

1.1 Opinion

The audit of the financial statements of the University of Sri Jayawardenapura for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 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 the provisions in 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 financial statements give a true and fair view of the financial position of the University as at 31 December 2018 and 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 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 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.

1.5.2 Accounting Deficiencies

Audit Observation	Management Comment	Recommendation
(a) The income and expenditure of self-financing programs should be equal, but the excess expenditure over the income of three departments amounted to Rs. 1,801,162 had been recorded as expenses in the financial performance statement and the deficit of the year was over stated by that amount.	Reason for showing debit balance in the respective accounts was that expenses were incurred before the course fee was charged. The Sustainable Development Fund accounts were applicable to all academic departments and the credit balance of respective ledger accounts were transferred to the General Reserve in the year 2013 through a journal entry. As a result, the respective accounts had a debit balance.	Self-financing courses should be cost-effective and expenditure over income should not be settle by government grants and other revenues shown in the Financial Performance Statement.

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| <p>(b) An interest income amounted to Rs. 216,821 received for eight gift funds relevant to the previous year had been recorded as income in the year under review instead of adjusting to the previous year income.</p> | <p>Interest income amounted to Rs. 216,821 in respect of savings accounts for the year 2017 had not been included in to the final accounts for the year 2017 and had been taken in to accounts in the year 2018.</p> | <p>Action should be taken to match the yearly income periodically.</p> |
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1.5.3 Unauthorized Transactions

Description of unauthorized transaction	Management Comment	Recommendation
<p>A sum of Rs. 290,214,000 had been invested in fixed deposits by the University without approval of the University Grant Commission in the year under review in term of the 45.2 (XV) of the University Act No. 16 of 1978.</p>	<p>At the occasion that surplus money is available, that money will be deposited in a government bank giving highest interest rate. Taking approval will get some times and the covering approval had been taken for Rs. 290,214,000.</p>	<p>Should act according to University Act.</p>

1.6 Accounts Receivable

Audit Observation	Management Comment	Recommendation
<p>(a) Due to the inaccurate valuation of bonds, in the recovery of bonds, resulting in an overcharge of Rs. 400,737 from 7 Officers and therefore, the bond balance was understated by that amount as at 31 December of the year under review.</p>	<p>Excess receipts of bond values from two officers' had been corrected in the year 2019. The values of the remaining five officers will also be corrected in 2019</p>	<p>All bond balances should be reviewed and activities in recovery should be done properly. Also, records should be systematically maintained.</p>
<p>(b) Action had not been taken to settle more than a year old Tender deposits amounting to Rs. 1,109,500 in the year under review.</p>	<p>Non-refundable Tender Deposits for the years 2014, 2015 and 2016 had been adjusted to the income of the year 2018 and unsettled tender deposits of more than one year which had not been claimed will be settled this year.</p>	<p>Must act in accordance with the Financial Regulations.</p>

;)Action Library deposit more than 05 years old amounting to Rs. 519,200 had not been taken to the income of the University. The relevant library deposits were refundable deposits and were often received from the students who had not yet completed the course. Deposits will be refunded upon completion of the courses. Action should be taken to get the deposits who had completed the course in to the income.

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

	Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a)	Section 44 (1) (V) of University Act No. 16 of 1978 as amended by Act No. 07 of 1985	The University Grants Commission had appointed 21 members to the Governing Council of the University. However, despite the possibility of appointing a representative from the administration field from the Ministry of Public Administration and the representative from the General Treasury, attention had not been made in this regards.	The University Grants Commission should appoint external members under the Universities Act No. 16 of 1978.	Since the University receives Treasury grants, management should focus on participating in a Treasury Representative.
(b)	Chapter XXIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka	Even though the loan installments from employees should be recovered continuously and monthly, from 22 officers who had total debt balances of Rs. 2,431,720 / - as at 31	Loan balances had been transferred from 08 of the officers transferred to other universities and from 2 employees upon the dismissal steps had also been taken to	Action should be taken to recover the loan installments monthly and continuously as per the provisions of the Establishments Code.
(i)	3.7. And 3.8 paragraphs			

December 2017 had not been recovered so monthly and continuously. settle the Provident Fund. Due to the reasons stated above, the loan had been fully settled, not in installments. Out of the remaining two employees, action had been taken to recover the loan balance from the Provident Fund due to resigned from the service. Necessary steps are being taken to recover the loan balances from other employees.

- (ii) Section 3.18

Without recovering or making sufficient recovery arrangements of total distress loan balance of RS. 384,870 from 04 officers, no pay leave had been granted.

