

University of Sri Jayewardenepura - 2021

1. **Opinion**

1.1 **Qualified Opinion**

The audit of the financial statements of the University of Sri Jayewardenepura for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 Subsection 107 (5) of the Universities Act No. 16 of 1978 and National Audit Act, No. 19 of 2018. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, except the effects of the matters described in paragraph 1.5 of this report the financial statements give a true and fair view of the financial position of the University as at 31 December 2021 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**

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 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 Auditors Responsibility 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 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 Audit Observation on Preparation of 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 Non-Compliance with Sri Lanka Public Sector Accounting Standards

The following observations are made.

Non Compliance with the Reference to Particular Standard	Comment of the Management	Recommendation
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(a) Although depreciation of an asset begins when it is available for use, in accordance with paragraph 69 of Sri Lanka Public Sector Accounting Standard 7, the depreciation was not calculated and accounted for the relevant period for the non-current assets which were received as	It is not practicable to issue Goods Received Notes on the date of donation / date of ready for use. However, depreciation has been correctly accounted for in the same year when the goods were received as donations under a corresponding depreciation percentage.	Financial statements should be prepared in accordance with Sri Lanka Public Sector Accounting Standards.

donations with an estimated value of Rs.40,885,182 during the year under review.

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| (b) | Capital grants amounted to Rs. 949,000,000 received by the University during the year under review, were not identified and measured in the financial statements in accordance with Sri Lanka Public Sector Accounting Standard 11. | No reply was made. | Financial statements should be prepared in accordance with Sri Lanka Public Sector Accounting Standards. |
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1.5.3 Accounting Deficiencies

 The following observations are made

Audit Observation	Comment of the Management	Recommendation
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(a) A sum of Rs.2,100,434 had been paid in the year under review and a sum of Rs.29,694,931 had been paid in previous years to the contractor for a building which was completed in November 2018 had been accounted for as expenses of the respective year instead of being capitalized. As a result of that the surplus for the year under review by Rs.2,100,434, retained earnings by Rs.29,694,931 and building cost as on 31 December 2021 by Rs.31,795,365 were under stated. Also, due to the fact that the depreciation of Rs.1,589,768 related to the year under review and the depreciation of Rs.3,362,468 related to the previous years had not been accounted for that building, the surplus for the year by Rs.1,589,768 and retained earnings by Rs.3,362,468 were over stated.	The project had been initiated as a renovation and rehabilitation project and, accordingly, the project had been accounted for under renovation and rehabilitation construction. However, these expenses will be capitalized based on the recommendations of a technical committee.	Action should be made to capitalize the cost of building constructed.
(b) A sum of Rs.29,118,440 incurred for the construction of 03 buildings during the period from the year 2018 to the	The project had been initiated as a renovation and rehabilitation project and, accordingly, the	Action should be made to capitalize the cost of building

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| <p>year under review had been accounted as expenses of respective year instead of being recognized as work in progress. As a result of that, the surplus of the year under review by Rs.8,464,440, retained earnings by Rs.20,654,000 and work in progress by Rs.29,118,440 were under stated.</p> | <p>project had been accounted for under renovation and rehabilitation construction. However, these expenses will be capitalized based on the recommendations of a technical committee.</p> | <p>construction.</p> |
| <p>(c) Instead of debiting Rs.2,479,747 paid for the improvement of the welfare building to the work in progress account, the building rehabilitation and improvement expense account was debited twice and credited to the work in progress account. As such, the surplus for the year under review and work-in-progress account were under stated by Rs.4,959,494.</p> | <p>The journal was accounted incorrectly and action will be taken to correct.</p> | <p>Action should be taken to correctly keep account for expenses.</p> |
| <p>(d) An income of Rs.2,000,800 received during the year under review was not considered as income of the year and was stated under current liabilities as an unrecognized income. As a result of that the surplus and current liabilities of the year under review were understated and overstated by same value respectively.</p> | <p>The relevant revenues are presented as a liability until they are definitively identified and are accounted for as revenues or deferred revenues after the relevant confirmations are obtained.</p> | <p>The income related to the year should be properly identified and accounted for.</p> |
| <p>(e) Receipts of Rs. 1,867,110 received by the university in the year 2020 was stated as accrued expenses under current liabilities in the financial statements without taking action to recognize them as income. As such, Retained Earnings and Current Liabilities were understated and overstated by same amount respectively.</p> | <p>Cash receipts for which there was insufficient information to recognize as income. Upon receipt of relevant supporting documents, it will be recognized as income or deferred income.</p> | <p>Receipts related to the year should be correctly identified and accounted for.</p> |
| <p>(f) Although depreciation of 02 computer software costed for Rs. 7,627,908, which was 03 years validity period of the license had expired and had</p> | <p>Although the validity period of the license was 03 years, according to the university's depreciation policy it was</p> | <p>Software should be depreciated by considering its useful life time.</p> |

