**University Grants Commission - 2024**

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## 1. Financial Statements

### 1.1 Opinion

The audit of the financial statements of the University Grants Commission 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 Sub-Sections 12(4) and 8 of the Universities Act, No. 16 of 1978 and the National Audit Act No.19 of 2018. My comments and observations which I consider should be report to Parliament appear in this report.

The accompanying financial statements give a true and fair view of the financial position of the Commission 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 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 Commission'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 Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Commission 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 Audit Scope

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.

- 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 Commission 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 Commission'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 Commission and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Commission has complied with applicable written law, or other general or special directions issued by the governing body of the Commission,

- Whether it has performed according to its powers, functions and duties.

- Whether the resources 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.

| **Reference to Laws, Rules, Regulations etc.** | **Non-compliance** | **Comments of the Management** | **Recommendation** |
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| Section 07 of Chapter 5 of the Establishments Code for Higher Education and University Grants Commission Circular No. 2/2018 dated 17 December 2018 | No productive programme whatsoever had been implemented to recover a sum of Rs.2,840 million receivable from 587 officers who breached the bonds of academic and non-academic staff of 19 higher education institutions up to the end of the year under review and Rs.18 million receivable from 08 postgraduate grantees in the University Grants Commission from 2009 to 2018 . | Steps have been taken to take legal actions against grantees that have not yet paid the funds by the universities and granting for postgraduates were not made in the years 2022, 2023 and 2024 in accordance with the existing public finance laws and regulations. | Actions should be taken in accordance with relevant rules, regulations and circulars. |

## 2. Financial Review

### 2.1 Financial Results

The operating result for the year under review was a surplus of Rs.121.48 million and the corresponding deficit was Rs.49.88 million in the preceding year. Accordingly, an increase of Rs.171.36 million was observed in the financial result. The increase in other recurrent grants by Rs.378 million had mainly caused to this improvement.

## 3. Operational Review

### 3.1 Management Inefficiencies

| | Audit Observation | Comments of the Management | Recommendation |
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| **(a)** | A sum of Rs.1,148,000 had been paid to a private company in 2019 for the development of a software system of the University Grants Commission for collecting management information and it had been informed to audit that the relevant system has been in the testing phase since 2023. Although 6 years had elapsed by June 2025, the amount paid had become an uneconomic expense and due to the lapse of time, the audit could not be satisfied whether it was in line with current needs because of the failure of developing the software to a usable state. | Once the record monitoring process is completed, the software will be made available to the University Grants Commission and actions will be taken to check the software, make the balance payments, and capitalize the cost of the software. | Actions should be taken to identify the need and make payments. |
| **(b)** | Although appropriate steps should be taken and completed in a timely manner for complaints received at the Centre for Gender Equity/Equality, it had failed to provide solutions to 201 complaints by the end of the year under review from 366 complaints received by the said Centre from the year 2020 to 2024. | University authorities should take steps to resolve complaints and until the relevant issues are resolved and establish justice and fairness within each university, the Centre will pay attention to this and follow up on it and progress is discussed at every standing committee meeting. | Actions should be taken to take prompt and proper actions regarding the resolution of complaints. |
| **(c)** | An agreement has been entered into with the University Grants | It is expected to establish a complaints mechanism by | Actions should be taken to activate the relevant software or |

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| | Commission and the Information and Communication Technology Agency of Sri Lanka to develop a mobile application that will enable students/staff to seek immediate help in cases of bullying/sexual harassment and although a cost of Rs.715,360 was incurred for its preparation, no successful step whatsoever had been taken to develop that application until the end of the year. | introducing an emergency safety mobile app in 14 universities under this strategy and due to ICTA does not act in accordance with the agreement, according to the decisions of the Commission; the payment of annual fees has been suspended in the year 2021. | to recover the money paid. |
| **(d)** | Due to insufficient space and transportation difficulties in the 3,337 square feet building, which the Commission had obtained on a monthly rent of Rs.350,000 in 2017, the approval of the Director General of the National Budget had been received on 09 November 2020 to cancel the lease agreement and obtain a monthly rental of Rs.950, 000 for the 7,000 sq. ft. building located at No. 24 A, Ward Place, Colombo 07. However, contrary to that approval, the new building was acquired on a rental basis without cancelling the rental agreement, which had a monthly rent of Rs.350,000. As a result, a total of Rs.16,800,000 had been paid as building rent for that building from the year 2021 to December 2024 . | Due to the hindrance of maintaining two buildings on a rental basis with the approval of the Director General of the National Budget, the Commission decided at its meeting No. 1134 dated 07 November 2024 not to extend the old lease agreement further. | Actions should be taken as approved by the Director General of the National Budget. |

## 4. Accountability and Good Governance

### 4.1 Corporate Plan

| Audit Observation | Comments of the Management | Recommendation |
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| The University Grants Commission, which acts as the university regulatory body, had not prepared a Strategic Plan covering the year 2024 and it had been approved at the 1150th meeting of the University Commission dated 09 July 2025 after a delay of 18 months from the end of the year under review that the Strategic Plan prepared for the period 2019-2023 will be applied for the year 2024 as well. | Although the Strategic Plan for the next 5 years starting from 2024 is being prepared, delays have occurred due to the inability to fill the vacancy in the post of Director (Planning), the officer with primary responsibility for it, and the need to review those policies from time to time to align them with the policy priorities of the new government due to a change in government.<br>Accordingly, it was decided to extend the validity of the 2019 -2023 Strategic Plan to cover the year 2024 as well in order to prevent a policy gap and ensure continuity of the works. | Actions should be taken to prepare a comprehensive plan covering the specified period in a manner that enables the desired goals to be achieved. |