

1. Financial Statements

1.1 Qualified Opinion

The audit of financial statements of the Open 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 net assets 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 sub-section 107(5) of the Universities Act No. 16 of 1978 read in conjunction with provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka and National Audit Act No. 19 of 2018. 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 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 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 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 higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of University's 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. 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;
- 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 Audit Observations on the Preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the reference to the relevant Standard	Comments of the Management	Recommendation
(a) Due to a sum of Rs.18,445,093 spent during the year under review for the rehabilitation of buildings had been accounted for as expenditure without being capitalized to the Building Account as per Paragraph 22 of Sri Lanka Public Sector Accounting Standards 07, the balance of the Building Account and the surplus for the year had been understated in the financial statements by that amount.	It is accepted that inaccuracy of non-capitalizing of expenses incurred for laying electrical wiring and arranging shelves, amounting to Rs.7,715,487 and Rs.369,410 respectively, and as the other expenses were building repair expenses, they were not recognized as an addition to the carrying value considering as subsequent cost.	The nature of the expenditure should be accurately identified and action should be taken to capitalize.
(b) In accordance with Paragraph 19 of Sri Lanka Public Sector Accounting Standards 10, when the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction should be recognized at the reporting date, taking into account the completion status of the transaction, or in accordance with Paragraph 24, revenue should be recognized on a straight line basis over a specified period (range). Contrary to that, as the income and expenses from self-financed courses were not recognized in the period related to that course, a balance of Rs.387,379,120 had been shown under current liabilities in the statement of financial position as at 31 December of the year under	The University Fund is a statutory fund under Section 99 of the Universities Act, and under Section 101, the Bursar has the power to maintain sub-accounts, and therefore, the University does not have any non statutory funds. Since all universities do not follow the same procedure when accounting for funds received in various ways, the University Grants Commission discussed with the Bursars to take a decision in this regard, and the Chairman of the University Grants Commission has informed that a new circular will be issued in this regard.	Action should be taken to recognize Income and expenses in the relevant period.

review as short-term course income received in advance.

1.5.2 Accounting Policies

Audit Observation	Comments of the Management	Recommendation
Although it is the University's policy to recognize the 04 percent of the University's annual course fee allocation for providing Bursary fund as an annual expense, due to a sum of Rs.64,482,000 allocated to provide Bursary fund in the year under review had not been accounted for in the annual expenditure and the Bursary fund, the surplus for the year and the Bursary fund, were overstated and understated respectively by that amount in the financial statements.	That will be corrected in the next year.	The expenses of the year should be accurately identified for the relevant period.

1.5.3 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) As per the Circular No. 04/2016 dated 01 March 2016 of the University Grants Commission, the transfer of contribution to development funds from self-financing income to the University Fund should be made through Statement of Changes in Equity. Despite a sum of Rs.64,143,842 had been adjusted as an expense in the year under review in the financial performance statement as development fund contribution, the surplus for the year and the accumulated recurrent fund had been understated and overstated by that amount respectively.	That action will be taken by the Chairman of the University Grants Commission that a new circular to ensure that all universities follow the same procedure when accounting for funds received in various ways.	Action should be taken to make Transfers to the University Fund through the Statement of Changes in Equity.
(b) Interest income of Rs.44,708,669 earned from fixed deposits during the year under review had been directly credited to the fund accounts without being recognized as income in the statement of financial performance.	-do-	Actions should be taken to recognize all income related to the year as an income of the year.

(c)	The over allocation of Rs.8,024,655 made in the year 2023 had been deducted from the expenses of the year under review without being adjusted to the brought forward profit. As such, the surplus of the year and the accumulated surplus were understated and overstated by that amount respectively.	Action will be taken to rectify in the preparation of the 2025 financial statements.	Action should be taken to account for allocations in accordance with standards.
(d)	Retention amount of Rs.3,239,672 deducted from the first bill of the year 2019 in relation to the contract of the construction of the five storied building of the Faculty of Health Sciences had not been accounted for. As such, the work in progress account and retention balance in the financial statements had been understated by that amount.	Instructions had been given to the relevant officials to rectify.	Action should be taken to accurately account for retentions.
(e)	The advances of Rs.1,204,594 received by the printing press for carrying out printing works of other institutions since the year 2013 had not been taken in to the income despite the relevant works had been completed. As such, the accumulated surplus and advances had been understated and overstated by that amount respectively in the financial statements.	Action will be taken to settle the relevant accounts.	Action should be taken to settle the advances soon after the work is completed.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