Action had been taken to recover the loans before giving no pay leave presently and the loan balance had been received by the University on 29.05.2019 from the officer bearing the salary No. 3805. Delay was occurred due to not receiving consent for recovering of 03 months salary from the Employees Provident Funds of lecturer's bearing salary No. of 8061, 7729 and 6682,

Establish systematic control strategies for collecting loan balances when granting no pay leave.
- (c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka
Financial Regulation 752 (2) (a)

A board of survey report of assets held at the University as at 31 December of the year under review had not been submitted to the Auditor General.

A recent report has been provided.

Action should be taken to issue the goods survey reports within the stipulated time as per the financial regulation.

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| (d) | Establishment Code of University Grants Commission and Higher Education | Instructions had been given at the Committee on Public Enterprises (COPE) to establish a mechanism to verify in and out and leave of academic staff, had not been complied to that. | As this is a matter of concern to the entire university system itself, the University Grant Commission should advise on how to take a decision in this regard. | Complied with the Establishment Code of the University and the recommendations of the Committee on Public Enterprises. |
| (i) | Section 3.1 of Chapter 20 and Section 1.6.1 of Chapter 10 | | | |
| (ii) | Paragraph 2.1 of Chapter XXVI | Even though all goods and fixed assets belonging to the Institution as at the close of the financial year should be verified by a Board of Survey appointed for the intended purpose, the University had not conducted a board of survey of library books since 2015. | Because there are so many library books in the University, it is difficult to conduct an annual survey. Instructions had been given to conduct a Board of Survey once in five years. | Should act in accordance with the Establishments Code of the University. |
| (e) | Treasury Circular No. HAI / 2002/02 dated 28 November 2002 | In terms of the circular, a fixed assets register had not been maintained with regard to computers and accessories, | Had been included in to the available fixed assets register. | Should act according to the circulars. |
| (f) | Section 06.05.1 of the Public Enterprises Circular No. PED / 12 dated 02 June 2003 | A copy of the draft Annual Report along with the Annual Financial Statements had not been submitted to the Auditor General. Further, Annual Reports for the years 2016 and 2017 were not tabled in Parliament. | It had been handed over to the Ministry | Should act according to the circular. |
| (g) | University Grants Commission Circular No. 13/2015 dated 18 | In addition to the approved monthly fuel liter of 140, additional | In terms of the circulars, the Governing Council | Should act according to the circular. |

September 2015

fuel of liters 6,272 had approved
valued for Rs. 757,719 additional fuel as per
had been used by the the requirement,
07 Deans of the
Faculties in the
University for the
allocated vehicles
during the year under
review.

The Deans of the
Faculty of
Management and the
Faculty of Engineering
had exceeded their
approved fuel limit and
had used additional
fuel of liters 2,624
valued for Rs. 344,598
and additional fuel of
litter 1282 valued for
Rs. 173,556
respectively.

1.8 IT General Controls

Audit Issue

Due to deficiencies in the Salary reporting computer software system of the university, the audit of the computer system in August of the year under review by a private audit firm identified 26 application control risks and 25 IT control risks. Therefore, the audit was not satisfied with the accuracy of the value of the total amount paid as employees remuneration amounted to Rs. 2,989,043,825 for the year under review.

Management Comment

The audit was carried out by the External Audit Institute on the recommendations of the Management and Audit Committee of the University and action was taken to rectify these shortcomings once again in consultation with the Management of the University. Accordingly, the Internal Control system had been corrected according to these recommendations and ensured that the salary calculation is correct. Checking the salary to enter to the computer system, and the approval had been made prior to payment and accordingly the salary had been paid.

Recommendation

Shortcomings should be identified and rectified those shortcomings or introduce a new computer system.

2. Financial Review

2.1 Financial Result

The operations for the year under review had been a deficit of Rs.159,969,855 as compared with the corresponding deficit of Rs.224,091,778 for the preceding year, thus indicating an improvement of Rs.64,121,923 in the financial result. Despite of increase in the expenditure by Rs. 1,008,282,778, increase of Government Recurrent Grant by Rs. 815,768,897, increase of Internal Income by Rs.106,875,328, and increase in Amortization by Rs.153,094,571 had been the main reasons for the said improvement.

2.2 Trend Analysis of major Income and Expenditure items

The following observations are made.

- Government Grants represent for more than 77 percent of the university's total revenues and Government Grants had increased by 25 percent compared to the previous year.
- Employee remuneration, including gratuity, for the year under review was Rs. 3,031.23 million and it was an increase of 22.47 percent compared to the previous year. Out of total Government recurrent allocation of Rs. 3,977.93, a sum Rs. 3,031.23 million or 76.2 percent was spent on Employee remuneration and from the total government recurrent provision a sum of Rs. 946.7 million, or 23.8 percent had only been incurred for all other expenses of the University.
- The University's maintenance cost increased to Rs. 74.4 million by 107 percent during the year under review, from Rs.35.9 million in the previous year.