removed from use during the year under review, should be completed within 03 years, according to the depreciation policy followed by the university, the impairment loss of Rs. 2,539,086 occurred due to depreciation was done considering the effective life time as 5 years, as such, the surplus of the year was under stated by that amount.

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| (g) | A part of an old building was demolished in the year 2018 for the construction of a new building, but the carrying value of the demolished part of the building was not removed from the books. | Although the net value of this building was not removed in the year 2018, the buildings were revalued in 2021 and the revalued values of existing buildings were shown. | Action should be taken to remove the carrying value of the demolished building portion from the books. |
| (h) | The cost of chemicals received by the laboratories valued for Rs. 5,180,521, which had not been paid as of 31 December 2021, had not been accounted. | These chemicals had not been shown as accrued, due to the orders have not been completed. | Action should be taken to account of the stock of chemicals received by the university. |

1.6 Accounts Payable and Receivable

1.6.1 Accounts Receivables

Audit Observation -----	Comment of the Management -----	Recommendation -----
Due to the non-reporting of 35 academic staff and 06 non-academic staff who had gone overseas for studies in the university, sufficient action had not been taken to recover bonds value Rs.117,355,212 due on 31 December 2021 due to breach of bonds.	The total bonds value of Rs.117,355,212 was due to the university as on 31.12.2021.	Action should be taken to recover the money due to the university.

1.6.2 Advances

----- Audit Observation -----	----- Comment of the Management -----	----- Recommendation -----
Action had not been taken to recover or remove from the books a total sum Rs. 1,132,167 to be received from 16 officers who were suspension of service due to termination, interdiction and for other reasons.	A sum of Rs. 196,925 had been recovered in releasing the provident funds of two officials during the year 2021. Action will be taken to recover the balance amount while releasing the provident funds of the remaining officers.	Loan balances should be recovered or written off from the books.

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

The following observations are made.

----- Reference to Non-compliance Laws, Rules Regulations etc. -----	----- Management Comment -----	----- Recommendation -----
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		
(i) Financial Regulation 394 (c)	19 cancelled cheques with a total value of Rs.1,226,544 have not been treated as per the Financial Regulations.	Cheques were transferred to the cancellation ledger. After the expiry of three years, the value of these cancelled cheques will be taken as income.
(ii) Financial Regulation 571 (2)	Action had not been taken as per the Financial Regulations regarding retention money total amounting to Rs. 66,552,132 relevant to 81 contract works related to the period from 2013 to 2018	The concerned departments were informed in writing about this on 10.04.2021 by the finance department and informed the those departments to release the relevant retention money before 30.11.2021.

and 88 refundable tender deposits amounting to Rs.1,275,175 over 02 years.

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| (iii) Financial Regulation 762 | Chemicals have been in overstock over a period of 30 years due to failure to maintain reorder levels and unnecessary ordering of goods. | Actions are being taken to remove the expired chemicals as per the recommendations of the Technical Committee. Instructions were given to faculties not to keep excess stocks and to maintain reorder levels. | Financial Regulations should be complied. |
| (b) Establishment Code of University Grants Commission and Higher Education | Section 9 and Section 10.3 of Chapter 111 | The contract period of 05 non-academic staff officers who had been appointed on contract basis had been pre dated for a period of 01 to 05 years contrary to the provisions of the Establishment Code. | There were instances where candidates who completed basic education were initially recruited on contract basis and then given pre dated appointments if performance was satisfactory, but this process has been suspended for now. |
| | | | Circular provisions should be followed. |

2 Financial Review

2.1 Financial Result

The operations for the year under review had been a surplus of Rs. 234,117,456 as compared with the corresponding a deficit of Rs. 146,550,951 for the preceding year, thus indicating an improvement of Rs.380,668,407 in the financial result. Increase in government grant had been the main reason for the said improvement.

