

1. Financial Statement

1.1 Opinion

The audit of the financial statements of the Gampaha Wickramarachchi University of Indigenous Medicine (“University”) for the year ended 31 December 2025 comprising the statement of financial position for the year then ended 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 Subsection 107(5) of the Universities Act No. 16 of 1978 and the provisions of the 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, the accompanying financial statements give a true and fair view of the financial position of the University as at 31 December 2025 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 determines 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 intends 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 of the University.

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 audit 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 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 audit 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 audit 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 had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Accounts Receivable and Payable

1.5.1 Advances

Audit Issue	Management Comment	Recommendation
A Senior Lecturer in the Department of Study of Ayurvedic Principles had submitted a project proposal with an estimated cost of Rs. 1,450,000 for a period of two years. However, the research grant advance of Rs. 160,000 obtained for the project in 2023 had been refunded after a period of nearly 12 months without conducting the said research.	The advance obtained had been refunded to the University, as there were difficulties in incurring expenses from the research grant when proceeding with the above study, due to the conditions imposed by the Research and Publications Committee regarding the expenses that could be incurred when research grants are utilized for field-based studies.	Research grants should be awarded only for research that can be conducted in compliance with the relevant conditions.

1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations etc.	Non-compliance	Management Comments	Recommendation
(a) Section 11 of the Finance Act No. 38 of 1971 and the University Grants Commission Internal Audit Circular Letter No. 04/2019 dated 29 July 2019	Although prior approval from the relevant subject Minister and the Minister of Finance was required when making investments, the University had invested Rs. 403,668,351 in fixed deposits as at 31 December 2025 without obtaining such approvals.	All investments relating to the year 2025 had been made based on the recommendations of the University Finance Committee and the approval of the Governing Council, in accordance with University Grants Commission Internal Audit Circular No. 04/2019. The investments relating to the year 2026 had been submitted to the	The relevant approvals should be obtained prior to investing funds, in accordance with the Finance Act and the applicable University circulars.

Ministry of Finance,
Planning and Economic
Development for approval.

- | | | | |
|--|---|---|---|
| <p>(b) Section 39(4) of the Public Financial Management Act No. 44 of 2024</p> | <p>Although, within one year from the date on which this Act came into operation, that is, before 07 August 2025, if it was deemed necessary to dissolve or continue any non-statutory fund, the fund should have been converted into a statutory fund upon a decision made by the Minister of Finance in consultation with the Secretary to the Treasury, three funds with a total value of Rs.2,453,143 had not been dissolved or converted into statutory funds.</p> | <p>These accounts were not accounted as fund accounts, but were accounted under separate expenditure heads within the University Fund.</p> | <p>Action should be taken in accordance with the provisions of the Act in respect of these funds accounted for under the University Fund.</p> |
| <p>(c) Paragraph 3.2 of the Guidelines on Corporate Governance issued in accordance with Public Enterprises Circular No. 2021/01 dated 16 November 2021 of the Secretary to the Treasury</p> | <p>Although the Annual Performance Review Meeting (APRM) should have been held within five months after the end of the financial year and prior to the submission of the Annual Report to Parliament, the University had not taken action accordingly.</p> | <p>It was stated that arrangements were being made to hold the Annual Performance Review Meeting (APRM) for the year 2025 during May 2026.</p> | <p>The Annual Performance Review Meeting should be held in accordance with the provisions of the relevant circular.</p> |
| <p>(d) Paragraphs 4.1.3 and 4.1.1(b) of the Procurement Guidelines for Goods, Works and Non-Consulting Services, published by the Gazette dated 25 November 2024</p> | <p>Every procuring entity is required to prepare a Master Procurement Plan for a period of three years, based on the Action Plan in accordance with the Medium-Term Budgetary Framework. Further, the Detailed Annual Procurement Plan should include, with specified time frames, the procurement activities, sub-activities, and relevant pre- and/or post-review activities for each procurement package, from the date of invitation for bids up to the award and completion of the contract. However, the University had not taken action accordingly.</p> | <p>The Procurement Plan for the period 2025–2027 was currently being prepared and that, upon receiving definite information regarding the annual allocations, the Procurement Plan had been prepared by the University and the necessary approvals had been obtained.</p> | <p>The Master Procurement Plan and the Detailed Procurement Plan should be prepared in accordance with the provisions of the relevant circular.</p> |

