

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ocean University of Sri Lanka for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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 material accounting policy information 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 National Audit Act No. 19 of 2018 and the provisions in 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, except for the effects of the matters described in Paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the University as at 31 December 2024 and of 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 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 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.

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 skepticism 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 of the University.
- 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 the University on 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. However, future events or conditions may cause to cease to continue as a going concern.
- Evaluate the 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 .
- 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

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with Reference to Relevant Standard	Management Comment	Recommendation
(a) Although notes on significant accounting policies and other detailed notes should be included in the financial statements as per Paragraph 21 of Sri Lanka Public Sector Accounting Standards 01, the detailed information (nature of assets and liquidity) for fixed deposits amounting to Rs.15,612,062 had not been disclosed in a note.	Agree and disclose detailed information in the accounts for the year 2025.	Adequate detailed notes should be presented with the financial statements as per the Accounting Standards.
(b) Although assets, liabilities, and income and expenditure should be reported separately, in accordance with Paragraph 48 of Sri Lanka Public Sector Accounting Standards 01, due to deductions made by officers during the payment of gratuity being credited to	Agree and instructions have been given to act in accordance with the matters indicated.	The Director (Finance) should ensure that income and expenditure have been accurately identified and reported separately before certifying the financial statements as per the Accounting Standards .

the relevant gratuity expense account without taking actions accordingly, the income and expenditure for the year under review had been understated by Rs.463,018 in the financial statements.

- (c) Even though the Phase II of the Boossa Ocean University Building had been completed on 04 November 2021, due to the fact that a sum of Rs. 16.36 million incurred for that purpose was not capitalized as building assets but was reported as work in progress, the value of the building in the year under review had been understated by that value and the value of the work in progress had been overstated by that value as per Paragraph 14 of Sri Lanka Public Sector Accounting Standards 07. Further, the depreciation value of Rs.1,174,594 for the period from 04 November 2021 to 31 December 2024 had not been disclosed in the financial statements.
- Agree and will be corrected in the accounts of the year 2025.
- It should capitalize the value of the building after the renovation work has been completed and to calculate depreciation in terms of Sri Lanka Accounting Standards.
- (d) Although service revenue should be recognized based on the percentage of completion as per Paragraph 16 of Sri Lanka Public Sector Accounting Standards 10, due to the fact that the income of Rs.22,008,750 received from
- Payments are made for the maintenance of the courses for years 1 to 3 and it is recognized as a current liability until the net profit is included in the statement of financial position for the year in which the relevant course ends.
- Service income should be recognized and accounted for based on the percentage of completion in terms of Sri Lanka Accounting Standards.

08 courses in the year under review was recognized under other income in the statement of financial performance and showing that value as income received in advance under current liabilities in the statement of financial position and deduction from surplus as an adjustment to the statement of changes in equity, current liabilities had been overstated by that amount and equity had been understated by that amount.

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| <p>(e) A total income of Rs.37,611,680 had been earned in relation to 20 courses and only an expenditure of Rs. 929,445 had been shown in the financial statements without taking into account the income earned per course in terms of Sri Lanka Public Sector Accounting Standard 10. Similarly, although an income of Rs. 5,725,950 had been accounted for in relation to 08 courses during the year under review, no any expenditure for that had been shown in the financial statements.</p> | <p>Expenses are not incurred at the beginning of the course and the revenue has been deferred for accounting at the time the expenses are incurred.</p> | <p>The total course income earned should be accounted for in terms of Sri Lanka Accounting Standards.</p> |
| <p>(f) Although cash received from non-exchange transactions should be recognized as income in the relevant year in accordance with Sri Lanka Public Sector Accounting Standards 11, due to the fact</p> | <p>Actions will be taken to submit to the Audit and Management Committee and to act on the recommendations of the Committee.</p> | <p>Cash received from non-exchange transactions should be recognized as income in the relevant year in terms of Sri Lanka Accounting Standards.</p> |

that the total amount of Rs.955,123,309 given to the University by the Government and projects prior to the year under review was not recognized as main income but was shown as a separate reserve in the financial statements, the accumulated surplus had been understated and the relevant capital and revenue reserves had been overstated by that amount.