2.3 Ratio Analysis

Profitability Ratio

The deficit for the year under review was Rs. 159,969,855 and total income was Rs. 5,649,251,082, and the profitability ratio stood at 2.83 percent which stood at 5.23 percent in the previous year.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
(a) Fifty Four students had not been recruited to the five faculties of the University for the academic year 2017/2018.	Students had been recruited according to a schedule sent by the University Grants Commission.	An appropriate programme should be kept in place to accommodate students in next lower step for the students who do not attend.

As a result of breach of bonds, the outstanding total balance of Rs. 119,464,310 (b) should be received from 42 lecturers at the end of the year under review. Out of such recoverable balance a value of bonds for more than 10 year was Rs. 52,706,308 and less than 10 years balance was Rs. 6,785,622. The balance of even the year in which the bond was breached was Rs. 4,972,380.

Arrangements were made to recover Rs. 4,825,279.52 as on 31.05.2019 out of the outstanding bonds value of Rs.119,063,568 as at 31.12.2018. While continuing to recover bonds a proposal had been forwarded to the University Grants Commission regarding the requirement of recovery more efficiently.

Action should be taken to recover all bond balances. Management should also focus on strengthening the terms of the agreement so that such bonds do not breach.

Due to non-utilization of due PAYE tax cycle for 03 officers, when employing officers who come on sabbatical leave from other universities, a sum of Rs.318,850 had been taxed less when calculation of their payment of remuneration.

Officers were informed to refund the less PEYE deductions.

Taxes should be recovered from existing officers before the completion of the sabbatical leave, and action should be taken to inform the relevant universities about the officers of other universities.

3.2 Operational Inefficiencies

The following observations are made

Audit Issue	Management Comment	Recommendation
<p>a) According to the financial statements, though the total of the fixed assets of the university as at 31 December 2011 was Rs. 11,170,465,273, to verify that the fixed asset software did not have the capability to get the total of existing balances of that day.</p> <p>Further, after the preparation of the financial statements for the year under review, there were</p>	<p>Upon completion of the physical verification in 2018 fixed asset stocks will be updated.</p>	<p>The computer software should be improved to have facility to compare the fixed asset register and the physical verification reports.</p>

possibilities to make adjustments in the software to the asset value of that day.

- b) During the period of 6 years up to the beginning of the year under review the approval of the Research and Publishing Committee was granted to the University Lecturers for 317 different researches at an estimated Cost of Rs. 420,458,710. Out of that 27 research proposals were abandoned by the end of the year under review, and 187 researches or 59 percent of the above researches had not been completed.
- Action will be taken to collect the money from lecturers who have abandoned research without submitting research reports. This will be regulated by the Research Committee.
- New mechanism should be introduced with greater emphasis on making research works more efficiently and effectively.
- c) A professor at the Faculty of Medicine was approved four research grants totaling Rs. 4,313,800 for the years 2012, 2013, 2014 and 2016 respectively and another research grant was approved before completing one. At the end of the year under review, none of the research was completed. The professor had obtained advances from research grant of Rs. 800,850 in 2012, and research grant of Rs. 1,575,000 in 2013. Incorrect progress reports and false bill submissions were also observed.
- Necessary action will be taken to submit the final report to the Research Committee soon.
- Funds should be incurred on research in accordance with financial regulations and circulars. Much attention should be paid to the follow up activities.
- d) Due to the issuance of cheques exceeding the cash receipts, daily negative balances from Rs. 15,706,750 to Rs. 163,374,592 were shown in the cash book from January to December of the year under review .
- Although daily negative balances form from Rs. 15,706,750 to Rs. 163,374,592 were shown in the cash book from January to December for the year under review, the cheque issuance will not have a negative impact on the bank balance. Also, the cheques were prepared and kept
- Payments should be made relative to receipts, so that there were no negative balances in the cash book.

until the Treasury funds were received.

3.3 Delays in Projects or Capital Work

Audit Issue

In accordance with the decision taken by the Cabinet of Ministers on 29 June 1994 for the acquisition of 5 acres of land from the Meth Sevana land for the Medical Faculty, a total sum of Rs. 74 million had been paid to the Western Provincial Council such as a sum of Rs. Rs. 24 million in 03 occasions from 1998 to 2010 and a sum of Rs. 50 million in the year under review but the acquisition of the land was not done until 30 September 2019.