- | | | | |
|---|---|--|---|
| <p>(e) Paragraph 3.1 of Budget Circular No. 1/2025 dated 22 March 2025, issued by the Ministry of Finance, Planning and Economic Development.</p> | <p>Although it had been stated that allocations made for salaries and wages, medical supplies, contractual rent and local authority rates, retirement benefits, interest payments on public debt, welfare payments approved by the Cabinet of Ministers, and statutory or contractual obligations should be utilized optimally, and that it was the responsibility of the Chief Accounting Officer to ensure that other expenditures were incurred economically and with due control, the University had paid an insurance premium of Rs. 3,080,612 to a private-sector insurance company during the year under review to implement a health insurance scheme for 205 employees, without obtaining the approval of the Ministry of Finance or the University Grants Commission.</p> | <p>At the 912th meeting of the University Grants Commission held on 13 March 2015, approval was granted to establish a health insurance scheme for university employees with effect from 2015. Accordingly, a health insurance scheme was obtained for this University through the calling of open quotations.</p> | <p>Action should be taken in accordance with the provisions of the relevant circular.</p> |
| <p>(f) Paragraph 5 of the letter No. BD/HRD/126/214 /19/2023 dated 18 January 2023 issued by the Secretary to the Treasury.</p> | <p>Although it had been stipulated that, since the amounts recovered for breaches of bond agreements are primarily recoveries made to reimburse the expenses incurred by the Government during the relevant period on behalf of university staff members who obtained paid or unpaid foreign leave for academic purposes, the respective institutions should credit such funds to Government revenue immediately upon receipt without utilizing them for other purposes, the University had not taken action to remit to the Treasury the total amount of Rs. 9,577,618, including Rs.1,991,160 recovered during the current year for breaches of bond agreements.</p> | <p>It was stated that, in accordance with the University Grants Commission letter No. UGC/DA/F/Bond Violation dated 09 November 2022 instructions had been given to utilize those funds for the requirements of the University. Action was currently being taken accordingly and that the University had noted to act in accordance with any further instructions received from the University Grants Commission in this regard.</p> | <p>Action should be taken in accordance with the provisions of the circular.</p> |

1.7 Non-compliance with Tax Regulation

Audit Issue	Management Comments	Recommendation
In accordance with Paragraph 4 of the Inland Revenue Department Circular No. SEC/2023/02 dated 18 July 2023, the full value of benefits provided to employees in the form of travelling, transportation, or related facilities should have been taken into account when calculating Advance Personal Income Tax (APIT). However, contrary to this requirement, only 25 percent of such allowances had been taken into consideration in the calculation of APIT, resulting in an under-recovery of APIT amounting to Rs.1,056,150 in respect of six officers.	Action would be taken in accordance with the instructions received in this regard in the future.	The full value of the benefit should be taken into account when calculating Advance Personal Income Tax (APIT), in accordance with the provisions of the new circular.

2. Financial Review

2.1 Financial Result

The University's operating result of the year under review amounted to a surplus of Rs.192,135,139 and the corresponding surplus in the preceding year amounted to Rs.31,523,807. Therefore an improvement amounting to Rs.160,611,332 of the financial result was observed. The reason for the improvement is revenue increases from non-exchange transactions.

2.2 Trend Analysis of major Income and Expenditures

- (a) The total revenue for the year ended 31 December 2025 was Rs.1,267,949,293, showing a growth of 36 percent compared to the previous year, where it was Rs. 954,171,502 in 2024.
- (b) The total operating expense for the year under review was Rs.932,470,512, which represents an increase of Rs. 126,982,015 or 16 percent compared to the previous year, where the total operating expenses was Rs. 805,488,497 in 2024.

3. Operational Review

The objectives of the University include developing the University to improve indigenous medical education, enhancing access to public higher education in indigenous medicine by improving the quality of such education, and promoting academic excellence through high-quality research and innovation in the field of indigenous medical education.

To achieve these objectives, 14 departments have been established under four faculties, namely the Faculty of Indigenous Medicine, the Faculty of Indigenous Health Sciences and Technology, the Faculty of Indigenous Social Sciences and Management Studies, and the Faculty of Postgraduate Studies. These faculties offer 9 basic degree programmes and 6

postgraduate programmes. In 2025, the University had enrolled 505 students at the undergraduate level and produced 83 graduates and 43 postgraduate graduates.