1.5.2 Accounting Deficiencies

Audit Issue	Comments of the Management	Recommendation
(a) Due to the fact that the refundable library deposits of Rs. 1,550,832 collected from university students are shown as capital and reserves under the equity of the statement of financial position, the value of the equity as at the end of the year under review had been overstated by that amount and the value of the liabilities had been understated by that amount.	It is agreed and will be corrected in the accounts of the year 2025.	Assets, liabilities, income, expenses and equity should be accurately identified and accounted for.
(b) Current assets and liabilities had been understated due to the failure to record the total amount of Rs.2,966,856 receivable from 4 officers at the end of the year under review as receivables in relation to breaches of bonds made with the University when university lecturers went abroad.	It is agreed and actions will be taken to accrue the amount to be recovered in the year 2025.	Actions should be taken to recover the money from lecturers who violate bonds.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Issue	Comments of the Management	Recommendation
(a) Actions had not been taken even up to the end of the year under review to recover the balance receivable for more than 3 years amounting to Rs.13,329,183.	Although it was acting in accordance with the recommendations and approval of the Memorandum of Cabinet of Ministers with the approval of the University Governing Board as recommended by the Audit and Management Committee, the necessary approval has not been received to write off those balances to date.	The Accounting Officer should prepare a formal procedure for the recovery of receivables and issue written instructions.

1.6.2 Payables

Audit Issue	Comments of the Management	Recommendation
(a) Actions had not been taken even up to now to settle the balances amounting to Rs.3,546,667 for a period of 01 to 02 years and Rs.4,012,157, for more than 02 years, included in the balance payable. Actions had not been taken by now to settle accrued expenses amounting to Rs. 2,496,836 which have been outstanding for more than 02 years as at 31 December of the year under review.	The necessary proper approval has not been received to write off the balances and actions will be taken to adjust the unsettled accrued expenses to income in accordance with the Financial Regulations in the year 2025.	The Accounting Officer should prepare a formal procedure for the settlement of payables and issue written instructions.

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

Reference to Laws, Rules, Regulations, etc.	Non-compliance Rs.	Management Comment	Recommendation
(a) Section 396(d) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Actions had not been taken in respect of 16 cheques valued at Rs. 904,298 that have not been presented for payment for more than 06 months in terms of the Financial Regulations.	Arrangements are being made out in accordance with Financial Regulation 396.	Actions should be taken in accordance with the Financial Regulation regarding cheques that have not been presented for payment for more than 06 months.
(b) Finance Regulation 371(2) (b) as amended by Public Finance Circular No. 01/2020 dated 28 August 2020	Advances ranging from Rs. 103,000 to Rs. 1,047,596 had been given in 9 cases, in contrary to the provisions of the circular.	The relevant advances have been given focusing on practical issues in running programs due to the increase in program costs under the current inflationary situation.	Advances should not be given exceeding the financial limit of Rs. 100,000 that can be given as ad hoc sub imprests without Treasury approval
(c) Paragraph 5 of Treasury Circular No. BD/HRD/126/214/19 /2023 dated 18 January 2023	Actions had not been taken to remit the amount of Rs.3,119,677 recovered from 06 lecturers who violated the bond agreements entered into by university lecturers when they went abroad, to the Treasury.	Instructions have been given to act in accordance with Paragraph 5 of the circular letter.	Arrangements should be made to remit the money recovered from university staff members who have gone abroad with/without salary for academic purposes, to the Treasury.
(d) Section 66 of the Sri Lanka Ocean University Act, No. 31 of 2014	A sum of Rs. 2,619,166 had been paid as entertainment allowances to the academic and non-	Payments have been made under the approval of the Governing Council in	Payments should not be made contrary to Section 66 of the Sri Lanka Ocean University Act.

academic departments of the University in contrary to the Act as prescribed by the University Grant Commission Circular No. 06/2014 dated 26 March 2014.

accordance with the powers granted by the Sri Lanka Ocean University Grant Act.

- (e) Section 02 of the Gratuity Payments (Amendment) Act, No. 62 of 1992
- According to the calculations of the audit, the surcharge of Rs.715,458 payable to 06 officers due to delays in gratuity payments between 01 and 11 months had not been identified as surcharges payable in the year under review and accounted for.
- An amount of Rs. 715,458 has not been reported to the Accounts Division for payment as surcharge.
- If there are any surcharges payable due to late gratuity payments according to the Gratuity Payment (Amendment) Act, the officers in charge or heirs should be informed and the relevant payments should be made by taking a policy decision on this.

