

1.1 Qualified Opinion

The audit of the financial statements of the Sabaragamuwa 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 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, 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 Sabaragamuwa University of Sri Lanka 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 Qualified Opinion

My opinion is qualified based 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 Auditor's Responsibility for Audit of 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 auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause to cease to continue as a going concern.
- Evaluate the 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 it 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 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	Comments of the Management	Recommendation
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(a) Lapsed deposits of Rs. 2,602,716 had been brought to account as the revenue of the year without being adjusted to the accumulated surplus during the year under review and as such the deficit of the year had been understated by similar amount.	Action will be taken to rectify in future.	In taking the lapsed deposits in to revenue it should be adjusted to the accumulated surplus.
(b) The sum of Rs. 10 million received as capital grant from the University Grants Commission had been considered as recurrent grant and	A sum of Rs. 15 million had been granted by the University Grants Commission in July 2019,	Capital and recurrent revenue should be identified correctly and brought to

brought to account as differed but it was not classified as account. income relating to the year under capital and recurrent. As review. As such the deficit of the year had been understated by similar amount. required for recurrent expenditure to commence Faculty of Technology had been brought to account as recurrent grants.

- (c) Action had not been taken to identify the cost of 641 items of office and computer equipment disposed during the year under review and to eliminate from the financial statements. After being identified correctly the value of non-current assets which had been auctioned at the end of the year, action will be taken to eliminate them from financial statements. The relevant adjustments should be made to correct ledger accounts, when disposing of fixed assets.

1.6 Receivable and Payable Accounts

Payable Accounts

Audit Observation	Comments of the Management	Recommendation
Action had not been taken even by December 2019, to settle 10 balances of sundry creditors totaling Rs. 70,478,571 remained brought forward since prior to the year 2015.	Out of these balances of creditors, a sum of Rs. 920,883 payable to 02 contractors could not be paid until the cases, finalized which are filed by them. Action will be taken to settle the other balances of creditors after submission of final bills for the buildings which constructions are completed.	Required action will be taken to settle the balances of creditors.

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulation 371(2)	There was a delay of a period ranging	Required action will be taken in	Action should be taken in terms of

	from 30 days to 270 days to settle 53 recurrent advances totalling Rs. 7,260,421 and capital advances totalling Rs. 1,730,454 issued from January to December 2019.	future in terms of Financial Regulations.	Financial Regulations.	
(ii)	Financial Regulation 371(5)	Even though, the sub - imprests should be settled not later than the 31 st of December of the financial year in which the sub - imprest is issued, action had not been taken to settle the project advances, recurrent and research advances of Rs. 10,075,944 granted in 60 instances from the year 2016 to up to the year under review.	Required action will be taken in terms of Financial Regulation in future.	Action should be taken in terms of Financial Regulations.
(iii)	Financial Regulation 571(1), (2) and (3)	One hundred and eighty four lapsed deposits including tender deposits, retention money, bid security and performance bonds amounting to Rs. 7,816,308 relating to the period from the year 2014 - 2017 had not been settled.	Action will be taken to settle the deposits which older than 05 years with the approval of the Finance Committee and the Governing Council in terms of Financial Regulations.	Action should be taken to in terms of Financial Regulations.

(b) Establishments Code of the University Grants Commission and Higher Educational Institutions

(i) Chapter paragraph 7.6	V	A sum of Rs. 59,043,664 had not been recovered from 12 officers who went abroad on study leave from the year 2000 to 2017 recoverable due to breach of the bonds even by June 2020. No instalment whatsoever had been recovered since the year 2016 receivable from 06 officers totalling Rs. 38,872,629.	Reminding letters had been issued by informing 04 officers to pay instalments and action is being taken to institute legal actions against other officers.	Action should be taken in accordance with the provisions of Establishments Code.
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(ii) Chapter XX section 3.1		Without being confirmed the arrival and departure time a sum of Rs. 952,484,696 had been paid as salaries and allowances for 334 persons of the academic staff in the year under review.	Even though, the academic staff of the University are not recorded the arrivals and departures, daily the salaries had been paid after confirming the participation of the staff for the lectures assigned to them through the "Registers of Recording Attendance of Lecturers" maintained by the relevant Academy.	The provisions of Establishments Code and the respective circulars should be followed.
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(c) Section 112(1) of the Universities Act No 16 of 1978		A Student Council comprising student representatives	The composition of the Student Council is	Action should be taken in accordance with the provisions
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selected from the students who are in the University at present should be established, the Student Council had not been taken into functional level even by June 2020. comprised with the representatives of the students unions. Since that composition was not completed, these activities could not be accomplished. of the Act.

- (d) Establishments Circular of the University Grants Commission No. 09/2019 dated 25 November 2019. Action had not been taken to recover the residential fee of 10 per cent of the basic salary recoverable from the members of the staff who occupied 237 quarters even by June 2020. Since there is a difference in the manner of defining of the “officer” in between the section 33 of the Universities Act No. 16 of 1978 and the above Circular, instructions thereon are being awaiting from the University Grants Commission. Action should be taken in terms of the provisions of the circulars.