3.1 Management Inefficiencies

Audit Issues	Management Comments	Recommendation
(a) The entire internal control process of the Ayurvedic Medical Center, including the provision of services, charging fees, and issuing receipts, had been entrusted to a doctor who was recruited on a contract basis in a very weak manner, without introducing a strong internal monitoring system to minimize fraud and corruption.	Instructions have been given to review the “Siya Suwaya” project proposal. Accordingly, the revised project proposal will be submitted to the Governing Council in May 2026 for approval, and action will subsequently be taken to implement the activities included therein.	Formal internal control procedures should be introduced and implemented to ensure that the provision of services and collection of revenue at the Ayurveda Medical Centre are carried out in a properly controlled manner.
(b) According to Paragraph 4(i) of University Grants Commission Circular No. 01/2022 dated 03 January 2022 and Paragraphs 2.6 and 2.9 of Chapter XXIII of the Establishments Code for the University Grants Commission and Higher Education Institutions, where the library collection is less than 100,000 items, library materials should be verified annually, and the Boards of Survey should conduct surveys of library books, periodicals, and other such materials. However, a Board had not been appointed to conduct the survey of library books.	The survey of library books would be conducted in accordance with Paragraph 2.15 of Chapter XXIII of the University Grants Commission Establishments Code.	A survey of library books should be conducted in accordance with the relevant circular.
(c) In accordance with Section 3.1 of Chapter IX of the Establishments Code for the University Grants Commission and Higher Education Institutions, an electronic fingerprint machine or other similar device should be used to record the attendance and departure of persons employed at a higher education institution/institute. In the absence of such a device, an attendance register should be used to record their arrival and departure. However, during the year under review, the University had paid Rs. 312,696,970 as salaries and allowances to the academic staff without formally	It was stated that salaries are paid upon confirmation of the attendance of all academic staff attached to the respective department by the Head of the relevant Department, and that action had been taken in accordance with University Grants Commission Internal Audit Circular No. 01/2018 in this regard.	A formal system should be established for recording attendance, departure, and leave in accordance with the provisions of the Establishments Code.

verifying their attendance and departure through an attendance register or electronic recording device.

3.2 Management Inefficiencies

Audit Issue	Management Comments	Recommendation
(a) Due to the declining student interest in the University and the reduced demand for its degree programmes, during the past five years, there had been a shortfall ranging from 19 percent to 64 percent between the number of students stipulated for enrolment at the University by the University Grants Commission and the number of students actually enrolled by the University in each academic department.	The Ministry of Higher Education and the University Grants Commission are currently working together through specially appointed committees to resolve the issues relating to the degree programmes.	A new programme of action should be implemented to resolve the existing issues relating to the degree programmes and enhance student interest.
(b) A significant number of students who sat for examinations in three departments of the Faculty of Indigenous Health Sciences and Technology during the academic years 2020/2021, 2021/2022, and 2022/2023 had failed the examinations. The percentage of students who failed ranged from 26 percent to 70 percent of the students who sat for the respective examinations.	All responsible officers, including the Dean of the Faculty of Indigenous Health Sciences and Technology, had been informed of their responsibility to improve student pass rates and produce more effective graduates for the job market. It was further stated that the Faculty had already taken measures to enhance students' interest in the subjects by organizing dissertation activities, field visits, guest lectures, various workshops, and other related activities.	The reasons for students failing the examinations should be investigated, and appropriate measures should be taken.
(c) In accordance with University Grants Commission Circular Letter No. 15/2015 dated 17 November 2015, examination results are required to be released within three months from the date on which the examinations are conducted. However, it had taken between five and eleven months to release the examination results for 82 subjects offered under eight degree	The delays in releasing the examination results were attributable to various factors, including the need to formulate by-laws for degree programmes, staff shortages, strikes by academic and administrative staff, external lecturers taking longer than expected to submit the required work, rectification of errors and issues relating to	Necessary arrangements should be made to release examination results within three months from the date of conducting the examinations.

programmes.

by-laws identified at pre-results committee meetings, and the processing of medical certificates submitted by students.

