

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 2024 comprising the statement of financial position as at 31 December 2024 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 2024 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) The auditorium of the Faculty of Medicine incurred of Rs.189,170,790 for construction was not in a usable condition and had been accounted for as an asset in the year 2020 and accordingly, the building asset and work in progress were overstated and understated by that amount respectively. Although depreciation should be commenced from the date the asset is ready for use as per paragraphs 14 and 69 of Sri Lanka Public Sector Accounting Standards 07, contrary to that depreciation had been done. As such, the accumulated depreciation was overstated by Rs.38,622,370, the accumulated fund was understated by Rs. 29,163,830 and the surplus for the year under review was understated by Rs.9,458,540.	Since the construction of the auditorium had been completed and recorded as an asset and provision for depreciation was made from December 31, 2020. The work of installing the seats is being carried out by the Ministry of Education under the Science and Technology Human Resources Development Project, and accordingly, a portion of the seats already had been installed.	According to the Sri Lanka Public Sector Accounting Standards, it should be shown under work in progress without being recognized as an asset until it is ready for use.
(b) As per paragraph 19 of Sri Lanka Public Sector Accounting Standard 07, the amount of Rs.4,436,225 incurred in the year 2020 for providing electricity to the Information Technology Center at the Makandura premises was accounted for as an expense in the year under review instead of being capitalized under buildings. As such, the value of the building and	This payment for the transformer and other equipment installed by the Electricity Board and for the service fee and that the electricity transformer being an asset of the Electricity	Assets should be capitalized be accurately entered in accordance with Sri Lankan Public Accounting Standards.

	the surplus for the year had been understated by that amount in the financial statements.	Board, neither capitalization nor provision of depreciation can be made in the accounts of the University.	
(c)	The cost of road systems and interlocked block roads amounting to Rs. 36,671,442 and communication network equipment amounting to Rs. 15,607,903, which should be recognized as separate asset classes in accordance with paragraphs 19 and 58 of Sri Lanka Public Sector Accounting Standards 07 had been accounted for under land and office equipment and computer accessories respectively in the financial statements of the year under review.	Asset classes are classified and depreciation is calculated in accordance with University Grants Commission Circular No. 649 and 09/2022, and road systems are adjusted after assessing their value according to a formal methodology.	Assets should be shown under the correct classifications in accordance with Sri Lanka Public Sector Accounting Standards.
(d)	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 statements. Although 11 years and 08 years had passed since the revaluation of the lands and buildings owned by the University at Rs. 325,750,000 in 2013 and Rs. 3,784,300,000 in 2016 respectively, actions had not been taken to revalu again.	According to the letter addressed to the Accountant of the University Grants Commission by the Secretary of APFA, from the year 2024, the cost method used for the accounting of property, plant and equipment and the revalue asset classes had been accounted for at deemed cost, this had been stated under the accounting policies in the 2024 financial statements, so land and buildings had not been revalue.	Sri Lanka Public Sector Accounting Standards should be followed.
(e)	In accordance with paragraph 58 of Sri Lanka Public Sector Accounting Standards 07, when accounting for the assets completed and handed over by the City Development Project during the year under review, for the items of Furniture and office equipment, electrical and	The fair value of the buildings constructed and completed under the City Development Project and the value of the furniture had been	Assets should be accounted for under the correct classifications in accordance with Sri Lanka Public

fittings, and plumbing, sewage and drainage items with a value of Rs. 379,700,492, should be identified under separate classes of assets. However, these assets being recorded under buildings and depreciated at the percentage applicable to buildings, the depreciation for the year was understated by Rs. 9,210,753. Accordingly, the surplus for the year and the balance of property, plant and equipment in the statement of financial position were overstated by that amount in the financial statements.

accounted for according to the information provided.

Sector Accounting Standards.

