

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the University of Vavuniya 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 provisions of the National Audit Act No. 19 of 2018 and 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 of Vavuniya 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 of the University.

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 University's 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 body 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 the preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

No.	Non-Compliance with the Reference to Particular Standard	Management Comment	Recommendation
a.	Although the non-current assets valued at Rs.25,173,383 received from the Accelerating Higher Education Expansion and Development (AHEAD) project in the years 2020 and 2023 had been accounted for during the year under review, the surplus for the year and the accumulated surplus had been overstated and understated by that amount, respectively. Due to the understatement of the provision for depreciation in respect of those assets by Rs.3,909,742, the property, plant, and equipment had been overstated by that amount, and the surplus for the year and the accumulated fund had been overstated by Rs.1,566,371 and Rs.2,343,371, respectively, in the financial statements.	The Assets received from AHEAD donation are recorded in the books of accounts after approval of the Council. Even though the works have been started from year 2020 to 2023, the ownership of the assets was with AHEAD project until they are handed over to University, Therefore University couldn't record those until the handing over documents are received from AHEAD.	As per the Sri Lanka Public Sector Accounting Standards relevant accounting treatment should be done.
b.	Even though the fixed assets costing of Rs.26,708,241 as at 31 December 2024 had been fully depreciated, the useful lifetime of the non-current assets had not been reviewed annually in terms of paragraph 65 of the Sri Lanka Public Sector Accounting Standard 07, and they were being used further. Accordingly, action had not been taken to revise the estimated error in terms of Sri Lanka Public Sector Accounting Standard 03.	The University of Vavuniya is in revaluation process for the Lands, Buildings and Vehicles by the Government Valuation Department. This process is expected to be concluded by December 2025.	Do

- | | | | |
|----|---|---|----|
| c. | According to paragraph 83 of Sri Lanka Public Sector Accounting Standard 07, when a component of an asset is replaced, the cost of the component that is removed must be deducted from the carrying amount of the asset. Accordingly, it was observed that the value of Rs.3,500,000 for the new component had been added to the bus value without reducing the value of the removed part. | The individual assets code is assigned to individual vehicles with cost/revalued value. Therefore, the replaced value could not be ascertained at the time of rehabilitation of the particular vehicle. Once the revaluation process is concluded, the respective ledger value will be adjusted accordingly. | Do |
| d. | According to paragraph 69 of Sri Lanka Public Sector Accounting Standard 07, the value of an asset should be assessed from the time it is going to use. Accordingly, the ground floor of the university library building with a value of Rs.152,382,569 was handed over and got in to use in January 2023, and first floor of the building with the value of Rs.91,387,507 was handed over in November 2024. The total value of the building amounted Rs.243,770,076 had been accounted for 31 December 2024. Further, depreciation amount of Rs.7,238,172 and Rs.8, 108,041 had not been accounted for the year 2023 and 2024, respectively, as a result, the accumulated fund and the surplus for the year were overstated by the said amounts in the financial statements. | Completion certificate for this building has not been finalized as of 31st December 2024. Therefore, the expenditures are still reported as capital work in progress. This building was partially occupied by the university. This project was substantively completed as at 20th November 2024 and the handing over of building with the breakdown of assets list by assets classes were not given by the contractor. Therefore, this building was not capitalized during the year end of 2024. | Do |
| e. | Although goods valued at Rs.29,994,054 had been received during the period from January to March of 2025, which had been ordered in December 2024, had been accounted as liabilities and assets contrary to the paragraph no 07 of Sri Lanka Public Sector Accounting Standard 01 & paragraph no 19(a), (b) of Sri Lanka Public Sector Accounting Standard 08 in financial statement for the year under review. | The University of Vavuniya has one and only ongoing project library building with CESL from the year 2019 and it was dragged so long due to the Covid pandemic effect, financial crisis, unavailability of material in the country, import restrictions, reduction in capital impress and inefficiency of the constructors. So the procurement have been made in the later part of the year. And Purchased orders were made with the suppliers. There were items delivered, but not been tested to process the payment. Since this project were dragged so long, University of Vavuniya wanted to | Do |

complete this by the year 2024. Therefore, those were recognized as liability and the payment were made in the subsequent year.