- | | | |
|--|--|--|
| <p>(d) In terms of Paragraphs 4.10 and 4.10(a) of Chapter XXIII of the Establishments Code for the University Grants Commission and Higher Educational Institutions, unserviceable assets accumulated at an institution should be disposed of every three months (03) by following appropriate procedures. However, action had not been taken to dispose of the items identified for disposal through the Board of Survey conducted in 2024.</p> | <p>Quotations have now been called for the auction of the goods identified for disposal.</p> | <p>The goods identified for disposal through the Board of Survey should be disposed of promptly.</p> |
|--|--|--|

3.3 Idle or underutilized Property, Plant and Equipment

Audit Issue	Management Comments	Recommendation
(a) Under the “Siya Suwaya” Project, 10 trade stalls constructed at Vikum Uyana at a cost of Rs. 2,183,000 had remained idle and unused.	The relevant officers had been instructed to take prompt action to properly utilize the constructed trade stalls and increase revenue generation.	The aforementioned trade stalls should be utilized for productive purposes.
(b) A considerable quantity of assets, including beds, chairs, and tables belonging to the Department of <i>Kaumarabhuthya</i> and Gynecology, had been accumulated and remained unused on the third floor of the rented building housing the Ayurvedic Treatment and Consultation Centre under the “Siyasuwaya” Project.	These equipment had been provided for use during the weekends in the beauty therapy courses conducted under the Department of <i>Kaumarabhuthya</i> and Gynecology.	The Departments of <i>Kaumarabhuthya</i> and Gynaecology should be developed to facilitate their prompt utilization.

3.4 Delays in Projects or Capital Work

Audit Issue	Management Comments	Recommendation
Although 11 operational activities had been planned for the Ayurveda Treatment and Counselling Centre belonging to the 'Siya Suwaya' project, 06 of the proposed activities had not been commenced even after more than a year since the start of the project. Furthermore, despite more than 1 ½ years having passed since	The “Siya Suwaya' project proposal will be reviewed, and necessary actions will be taken to implement the activities included therein in the future.	All activities included in the project must be completed expeditiously.

the operations of the local food outlet began, it had failed to commence 05 out of the 11 activities included in the project proposal.

3.5 Procurement Management

Audit Issue	Management Comments	Recommendation
Due to the leasing of 12 hostels from the private sector for 189 male students and 299 female students without a proper assessment of the residential facilities required by the university undergraduates, hostels had been unnecessarily rented for a total of 81 students, consisting of 30 male students and 51 female students.	Hostel facilities have currently been provided by utilizing the full capacity.	Action should be taken to rent hostels after forecasting the exact requirement.

3.6 Management of Vehicle fleet

Audit Issue	Management Comments	Recommendation
(a) In terms of paragraph 02 of the Asset Management Circular No. 2/2017 dated 21 December 2017 every government institution must register every government-owned vehicle used by it under the name of that respective institution. However, action had not been taken to legally acquire 06 government vehicles received by the University during the years 2022 and 2023.	Actions are currently underway to legally transfer the ownership of the vehicles.	Action should be taken to register all vehicles in use under the name of the institution.
(b) In terms of paragraph 3.1 of Public Administration Circular No. 30/2016 dated 29 December 2016 regarding the maintenance of government vehicles, a fuel test must be re-conducted upon whichever occurrence comes first: a lapse of 12 months from the previous fuel test, completing a running distance of 25,000 km, or following a major engine test. However, the University had failed to comply with this requirement.	Instructions have been issued to act accordingly in the future.	Fuel tests must be conducted in accordance with the provisions of the circular.
(c) In terms of Financial Regulation 1645(a) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka, a vehicle log book must be	Instructions have been issued to update and maintain the vehicle log books properly, and action	Log books must be maintained in accordance with financial regulations.

maintained for each vehicle using General Form 267. However, the University had failed to maintain such records in an updated and complete manner.

4 Accountability and good governance

4.1 Budgetary Control

Audit Issue	Management Comments	Recommendation
The Stage 2 cost estimate of the "Siya Suwaya" project, which was Rs. 14,862,500, had been revised up to Rs. 34,718,179, representing a cost increase of 134 percent. Accordingly, the budget had not been utilized as an effective control tool.	The 134% increase in expenditure between the initial budget and the second revised budget was due to the allocation of provisions within the budget for customer feedback, new designs identified by the Project Management Committee, and proposed construction work required for the project.	Budgets should be prepared with accurate forecasting.