1.5.2 Accounting Deficiencies

	Audit Observation	Comment of the Management	Recommendation
(a)	According to the financial circular letter of the University Grants Commission No. 01/2024 dated January 29, 2024, the interest of Rs. 12,517,718 related to the year under review for the balance due from the persons who breach the bond agreements had not been taken into account.	According to the decision of the 85th Audit Committee, it has been decided not to charge interest to those who make payments according to an approved payment plan.	The interest to be charged must be calculated and accounted for correctly as per the circular provisions.
(b)	Depreciation of the property, plant and equipment costing for Rs. 948,000,017 had not been calculated from the time they were ready to use. As such, the surplus and property, plant and equipment balance for the year had been overstated by Rs.21,305,996 in the financial statements.	This depreciation has been going on for a long time and appropriate steps will be taken after discussing this in the future.	Depreciation should be calculated from the date of ready for use in accordance with Sri Lanka Public Sector Accounting Standards.
(c)	Although the University had taken possession of the two plots of land of 214 perches in Makandura premises on 26 September 2024 under the provisions of Section 38(a) of the Land Acquisition Act, action had not been taken to account for during the year under review. Further, provision had not been made for 7 percent interest from the date of acquisition of possession in accordance with the relevant Act.	As no legal title deed has been given to the plots of land, its value cannot be included in the financial statements and the information is disclosed in the notes to the financial statements.	Assets owned by the University should be accurately identified and accounted for.

- (d) The surplus for the year was overstated by Rs. 608,573 due to the university contribution income from self-financing courses amounting to Rs. 2,214,330 relating to previous years being accounted for the year and the university contribution income amounting to Rs. 1,605,757 relating to the year under review not being accounted for the year. Also, due to the non-recognition of university contribution income of Rs.558,910 relating to previous years, the accumulated fund was understated by that amount.
- The adjustment of income related to previous years to profit and the non-accounting of income related to the year under review will be corrected and there is no shortage in the accumulated fund.
- The income for the year should be identified and accounted for correctly.

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) Section 11 of the Finance Act No. 38 of 1971	The University had invested a total sum of Rs.475,529,828 in fixed deposits as at 31 December of the year under review without obtaining the approval of the relevant Minister in charge of the subject and the Minister of Finance.	The approval of the University's Finance Committee and Governing Council had been obtained and steps will be taken to obtain the approval of the University's Finance Committee, Governing Council and the Minister of Finance for new fixed deposits to be initiated in 2025.	According to the provisions of the Finance Act, arrangements should be made to obtain the approvals related to the investment of excess money.
(b) Subsection 4(1) of the Gratuity Payments (Amendment) Act, No. 62 of 1992	Due to the delay in the payment of gratuity to 19 officers, action had not been taken to pay total surcharges of Rs.1,942,355 as per the provisions of the Act during the year under review.	It is not practical to pay the gratuity within 30 days and in accordance with Section 4.5 of Chapter V of the University Establishment Code, resignation from service shall be	Action should be taken in accordance with the provisions of the Gratuity Act.

made by the decision of the Governing Council, which is the appointing authority, and in accordance with Section 7.9; no payment due on termination of service shall be approved until the resignation is accepted and the fact that disciplinary proceedings are being taken against the employees while they are on academic leave on a bond agreement has caused the delay in their resignation.

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| (c) | Financial Regulations 133 and 134 of Financial Regulations of the Democratic Socialist Republic of Sri Lanka. | Although the internal audit division should be independent from the financial and accounting functions for independence, before making the contract bills and gratuity payments, the internal audit was involved to check the contract bills and recommend the payments and to confirm the correctness of the gratuity calculations and payments. | According to a decision made by the Audit and Management Committee in the year 2018, all bills were audited and the entire state university system itself will conduct a pre-audit of gratuity payments before sending them for payment. | Should be followed the Financial Regulations. |
| (d) | Section 3.1 of Chapter 09 of the Revised Establishment Code for the University Grants Commission and Higher Education Institutions | A sum of Rs.1,388,115,483 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. | The daily duties of a professor include delivering lectures, preparing for lectures, and performing academic and administrative duties. These duties | Actions should be taken in accordance with the provisions of the University Establishment Code. |