2. Financial Review

2.1 Financial Results

The operating results of the year under review had been a deficit of Rs. 85,813,285 as compared with the corresponding deficit of the preceding year amounting to Rs. 60,546,285. Accordingly, a deterioration of Rs. 25,267,000 was observed in the financial results. Even though the recurrent grant was increased by Rs. 394,295,000, the increase of employees remuneration and contractual services by Rs. 405,526,348 had mainly attributed for that deterioration

3. Operating Review

3.1 Identified Losses

Audit Observation	Comments of the Management	Recommendation
<p>As estimate of Rs. 1,049,015 had been furnished by Sri Lanka Telecom to repair the damages caused to the optical fibers of internet connection supply from the university premises to the Agri Science Faculty and Mungasthenna Building in the excavations made for laying pipelines to the Pambahinna – Kinchigune Road by a contractual institution under National Water Supply and Drainage Board. Even though the relevant contractual institution was informed to make repairs for optical fibers, that repairs had not been done even by June 2020, and as such the activities of the Agri Science Faculty were obstructed due to non-availability of the internet connections.</p>	<p>The University had informed to the respective contractual institution in several times to make repairs to the optical fibres damaged during excavations made for laying pipelines. However action will be taken to communicate with the National Water Supply and Drainage Board and to take required actions.</p>	<p>Required actions should be taken to get repairs done.</p>

3.2 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>(a) Even though, a sum of Rs. 1,368,300 had been paid to a private company from the year 2016 up to the year under review to prepare a Register of Fixed Assets and for entering data by utilizing softwares, that work had not been executed even by May 2020.</p>	<p>As the differences were reported in between the computerised information in the software handed over and the physically existing assets the payments had been stopped and as such the respective institution had neglected the further activities thereon. As the computerised information system had been established</p>	<p>Action should be taken to prepare Fixed Assets register.</p>

at present, the required action will be taken to avoid the lapses and to accomplish further activities.

- (b) A sum of Rs. 11,795,667 had been paid as research grants during the years 2016 and 2017 for 10 proposals for which research duration was 01 year, Nevertheless the final research reports had not been issued even by the end of the year under review. Despite that, the research grants amounting to Rs. 3,970,771 had been paid to that officers during the year under review.
- The Research Committee of the University met on 09 June 2020 had decided to extend the time period up to 31 December 2020 for all researches not completed within the due period by considering the prevailing situation in the country.
- Required actions should be taken to complete the researches and to issue the reports within the due Period.

3.3 Operating Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>(a) An explosion was occurred on 13 September 2018 in a laboratory of the Applied Science Faculty in which 30 undergraduates could be trained in same time. The investigation committee appointed relating to that had assessed a loss of Rs. 617,230 thereon. This laboratory had not been renovated and not taken into real condition even by August 2020.</p>	<p>Until completion of the investigations carried out after the explosions in the laboratory further actions Could not be executed. The repair works had been awarded to a company selected at present.</p>	<p>The laboratory should be renovated and the facilities should be provided for the practical training of the students.</p>
<p>(b) Despite that an initial expenditure of Rs. 1,494,543 had been incurred due to the legal issue had arised in respect of vesting of the land in which approved to construct an administration building for the University by the Cabinet of Ministers in the year 2007, the constructions of the building had not been commenced even by June 2020. According to the decision for</p>	<p>Further actions relating to the vesting activities of the land should have been done by the Divisional Secretariat Imbulpe. The legal actions in respect of the licence holder who had not left from the land up to now should be done by the Divisional Secretariat Imbulpe as well.</p>	<p>Action should be taken to clear the ownership of the land and to construct the administration building.</p>

the case filed by an unauthorised dweller, it was confirmed that he hasn't the ownership and subsequently a compensation Rs. 1,010,000 had been Paid to the Divisional Secretary on 10 December 2019 as per the provisions of the Land Acquisition Act. Further a licence holder who obtained compensation and interest totalling Rs. 30,448 on 29 July 2010 had not left from the respective land even by June 2020.

3.4 Transactions of contentious Nature

Audit Observation	Comments of the Management	Recommendation
<p>(a) Despite that, the investigation was not finalised which commenced in the year 2014 by the Commission for Investigation of Bribery or Corruption against an officer who were in the post of Registrar of the University, the above officer had been appointed as a member of the Governing Council of the University from 20 April 2018.</p>	<p>The appointment of this officer had been made by the University Grants Commission. As such there is no possibility in the University to involve in respect of the above type of appointment.</p>	<p>That should be informed to the University Grants Commission.</p>
<p>(b) Even though, an Investigation Board comprising 03 persons had been appointed in February 2018, in respect of non-compliance with due specifications of 130 computers purchased by incurring Rs. 15,964,000 in June 2016, a sum of Rs. 110,000 had been paid to the above Board without obtaining the respective investigation report. Further more without being satisfied that those computers are complying with the specifications, the retention money amounting to Rs. 1,596,400 had been released to the contractor on 21 June 2018.</p>	<p>The Vice - Chancellor had verbally stated that, the committee report is a very confidential report and it could not be given to the Finance Division and had been submitted confidentially to the Governing Council. Therefore the payments had been made to the members of the committee for vouchers approved by the Vice - Chancellor and action had been taken to pay retention money as well on 21 June 2018.</p>	<p>All purchases should be complied with the Procurement Guidelines, the payments should not be made to the members of the committee without having written confirmation that the reports of the committee were received.</p>