1.5.2 Accounting Deficiencies

No.	Audit Issue	Management Comment	Recommendation
a.	The Digital Map software purchased in December 2023 for Rs.755,425 was recorded under trade and other receivables, instead of being recorded under intangible assets. As a result, non-current assets were under stated and current assets were overstated in the financial statements for the year under review by similar amount	The digital map has been purchased from the University Research Grant; therefore, this must be recorded as receivable from the Researcher under current asset. This will be capitalized under the respective receiving department, only after the research is completed.	Software should be accounted under the non-current assets at the time of position which available for use.
b.	The interest on investment amounting to Rs.6,602,525 and the amount of Rs.4,399,778 to be recovered for the breach of bond agreements had not been accounted during the year under review	Bond investment Interest is restricted use, and accumulated interest has been reinvested according to the Internal Audit circular letter 04/2019 issued by the UGC. The queried amount of LKR 49,173,656 is the cumulative capital and interest value from year 2012. and disclosures are based on the public accounting standards. Rs. 4,399,778.21, The Council, University of Vavuniya at its 39th meeting, decided to freeze the recovery process until the cabinet decision.	Interest revenue should be recognize on accrual basis and relevant income should be accounted for the relevant year and bond violations as per the agreement should be recognized as receivables in the financial statements.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Issue	Management Comment	Recommendation
The sum of Rs.15,057,433 had not been recovered from the bond violating period ranging from 01 to 02 years	Ms. Thusyanthy Lavan, Lecturer, Rs. 14,463,009.86 Balance up to 31 st December 2024 is correct. University has already initiated legal action through Attorney General's Department, and it is in the process to recover the balance. Dr. (Ms.). H.K.N. Sanjeevani, The	Action should be taken to recover the balances as soon as possible.

Balance of Rs. 926,067.82 to be received from the Pension Contribution. And it is awaited from the UGC for full settlement. Mrs. A.V. Ann Sinthusha, Lecturer (Prob.), Department of Physical Science A Total Bond amount was Rs. 4,399,778.21, The Council, University of Vavuniya at its 39th meeting, decided to freeze the recovery process until the cabinet decision.

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

No.	Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
a.	Section 11 of the Finance Act No. 38 of 1971 and University Grants Commission Internal Audit Circular Letter No. 04/2019 dated 29 July 2019	Approval had not been obtained from the Concurrent Minister and the Minister of Finance for the investments in fixed deposits amounting to Rs.49,173,656 during the year under review	According to the internal audit circular letter 02/2019 issued by the UGC, all short-term investments are subject to approval by the governing council. University is investing on fixed deposits at the government banks with the approval of the council.	Relevant approval should be taken for the investment as per the legal requirement.
b.	Paragraph 3.1 of Chapter XX of Establishments Code of the University Grant Commission and University Grants Commission Circular No. 10/2017 dated 10 July 2017	Without confirming the arrival and departure of 153 academic staff members, a sum of Rs.348,044,405 had been paid as salaries and allowances during the year 2024	It is the general practice in all the state University system that academic staff are not marking their attendance using the fingerprint machine or sign the attendance register.	Arrival and departure of academic staff should be recorded through finger scanners.
c.	According to Clause 5 of the circular letter No. BD/126/214/19/2023, issued by the Secretary to the Treasury on 18 January 2023, and addressed to the Secretary of the Ministry of Education.	The sum of Rs.8,551,518, which had been recovered from bond violators, had not been remitted to the Treasury.	According to the Commission Circular No: 737 of UGC, the utilization of interest gained from Bond Breach fund is stipulated.	Action should be taken to remit the relevant fund to the Treasury as per the circular requirement.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs 91,763,619 and the corresponding surplus in the preceding year amounted to Rs. 77,270,408 Therefore an improvement amounting to Rs. 14,493,211 of the financial result was observed. The reasons for the improvement are the increase in the recurrent grant, capital grant and gift & donations from non- exchange transactions

