

**1.1 Opinion**  
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The audit of the financial statements of the Open University of Sri Lanka for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 a summary of significant accounting policies, 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 sub-section 107 (5) of the University 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 report 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 2019 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**  
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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**  
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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 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 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 Auditor's Responsibility for the Audit of the Financial Statements

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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 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 Financial Statements

### 1.5.1 Internal Control over the preparation of financial statements

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recomdation
Section 7.6 of Paragraph V of the Establishment Code for the University Grant Commission and the Institute of Higher Education	36 Officers who had gone abroad on study leave from the year 1989 to the year 2016 had not reported for duty and due to breach of bond agreements a sum of Rs. 67,132,548 had not been recovered even at the end of the year under review.	Out of the officers who had breached the bond from year 1989 to year 2015, recoverable amount from 03 officers will be recovered from the Profident Fund. Legal action had been taken for other 11 officers. Out of them 08 have left their addresses and are unable to proceed further.	Action should be taken to recover the receivable amount.

## 2. Financial Review

### 2.1 Financial Result

According to the financial statements submitted, the financial result of the University for the year ended 31 December 2019 had been a deficit of Rs. 528,714,822 and the corresponding deficit had been a Rs. 352,552,779 for the preceding year, thus indicating a deterioration of Rs.176,162,043 in the financial result was observed. The increase in academic service expenses was the main reason for the deterioration.

### 2.2 Ratio Analysis

- Profitability Ratio

Due to the deficit for the year under review was Rs. 528,714,822 and the total revenue was Rs. 3,224,090,058, the Profitability Ratio was negative at 16.4 percent and preceding year this ratio was negative at 13.8 percent.

- Current Ratio

Due to the total current assets for the year under review were Rs. 826,651,804 and current liabilities were Rs. 654,608,749 , the Current Assets ratio was 1.26:1 and observed that the previous year ratio was 0.9:1.

## 3. Operational Review

### 3.1 Management Inefficiencies

<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a).The total amount due from 25 officers who resigned due to various reasons during the period from 1992 to 2019 was Rs. 1,186,370, but action had not been taken to recover even by May 2020.	Due balances of the employees who had resigned from the university will be recovered upon release of their provident fund.	Action should be taken to recover the loan balances due from the resigned officers.
(b).Even though buildings valued for Rs. 576,890,180 have been constructed in 18 regional Centers and Study Centers used by the University at the end of the year under review, no action had been taken to obtain the legal ownership	Requests have been made to acquire the relevant lands free of charge under Section 6 of the Land Ordinance for land acquisition. Also, this issue was brought to the attention of His Excellency the President.	Action should be taken to get the legal ownership of the relevant lands.

of the land on which the construction had taken place even by June 2020.

### 3.2 Human Resources Management

Audit Observation	Management Comment	Recommendation
(a). A sum of Rs. 48,682,049 had been incurred for the service of external lecturers during the year under review due to there were 119 vacancies in the approved academic cadre as at 31st December 2019.	Due to various issues recruitments for the vacancies were delayed for several months, action are being taken to fill the vacancies in the posts of lecturers. Even if recruitments are made for temporary academic posts, it will take a considerable time to fill the recurring vacancies. Academic Assistant Staff positions are stated as "personal to the holder" in the cadre Report, cannot be re-recruited when those positions are become vacant.	Action should be taken to fill the vacancies.
(b).150 vacancies including 27 Administrative, Financial and Executive posts and 123 other Academic cadre were available as at 31 December 2019 and a sum of Rs. 50,235,891 had beenpaid as holyday payments and overtime during the year under review.	Recruitment to fill 4 vacancies in the Finance and Executive posts are in progress. Recruitment to the post of Assistant Registrar is done by the University Grants Commission. The Line Ministry approval should be taken to fill the vacancies in non-academic cadre and it will take time. According to the recruitment scheme when filling most of vacancies first internally, vacancy in another post is created. Also, many vacancies in the non-academic staff have to be filled on the basis of the name lists of the Ministry of Higher Education. Due to the salary revision of the university staff according to the circulars of the University Grants Commission with effect from 01.01.2019, the overtime allowance has been increased.	Action should be taken to fill the vacancies.

#### **4. Accountability and Good Governance**

##### **4.1 Budgetary Control**

<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
Variances ranging from 31 percent to 73 percent in 04 recurrent expenditure subjects and savings of 66 per cent in the capital expenditure subject were observed when comparing the actual expenditure with the budgetary expenditure for the year under review.	Due to the facts such as non-academic staff strike in 2019, the Easter attack and the inability to carry out the planned academic / non-academic activities for the year 2019 as planned were mainly affected to the actual expenditure was lower than the cost.	The budget should be made use of an effective instrument of financial control factor.