3. Operational Review

3.1 Un Economical Transactions

Audit Observation	Management Comment	Recommendation
A sum of Rs. 5,794,676 had been spent for consultancy fees and preparation of plans for the works related to the construction of the auditorium without conducting a proper feasibility study and determining the feasibility of the project on 22 June 2016. Due to the non-implementing of the said work till the year under review, the expenditure incurred had been an uneconomic transaction.	The first step was to prepare the plans according to the decisions of the Cabinet of Ministers and if the plans were not prepared, it was a violation of the decisions of the Cabinet of Ministers and since the plans were prepared and payments were made to the consulting service agency, this was not an economic transaction and it can't be stated as uneconomic transaction.	A proper feasibility study should be done and the projects should be started and the management should focus on completing the project at minimum cost.

3.2 Management Inefficiencies

The following observations are made.

Audit Observation	Management Comment	Recommendation
(a) As per the Cabinet decision taken on 29 June 1994 for the acquisition of 6.5 acres of land from Meth Sevana land for the Medical Faculty, a total sum of Rs. 74 million has been paid from the year 1998 to year 2019 to the Western Provincial Council in 03 occasions. Another sum of Rs. 2.5 million, which was 25 percent of the value of the lands, had been paid on 09 October 2013 to the Maharagama Divisional Secretariat for the acquisition of 03 more plots of land. But the acquisition activities of the lands had not been completed even by 31 December 2021.	After the discussion with the Provincial Chief Secretary on 07.04.2022, it was agreed to hand over the Meth Sevana land to the university from the Social Services Department that owns it. The owner of the land was not satisfied with the valuation of the land and has submitted an application to the Land Compensation Appeal Board in 2016. The said investigation work was done and until the said work is completed, the Divisional Secretary cannot transfer the ownership of the land except the possession of it. This appeal has been called for 04 days since January 2022 and still no decision has been received at the end of its hearing.	Land acquisition should be expedited.

- (b) Out of the assessment value of Rs. 52 million of Borlasgamuwa land, which had started the acquisition process from the year 2013, a sum of Rs. 13 million had been paid to the Kesbewa Divisional Secretary in the year 2018. But the acquisition works had not been completed even by 31 January 2022.
- According to the decision of the finance committee on 08.08.2017, 25% of the assessed value of 52 million had been deposited in Kesbewa District Secretariat on 20.08.2020 and the documents with the relevant receipt had been forwarded to the Ministry of Higher Education on 21.08.2020. The payment has been delayed due to non-availability of capital allocation for the university.
- Land acquisition should be expedited.
- (c) Although the Allergy Immunology and Cell Biology Unit, which was included in the 2019 budget proposals and planned to be completed in 2021, was not established, but the required medical equipment for the unit costed Rs. 376,244,974 were procured in 2020 and 2021. Those equipment was located in different places in the faculty of medicine and the work of establishing the allergy immunology and cell biology unit was delayed.
- According to the budget proposals, although the equipment was provided in the year 2021, it was placed in several floors as there was no space required to place it. But the equipment is used for necessary research purposes.
- Action should be taken to use the procured equipment in a safe manner.
- (d) A sum of Rs. 1,608,200 which was received for Mahapola scholarships and bursaries, for the period from the year 2018 to the year 2020 had not been settled.
- Due to problems in the bank account numbers of the students, Mahapola bursary money which was paid for the years 2018, 2019, 2020 had been re-credited to the bank.
- Action should be taken to settle the Mahapola scholarships and bursaries.
- (e) Although the university has planned to start the compost fertilizer process from years ago, it could not be started till the end of the year under review. As such, Rs. 2.5 million which was approximately spent in the previous year for the removal of solid and liquid waste of the university and Rs. 4,044,000 spending annually for the cost of fertilizers and agrochemicals to maintain gardens could not be reduced.
- There was a problem in allocating a suitable place for making compost. A waste management program will be implemented in the future in collaboration with the Center for Sustainability of the Faculty of Science.
- Action should be taken to implement the waste management program to reduce the cost.

