 31 December in the year under review.	These payments were made as bills for payment were presented and availability of capital funds balances.	Action should be taken to correct.
(e) In the income of Rs.11,571,562 received from external courses during the reviewed	Since these transactions were accounted on cash	Income of the year should be

year, a sum of Rs.1,040,275 received in relation to previous years and a sum of Rs.3,977,284 received for future years were included and accounted as income of the year. As such, the surplus for the year was overstated by Rs.5,017,559, the accumulated fund by Rs.1,040,275 and the receipts for the next years were understated by Rs.3,977,284 in the statement of financial position.

basis until the year 2022, the income received in relation to that year and the income received related the year 2023 have been accounted for. This will be corrected in the future.

accurately identified and accounted for.

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| (f) | Unspent capital grants of Rs.199,345,754 were recognized as income from non-exchange transactions in the financial statements during the year under review, and the income and unspent capital grants account for the year were overstated and understated respectively by that amount. | Provisions given to the universities for the estimates of the year under review have been accounted for as income. | Expenditure from grants received from non-exchange transactions during the year should be accurately identified and accounted for. |
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1.6 Non-compliance with Laws, Rules, Regulations, and Management Decisions

Reference to the Laws, Rules, and Regulations	Non Compliance	Comments of the Management	Recommendation
(a) Financial Regulation 571 of Financial Regulations of Democratic Socialist Republic of Sri Lanka	Action had not been taken in terms of Financial Regulation regarding the retention money amounting to Rs.49,374,509 related to 12 contracts which have been completed during the period of the year 2012 to 2019.	At present, the bills submitted by the contractors are being checked by the Engineering Department and the contractors who have not requested have been informed in writing to submit the bills.	Should be dealt with according to the Financial Regulations.
(b) Paragraph 3.1 of Chapter 09 of the Revised Establishment Code No. 08/2023 dated 03 October 2023 for the University Grants Commission for Higher Education Institutions.	A sum of Rs.1,029,973,587 had been paid as salaries and allowances during the year under review without properly verifying the arrival and departure of the academic staff of the University.	No comments were made.	Provisions in the revised Establishment Code for the University Grants Commission and Institutions of Higher Education should be followed.

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| (c) | Chapter 5.2 of the Paragraph XV of the Establishment Code of the Democratic Socialist Republic of Sri Lanka | The surcharge amount for unpaid leave of two lecturers was understated by Rs.577,473 and overstated by Rs.12,050,096 in the agreements. | Action will be taken to sign the corrected unpaid bond agreements in the future. | Provisions of the Government Establishment code should be followed. |
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2. Financial Review

2.1 Financial Result

The operation result for the year under review had a surplus of Rs.348,844,768 as compared with the corresponding deficit of Rs.283,361,091 for the preceding year, thus observing an improvement of Rs.632,205,859 of the financial result. This improvement was mainly due to increase in receipts of government grant for recurrent expenditure, receipt of recurrent nature donations, income on investment and property rental income.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation	
(a)	The value of the bond to be recovered from 08 lecturers who had been on study leave and breached their bond agreements for between 01 and 20 years was Rs.53,772,566 as of December 31 of the year under review.	That the arrears of bonds to be recovered are being recovered in instalments, and legal action had been taken against lecturers who do not pay.	Action should be taken to recover the bond values as per the agreements.
(b)	The 22 acres of land on which the Makandura campus of the university has been maintained since the year 1999 had not been legally transferred to the university and the assessed value of that land given by the Valuation Department as of 31 December 2013 was Rs.40,000,000. Buildings valued at Rs.2,973,247,723 had been constructed in the Makandura premises without obtaining a vesting certificate for the land as of 31 December 2023.	Divisional Secretary Pannala has been informed to give priority in this regard and further action will be taken by the Divisional Secretary Pannala.	Action should be taken to legally acquire the land enjoyed by the university.
(c)	An advance amount of Rs.1,013,750 for the acquisition of 08 paddy lands extent of about 711 perches and an amount of Rs.10 million for the acquisition of 05	That a verbal inquiry was made to the Pannala Divisional Secretary and that they have informed	Action should be taken to legally acquire the land to the university.

acres of land belonging to the Coconut Research Board were paid in the year 2013 to the Pannala Divisional Secretary and the Coconut Research Board in the years 2013 and 2014 respectively. Although about 10 years had passed since the payment, the said land had not been handed over to the University even by 16 April 2024, which was the date of audit. However, the Vice Chancellor of the university had informed the Ministry of Education in a letter dated 22 December 2022 that there is no requirement of transferring of 03 plots of land out of 08 paddy lands to the university.

that the Ministry of Lands should be consulted about the further work and accordingly, the Pannala Divisional Secretary will carry out the further work.

3.2 Procurement Management

Audit Observation	Comment of the Management	Recommendation
In contrary to the provisions 1.2.1, 2.14.1 of the Government Procurement Guidelines 2006 and Supplementary 35 dated 25 March 2020, hand quotations for supply of goods had been referred to the Procurement Committee and a sum of Rs. .2,448,326 had been paid from January to 13 June 2023 for the supplied goods.	The authority was given by 2.14.1 of the National Procurement Guidelines 2006 and amendments given in the Supplementary 35 dated 25th March 2020 to the National Procurement Manual to invite at least 03 sealed bids up to Rs.05 million and procure on the approval of the Departmental Procurement Committee. Accordingly, these procurements were done.	Procurement activities should be carried out according to the provisions of the Government Procurement Guidelines.

3.3 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comment of the Management	Recommendation
The auditorium (Conference Hall Building) and Community Center which were built in the Faculty of Medicine at Labuyaya and accounted in the year 2020 remained idle by the end of the year under review and were not used for the intended purposes.	It was in a difficult condition to use the auditorium of the medical faculty due to the lack of necessary chairs and the Community Center is currently unable to use due to lack of staff.	Resources should be used efficiently and effectively.

3.4 Human Resource Management

Audit Observation	Comment of the Management	Recommendation
More than 50 percent of the approved cadre of academic staff, technical officers and laboratory assistant posts, which are essential posts in the teaching and practical training of the Faculty of Medicine, remained vacant as on 06 December 2023.	Action is being taken to conduct the interviews and recruitments are being made as soon as possible.	Action should be taken to fill the vacancies in the posts.

4. Accountability and Good Governance

Budgetary Control

Audit Observation	Comment of the Management	Recommendation
A sum of Rs.10,157,907 had been spent in excess of the allocation received under 05 capital expenditure subjects during the year under review.	No comments were made.	Expenditure should be made within the approved allocation limits.