Management Comment

Prompt actions have been taken in consultation with the Ministry to expedite the takeover

Recommendation

Acquisition should be expedited.

3.4 Defects in Contract Administration

Audit Issue

Due to the repair works of the laboratory building and the new art gallery had been abandoned by the contractor, the contract was canceled on 25 April 2012. However, out of the advance amount paid to the contractor amounted to Rs. 2,268,483, non-covered works amounted to Rs. 1,764,013 had not been recovered from the performance bond and even that amount had not been recovered from the contractor during the year under review

Management Comment

Legal action has been taken to recover this money

Recommendation

Focus should be placed on recovering the outstanding advance before the expiration of the performance bond. Action should be taken to recover this money immediately.

3.5 Resources Released to Other Organizations

The following observations are made.

Audit Issue -----	Management Comment -----	Recommendation -----
a) Although the Kohuwala land and the building purchased in the year 2014 for Rs. 61.5 million had been transferred to the Institute of Aesthetic Studies of the University of Kelaniya due to un-match with the requirements of the University, this transfer had not been accounted for and this University was included in the financial statements for the year under review.	As decided by the Committee on Public Enterprises held on 07.03.2017, the Secretary of Higher Education had been requested to return the land and the building, the University of Aesthetic had not taken measures to provide this to our University.	Action should be taken to complete the takeover or transfer as prescribed asset.
b) A lecturer who was released to the Defense Ministry in 2009 on the basis of reimbursement of salaries for service of government or government affiliates and had been paid off salary including Study leave amounted to Rs. 1,437,882, but the relevant institute had informed that the paid study leave could not be reimbursed. Therefore, this money should be recovered from the lecturer, but no legal action had been taken in the year under review.	A reply letter was sent on 21.06.2019 for the letter dated 26.04.2019 of the Secretary to the Ministry of Defense regarding the allowances. Accordingly action will be taken to recover the money.	Recovery should be made expeditiously.

3.6 Human Resources Management

Audit Issue -----	Management Comment -----	Recommendation -----
As of December 31, 2017, the university had 2,506 approved staff. There were 249 posts of academic staff, one post of administrative staff, 06 posts of other executive staff, 3 medical posts and 32 posts of academic support staff. here were 152 vacancies in the non-academic staff.	The faculties of Engineering and Technology are being recruited to the newly created Faculties. These vacancies are also included here. Recruitment procedures have not been received by 2018, though new faculty positions have been recruited. Recruitment has been delayed due to non-availability of qualified	Action should be taken to fill the vacancies.

lecturers for certain subject areas
 Administrative officers are
 appointed by the University Grants
 Commission
 According to the circular No. 876,
 the relevant Ministry did not submit
 documents for the posts of Trainee
 Officer (such as Technical Officer).

4. Accountability and Good Governance

4.1 Budgetary Control

The following observations are made.

Audit Issue	Management Comment	Recommendation
a) Contrary to section 102 of the Universities Act No. 16 of 1978, the budget estimate had been prepared in proportion to the values after the financial liabilities had been occurred and, accordingly, the budget had been revised from time to time on 10 occasions during the year under review.	The University Grants Commission had given additional provisions to pay for increased salaries in accordance with the circulars issued by the University Grants Commission and on later identified identities. Accordingly, the original budget had been revised periodically.	According to the agreements reached by the University Grants Commission, the Treasury and the Governing Body of the University together it selves, the budget should be properly prepared before the year begins.
b)The allocation for outstanding bills of the University in 2017 amounted to Rs. 730,000,000 had not been identified in the budget estimate prepared for the year under review.	The 2018 estimate is prepared based on expenditures only for the year 2018 alone and Rs. 730,000,000 was received for the settlement of bills due in 2017. Mainly the advance payment for the building of the Faculty of Engineering was included there. Allocation for this was provided by the University Grants Commission (UGC) and Provisions have been made in 2018 due to non-receipt of funds from the Treasury in that year.	According to the agreements reached by the University Grants Commission, the Treasury and the Governing Body of the University together it selves, the budget should be properly prepared before the year begins

4.2 Sustainable Development Goals

Audit Observation

The University was made aware of the circulars issued by the Department of National Budget on Sustainable Development and the 2030 Agenda on the United Nations Sustainable Development Goals. The University's Sustainable Development Goals had been identified, but incorporated into the relevant program plans. Identifying milestones, identifying performance indicators, and establishing of information-related system were not performed.

Management Comment

The Open University was aware of the United Nations' 2030 Agenda on Sustainable Development.

Recommendation

Should be Focused on achieving the Sustainable Development Goals