	Audit Observation	Comments of the Management	Recommendation
(a)	An age analysis had not been submitted in relation to the receivable student income of Rs.932,483,803 by the end of the year under review to the audit.	Since the OMIS computer system contains information on not less than 400,000 students, it had not been possible to provide accurate age analysis due to the defects in the system.	Action should be taken to submit Age analysis information to the audit.
(b)	Action had not been taken to recover the distress loan	Action are being taken to recover the loan balances	Action should be taken to recover the

balances of Rs.485,128 due from 07 officers who had left the service from the 09 to 32 years from the relevant officers or guarantors.

from the persons who have submitted provident fund release papers to the Finance Division, and from others after receiving the provident fund release papers.

loan balances of officers who have left the service.

1.6.2 Payables

Audit Observation	Comments of the Management	Recommendation
An amount of Rs.16,220,166 payable for the purchase of goods from the year 2018 to 31 December of the year under review had been included under current liabilities without being settled.	Action will be taken to settle in the year 2025.	Action should be taken to settle the payables and release.

1.7 Non – Compliance with Laws, Rules, Regulations and Management Decisions etc.

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 and University Grants Commission Internal Audit Circular No. 04/2019 dated 29 July 2019	The University had invested a sum of Rs.3,315,778,764 in fixed deposits as at 31 December 2024, without obtaining the prior approval of the appropriate Minister and the Minister of Finance.	Since short-term investments cannot be delayed until Treasury approval is received, request letters for Treasury approval had been submitted to the Treasury at the time of investment on the instructions of Treasury officials.	Provisions of the Finance Act should be followed.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulations 571	Action had not been taken regarding retentions, bid securities and	Necessary action will be taken to release the bid securities as soon as possible.	It should be complied with Financial Regulations.

	performance securities totaled to Rs.16,626,979 for more than 02 years in accordance with Financial Regulations.		
(ii) Financial Regulations 756	A stock verification had not been conducted on library books cost at Rs.350,821,276 as at the last day of the year under review.	A stock verification of library book had not been conducted in the year 2024 and the necessary actions have been taken to conduct a verification in 2025.	-do-
(iii) Financial Regulations 371(5) as amended by Public Finance Circular No. 01/2020 dated 28 August 2020	Action had not been taken even by the end of the year under review to settle 33 ad hoc sub imprests which had been granted between the year 2019 and 2024 totaled to Rs.1,089,952.	It is stated that ad hoc sub imprest of the employee who had left the service without informing, at the release of the provident fund, and upon the completion of the investigation regarding the payment of Rs.30,090 for the year 2023 and the majority of the advances for the year 2024 have been settled and, the necessary actions are being taken to settle the remaining advances.	-do-
(iv) Financial Regulations 756 (6) introduced by Public Finance Circular No. 01/2020 dated 28 August 2020	Although the Board of Survey Report for the year under review should be submitted to the Auditor General before 31 March of the following year, the Board Survey Reports of course materials, drawing equipment and other stocks worth of Rs.16,707,354 of 03 divisions of the Head Office and 28 Regional Centers had not been submitted for audit even up to now.	Action will be taken to check the accuracy of the reports of the 03 sectors that have not been submitted and to forward them promptly.	-do-