3. Operational Review

3.1 Operational Inefficiencies

No.	Audit Issue	Management Comment	Recommendation
a.	Out of 499 students enrolled for the 2018/2019 academic year, 77 students including 38 students who dropped out due to failing their examinations, had discontinued their programs without completion	The total dropped number of students in the academic year 2018/2019 is 30. Out of 30, five students have cancelled their registration for personal reasons. 25 students have failed to follow the program from the first year onwards without any information. Also at the Faculty level, the deans are in the process of establishing a formal mechanism to identify the causes of student dropouts and examination failures. This mechanism will include structured feedback collection, student counseling, and regular monitoring of academic progress. Based on the insights gained through this process, we aim to implement appropriate interventions and support systems to reduce the dropout and failure rates in future.	Action should be taken to reduce the discontinuing ratio of the degree program.
b.	Although 8,415 lecture hours were allocated for teaching 228 subjects with 205 lecturers in two faculties of the university for the second semester of the years 2021/2022 to 2023/2024, lectures had not been covered for 2,916 of these hours, representing 35 percent of the allocated lecture hours. Accordingly, students were not provided with complete knowledge during the entire lecture hours	The information gathered by the audit assistant from the department was based on attendance sheets, attendance sheets were not obtained for students engaged in industrial training, research projects, and Zoom classes. The administrative system will be regularized, and department heads have been instructed to maintain attendance records properly and ensure frequent documentation of attendance.	Assigned lecture hours should be covered by the relevant academic staff and the written document should be maintained to verify the performance.

3.2 Idle or underutilized Property, Plant and Equipment

Audit Issue	Management Comment	Recommendation
The constructed buildings and equipment valued at Rs.17,732,101, received from the Accelerating Higher Education Expansion and Development project had remained underutilized for the period ranging from 1 to over 4 years	<p>1.Construction and maintenance of Aquaculture Tank Indoor unit working properly and outdoor system could not function properly. However, efforts have been made continuously to rectify these issues.</p> <p>2. Construction of yoghurt production Units, Yoghurt is produced in dedicated production units based on demand and requests. Practical sessions related to yoghurt production are conducted as part of relevant course units, Research activities are also underway, focusing on the development of functional yoghurt by incorporating probiotics, bee products, and nannari, some research projects are currently in progress. All these activities are carried out in the constructed production units.</p> <p>3. Construction of Constructed wet land, In future, this may be used for research purposes as well. It is continuously functioning. Functioning is also monitored through student practical reports as well.</p> <p>4. Construction of hut for mushroom cultivation Mushrooms are cultivated for the practical sessions, for third year and second year students especially for enhancing students to learn about production techniques to promote self-employment. Works shops related to production techniques were conducted Students research related to substrate utilization was conducted. These activities are conducted in the hut.</p> <p>5. Construction of shed for silage production Although the facility does not operate continuously, production activities are carried out as needed for practical sessions and training programs. Additionally, a few undergraduate research projects have been conducted using this facility.</p> <p>Equipment belongs to the above units a are utilized above mentioned functioned. Plate making unit items Currently, the machine is under repair, and necessary action has been taken. Repair work is in progress and is being carried out by the concerned company.</p>	Action should be taken to utilize the assets efficiently and effectively for the intended purposes and documentary records should be kept to evaluate the usage of those assets.

3.3 Delays in Projects or Capital Work

Audit Issue	Management Comment	Recommendation
The sum of Rs.1,200,123 had not been charged as liquidated damages from the suppliers who had failed to supply the goods within the specified period.	The items were received on time; however, some modifications, installation, and shipping delays occurred. These delays were accepted as valid reasons, and therefore, liquidated damages were not deducted.	As per the bidding document liquidated Damages chargers should be deducted.

3.4 Human Resources Management

Audit Issue	Management Comment	Recommendation
Actions had not been taken to fill 137 vacancies in the academic and non-academic cadres of the University of Vavuniya as at 31 December 2024.	There are 137 vacancies exist in academic and non-academic cadre at the University of Vavuniya as of 31 st December 2024. As per UGC Finance Circular letter No. 07/2022 dated 09.08.2022, Suspended all recruitment due to economic crisis and we have already informed the difficulties to the UGC faced by the university without having required officers. We have been waiting for approval to fill all the existing vacancies at the university.	Action should be taken to full fill the approved cadre.