must be performed on a full-time basis throughout the year, and are not limited to 8 hours of duty but extend beyond that. As a general policy, academic staff in the Sri Lankan university system are not marked finger print or otherwise for entry and exit.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted a surplus of Rs. 1,299,949,538 and the corresponding surplus in the preceding year amounted of Rs. 348,844,769. Therefore a improvement amounting to Rs. 951,104,769 of the financial result was observed. The reason for the improvement is increase in income from non-exchange transactions in the form of capital had mainly attributed to this.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
(a) Action had not been taken by the University to legally acquire 22 acres of land in the Makandura premises, which had an assessed value of Rs. 40,000,000, which has been maintained by the University since 1999.	The rough estimate was sent to the Pannala Divisional Secretary on 23 March 2025 and the further steps to issue legal transfer papers for the lands will be taken by the Pannala Divisional Secretary.	Actions should be taken to take over immediately..
(b) An advance amount of Rs.1,013,750 for the acquisition of 03 paddy lands extent of about 74 perches and an amount of Rs.10 million for the acquisition of 05 acres of land belonging to the Coconut Research Board were paid in the year 2013 and 2014 to the Pannala Divisional Secretary and the Coconut Research Board respectively.	The rough estimate was sent to the Pannala Divisional Secretary on 23 March 2025 and accordingly, the Pannala Divisional Secretary will take further steps to issue legal transfer papers for the lands.	Actions should be taken to take over immediately.

Although about 11 years had passed since the payment, the said land had not been legally acquire to the University .

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| (c) | Due to the erroneous calculation of the bond value to be collected from a lecturer who breach the bond agreement, Rs. 4,666,714 was undercharged and the said outstanding bond amount was not recovered from the relevant lecturer or the responsible officers. | The bond value has been calculated according to the facts provided by the lecturer while taking study leave and after signing the bond, the value has been recalculated based on the documents submitted by her, but no confirmation has been given by the relevant foreign university to date. However, based on the findings of the government audit, the relevant recalculation is being carried out and steps are being taken to recover the money from her. | Actions should be taken to recover the correct bond values due. |
| (d) | During the physical inspection of Kuliapitiya Maintenance Warehouse on 20 December 2024, the stock books were not updated daily and no computer software was used to cover all activities for stock management. | That arrangements are made to use a computer package for inventory management in the maintenance warehouse. | Stock records should be updated and a computerized package should be used to cover all activities for stock management. |

3.2 Procurement Management

Audit Observation	Comment of the Management	Recommendation
Although 11 years and 5 months had passed since the expiry of the liability period for the retention money totalling Rs. 46,364,339 relating to 11 projects of the University, no action had been taken to release the retention money.	That an amount of Rs.533,393 had been released and Rs.1,023,823 will be taken as income and that the remaining amount will be released and necessary action will be taken accordingly.	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
(a) Laboratory equipment worth of Rs.8,013,485 provided to the Faculty of Medicine, Faculty of Technology and Faculties of Livestock, Fisheries and Nutrition of the University of Wayamba in the year 2020 and 2021 by the AHEAD project remained idle as at 31 December 2024, while the warranty period of laboratory equipment worth of Rs. 6,168,402 had expired by June 2024..	The RT-PCR machine and the construction of building had not been completed in the laboratory and the Fume Hood with Centrifugal Fan respectively, so it had not been possible to utilize. That the Biosafety Cabinet equipment was occasionally used in the testing activities carried out in relation to undergraduate and postgraduate courses.	Resources should be utilized efficiently and with maximum effectiveness.
(b) The community center, worth Rs.23,159,226, which was completed in 2020 and handed over to the Faculty of Medicine, had been underutilized for almost 05 years.	Although the Faculty of Medicine was built in 2019, for a future program when currently it has been unable to use the Community Medical Center at a permanent plan due to various reasons and it is used to collect the aid received during the economic difficulties and to store the high quality beds received for the wards of the Faculty of Medicine and keep them safe.	Urgent action should be taken to use the relevant building for its intended purpose.