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| (c) | Section 7.6 of Chapter V of the Establishment Code for the University Grants Commission and Higher Education Institutions | Action had not been taken to recover the total balance of Rs.284,510,353 due from 44 officers who had breached the bond agreements between the year 1984 and 2024 from the relevant officers or guarantors. | A letter has been submitted to the University Grants Commission requesting Cabinet approval to recover the remaining Provident Fund balances of thirteen (13) officers who have violated their bond agreements for more than ten years and have not provided letters of consent, to recover the bond values of six (06) officers from their Provident Fund accounts, to recover the dues of several other officers from their Provident Fund and gratuity payments with their written consent, and to recover the outstanding amounts from four (04) officers through legal proceedings. Reminders have been issued to the remaining officers. | Action should be taken in accordance with the provisions of the Establishments Code. |
| (d) | Treasury Circular No. 842 dated 19 December 1978 | A fixed asset register had not been prepared in respect of property, plant and equipment cost at Rs.19,788,066,126 and intangible assets cost at Rs.29,626,511 as at 31 December 2024. | Although the fixed asset register in the computer system is not operating, all information has been provided through detailed sub-schedules and notes in the final accounting reports. | The Circular provisions should be followed. |
| (e) | Treasury Circular No. BD/HRD/126/2 dated 14/19/2023 18 January 2023 | Action had not been taken remit the amount of Rs.12,693,868 recovered during the current year and amount of Rs.169,105,107 | The income received from breaching of University agreements has been dealt with in accordance with the provisions set out in University Grants | Provisions in the Treasury Circulars should be followed. |

received to the Commission Circular
treasury before that No.737.
breaching of bond
agreements.

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a surplus of Rs.1,209,721,310 and the corresponding surplus in the preceding year was Rs.726,456,883. Therefore, an improvement of Rs.483,264,427 in the financial result was observed. The increase in the students income by Rs.612,712,154 had mainly caused to this improvement.

3. Operational Review

3.1 Deficiencies in Contract Administration

Audit Observation	Comments of the Management	Recommendation
Although the works had been scheduled to be completed on 19 September 2022, under the design & build of the 5-storied building of the Faculty of Health Sciences with a total contract value of Rs.378,852,836+VAT, the contract had not been completed even by the date of this report. As per the observations of the Minister of Finance, Economic Stabilization and National Policies dated 25 January 2023, a sum of Rs.127,624,573 (including VAT) had been paid to the contractor as compensation without obtaining the recommendations of the Procurement Committee and the Technical Evaluation Committee.	Recommendations for all contract extensions had been obtained from the Vice-Chancellor and will be implemented in accordance with the Procurement Guidelines for the coming days from 28 February 2025. The three members committee appointed by the University to examine the price variations submitted by the contractor based on the prevailed situation in the country and the recommendations of the Ministry and made recommendations for payment, and the approval of the Procurement Committee has been obtained for this. In making these payments, the contractor had not been paid at once, and had been paid in percentages based on short-term targets for the construction of the contract.	Actions should be taken to complete the construction within the planned period as per the agreement and actions should be taken to obtain the recommendations of the Procurement Committee and the Technical Evaluation Committee when paying price variations.

3.2 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation
A bus, which was and completed in April 2023 designed as a mobile research laboratory with a cost of Rs.9,989,000, with the objective of to	It is not fair to measure performance by the number of kilometres driven, and a better indicator of performance is how	Actions should be taken to use it effectively for the purpose for which

be used for scientific exhibitions, field research and introducing new products to the public, had been driven only 404 km in 2 years and due to use only for scientific exhibitions on a few occasions it had been underutilized.

many students were taught or the number of times participated in various public exhibitions and about 300 students were taught last year, taken to various schools, and participated in public exhibitions using this mobile laboratory. Knowledge has been imparted to about 100 students per day over there, and further efforts are being made to use this mobile research laboratory more and more in collaboration with institutions such as the National Institute of Scientific Research.

it was purchased.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comments of the Management	Recommendation
Instead of an annually prepared Action Plan in accordance with Paragraph 2.3 and Annexure I of the Guidelines on Corporate Governance issued in accordance with the Public Enterprises Circular No.01/2021 dated 16 November 2021 of the Secretary to the Treasury, the University had prepared a five years Action Plan and each activity in it had not been identified the targeted time period during the year and the expected expenditure for each activity.	The Action Plan, including the time periods and estimated cost, as per Annex I of the Guidelines on Corporate Good Governance, will be submitted for audit very soon.	Actions should be taken in accordance with the Guidelines on Corporate Good Governance.