3.5 Contract Administration

----- Audit Observation -----	----- Comments of the Management -----	----- Recommendation -----
<p>Even though, the construction of new Library Building - stage 01 in which works value amounting to Rs. 315,051,433, should have been completed by 09 January 2020, the physical progress had been about 20 per cent even by February 2020. Even though, a sum of Rs. 83,010,286 had been paid as mobilisation advance and the value of work done to the contractor, the value of work done had been Rs. 43,058,826 as per the bills submitted and as such a surplus sum of Rs. 39,951,460 had remained with the contractor. Despite that, the construction works had been abandoned from February 2020. The management had not taken action either to encash the advance bond amounting to Rs. 72,461,829 which elapsed on 07 February 2020 or to extend the period of the bond.</p>	<p>The letters had been issued from time to time to the respective institution to extend the period of the bond while the bank had been informed on 03 March 2020 to pay the bond money to the University. But those matters were not accomplished. Even though, the works Engineer had recommended the works value of Rs. 43,058,826 as first bill on 28 October 2019, the above institution had made constructions until 20 February 2020 and as such the works Engineer had been instructed to calculate and furnish the value of the work. Action will be taken to solve the final issues relating to that and to construct the building expeditedly.</p>	<p>Action should be taken to solve the prevailing problems to construct the building.</p>

3.6 Human Resources Management

----- Audit Observation -----	----- Comments of the Management -----	----- Recommendation -----
<p>(a) One hundred and forty posts out of 506 approved posts in the academic staff and 216 posts out of 599 approved posts in the non-academic staff had remained vacant as at 31 December 2019. Due to those vacancies, sums of Rs. 14,950,474 and Rs. 31,095,467 had to be paid as visiting lecture</p>	<p>At present action is being taken to make recruitments from internal applicants and through paper advertisements to fill existing vacancies</p>	<p>Action should be taken to fill vacancies.</p>

fees and holiday pay and overtime allowances respectively during the year under review.

- (b) Thirteen loan balances totalling Rs. 386,513 receivable from 08 employees since for a period ranging from 03 years to 20 years had not been recovered even by June 2020. Legal actions are being taken in respect of 06 employees and action is being taken to recover loan balances of other 02 officers as well. Action should be taken to recover loan balances.

4. **Accountability and Good Governance**

4.1 **Budgetary Control**

Audit Observation	Comments of the Management	Recommendation
Even though, sums of Rs. 275,581,000 and Rs. 107,459,807 had been spent exceeding the capital provisions of 02 objects and recurrent provisions of 03 objects respectively in the year under review, a revised budget thereon had not been prepared.	As the money received in last quarter of the year 2018 and in first quarter of the year 2019 had been utilized for Technology Faculty and Medical Faculty and as to incur expenditure for employees salary increases, new recruitments and initial expenses for new faculties, the estimated provisions were exceeded.	The budget should be utilized as an effective instrument of financial control.

4.2 **Sustainable Development Goals**

Audit Observation	Comments of the Management	Recommendation
Even though, the Sabaragamuwa University of Sri Lanka had aware relating to the “2030 Agenda” on Sustainable Development Goals, action had not been taken to identify the sustainable development goals that should be achieved according to its scope. As such action had not been taken to recognize the goals relating to that	The Sabaragamuwa University of Sri Lanka had paid attention relating to 2030 - Agenda on Sustainable Development goals and the goals identified thereon had been included to the annual reports of 2018 and 2019.	The long term plans in respect of Sustainable Development Goals should be prepared and executed.

underlying data, milestones to be reached and as well as the indicators to measure the progress.

4.3 Unresolved Observations

----- Audit Observation -----	----- Comments of the Management -----	----- Recommendation -----
(a) Even though, the Committee on Public Enterprises had directed on 09 August 2017, to take action to complete lapses existed in the playground and the pavilion constructed by incurring Rs. 123,052,693 in the year 2014, action had not been taken to renovate the playground by utilizing retention money amounting to RS. 5,156,160 even by June 2020.	Action was taken to obtain consultancy services for reconstruction activities of the playground utilizing retention money and it is expected to carry out those works in the year 2020.	Action should be taken to renovate the playground.
(b) As the offset printing machine in the University press had remained inactive position from the year 2016 even up to July 2020, the press was remained closed down. As such a sum of Rs. 3,703,955 had been incurred during the year under review and the preceding year for the printing works of the University had to be carried out from the private sector.	Proper technological recommendations will be obtained on this printing machine and after investigating the feasibility of repairing the required actions will be taken promptly.	The press should be taken into the activate condition.