2. Financial Review
2.1 Financial Result

The operating result for the year under review was a deficit of Rs.14,554,243 and the surplus of the previous year as against to that was Rs.3,733,753. Accordingly, a deterioration of Rs.18,287,996 was observed in the financial result. The increase of salary and training expenses had mainly caused to this deterioration.

3. Operational Inefficiencies
3.1 Management Inefficiencies

Audit Issue	Comments of the Management	Recommendation
(a) A building had been rented on a lease basis to conduct academic and administrative activities a building had been rented on a lease basis to conduct academic and administrative activities in the year 2018 and a sum of	Even though the University had taken initial steps to construct a five-storied building with additional allocations of Rs.300 million by the National Budget Department in the year 2016, a building had	Actions should be taken to plan construction according to requirements and complete it on time.

Rs.200,724,819 and Rs.21,421,803 by 31 of December 2024 for building rent and water and electricity expenses respectively. However, although provisions of Rs.300 million had been approved in the year 2016, the building had not been constructed.

to be acquired on a lease basis following procurement methods to provide higher education student facilities due to the inability to construct the building. At present, the initial work on the project to construct a building complex for the University with Korean assistance has begun and is being implemented with the attention of the University and the Line Ministry.

- (b) An agreement had been entered into with a private institution under the World Bank assistance (AHEAD), for the period from 31 August 2021 to 26 February 2022 (180 Days) to automate the University's student affairs, examinations, finance, administration and other general operations under the name Integrated Education Management Information System (IEMIS) and the private institution had agreed to provide service facilities related to this information system up to 06 February 2027. Due to the failure to properly utilize all 14 modules created by this project even by 04 June 2025, the date of audit, the entire amount of Rs. 9,882,600 spent on the service including the cost of Rs. 2,675,400, had been useless. In addition, an Information Technology consultant was recruited on contract basis

Although there are software issues related to certain areas, several sectors are already using this. This was discussed at the Audit and Management Committee of the University and the IT consultant recruited to implement it has been assigned to submit a report to the Governing Council on the software and the problems encountered in its implementation. The report will be submitted to the Governing Council to be held in July 2025 and it has been decided to discuss the existing problems with the consulting services provider in detail and it has been decided to deploy the technical consultant recruited for this purpose on a full-time basis.

Actions should be taken to properly utilize all 14 models related to the information system.

from 05 June 2023 to 05 June 2025 and a monthly allowance of Rs. 80,000 had also been paid for this.

3.2 Delays in Project or Capital Works

Audit Issue	Comments of the Management	Recommendation
<p>Due to the total cost of Rs.6,494,108 incurred as consultation fees for preparing estimates for the construction of a five-storied building at the Head Office premises amounting to Rs.6,126,551 and for soil testing activities amounting to Rs.367,557 had become a useless expenditure Due to the fact that the construction of the building complex has not yet been completed due to the fact that the construction of the building complex had not yet been completed. Similarly, an expenditure of Rs. 1,513,936 had also been incurred for expenses including environmental certification in the year 2021 under the project to obtain concessional loan facilities.</p>	<p>Although the University had initially incurred an amount of Rs.6,494,107 for the preparation of estimates related to the construction of the building and soil testing as initial steps for the construction of a five-storied building based on the allocation of additional provisions of Rs.300 million by the National Budget Department in the year 2016, it was not possible to start construction on that building.</p>	<p>Actions should be taken to plan construction according to requirements and complete it on time.</p>

3.3 Human Resources Management

Audit Issue	Comments of the Management	Recommendation
<p>(a) There was a shortage of 158 employees for 32 approved positions related to the University and regional institutions and 37 employees</p>	<p>The recruitment of employees was delayed due to government recruitment restrictions and the problem with the</p>	<p>Actions should be taken to revise the staff according to the service requirement and</p>

had been employed in excess for 21 positions.

structure of the vocational technology sector and since the Prime Minister's Committee has approved the recruitment of only 60 essential positions at the University, it will be possible to complete recruitment for consultant positions on a contract basis.

maintain the approved staff.

(b) A sum of Rs. 12,351,193 had been paid as salaries and allowances during the year under review for recruiting for the posts of 09 excess officers without obtaining the approval for 08 posts from the excess posts mentioned in (a) above.

All recruitment have been made in accordance with the approved service numbers of the Department of Management Services and with the approval of the Governing Board.

Actions should be taken to revise the staff according to the service requirement and maintain the approved staff.