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| (f) | Delays in receiving of ordered chemicals in 3 academic departments were ranged from 3 months to 01 year. Chemicals worth of Rs. 2,019,641 were ordered from the year 2018 to 2021 by the concerned departments had not received by the relevant departments till the 31 December 2021. | Although purchase orders for chemicals were issued, it takes a long time to complete the respective order and due to the corona epidemic, the receipt of these chemicals was further delayed. | Arrangements should be made to get the ordered materials on time. |
| (g) | Due to purchase without proper identification of requirement, stock value of 456 non-moving items was Rs. 9,478,874 and the stock value of 171 slow moving items was Rs 5,467,114. | Maintenance items are maintained in stock as it requires quick repairs in providing facilities for university studies. A technical committee has been appointed to examine these stocks and on the recommendations the stock will be adjusted. | The requirements should be properly identified and purchased. |
| (h) | The Research and Publication Committee had given approval for 459 different researches of 453 lecturers in the University at estimated cost of Rs. 868 million during the period of 06 years till the end of the year under review. Out of that, 34 researches were suspended due to withdrawals and non-taking of funds and 193 researches worth of Rs.454.3 million were not completed by the end of the year under review. | Due to the corona epidemic situation, there were obstacles in carrying out the research works and the progress of the research was monitored by the University Research Committee and recommendations are made accordingly. Thus reminders have been sent to the researches which are not progressing and have not been completed and the release of new research grants has been stopped on them. | Action should be taken to complete researches within the relevant time frame. |

3.3 Operational Inefficiencies

The following observation is made.

Audit Observation	Management Comment	Recommendation
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A sum of Rs.115,225,177 were collected from the students for conducting courses, seminars and examinations in the external degree and extended course unit in the year 2020, but those activities were not conducted.	When collecting the course fees, charges will be collected for future years also and those amounts are recognized as deferred income until the required lectures are delivered.	Seminars and examinations should be held in due time.

3.4 Under Utilization of Funds

The following observations are made.

Audit Observation -----	Management Comment -----	Recommendation -----
(a) A sum of Rs. 6,174,500 and Rs. 29,368,398 had been given to the university by the World Health Organization for research related to Covid in the years 2020 and 2021 respectively, but out of that remaining amount of Rs. 27,855,947 had not been utilized as of 31 December of the year under review.	According to the agreement, it was scheduled to be completed on 30.11.2021, but due to the situation in the country, it started in August. The project has been extended till June 2022.	The fund should be used for the intended purpose.
(b) A sum of Rs.31,609,427 remained in 82 prize and scholarship funds as of 31 December 2021 had not been utilized for the intended purposes.	The registrars of the respective faculties and the examination department of the university are informed in writing about the accumulated balances of this scholarship fund during the annual graduation ceremony. Accordingly, the respective faculties have the power to decide how much of the fund will be used in the year, so only the amount confirmed by them will be used from the respective fund.	Funds should be used to achieve the objectives of the funds establishment.
(c) A total sum of Rs.34,368,284 in 21 research fund accounts as on 31 December 2021 for more than 06 years, a total sum of Rs.36,622,659 in 54 external research funds and a total sum of Rs. 562,099,625 in 37 special funds were not utilized for the respective purposes during the year under review.	The relevant research funds have been received for the specific purpose and are used for that purpose. However, the granters of funds of the inactive balances have been informed by letters and directed to a common research fund and this process will be implemented in 2022 and arrangements will be made to utilize the inactive funds. The money available under special funds can be used only for the related works and this money is being used in the year 2022.	Funds should be used to achieve the objectives of the funds establishment.

3.5 Deficiencies in Contract Management

The following observations are made.

Audit Observation	Management Comment	Recommendation
<p>(a) Even though the construction period in relation to three construction contracts in Technical Innovation and Business Support Center, 3 storied building of the Faculty of Applied Science of Botany Department and 5th floor of the 8 storied building of the Faculty of Applied Science were delayed by 344 days, 659 days and 214 days respectively as on 31 December 2021, the request for the extension of contract period was not approved.</p> <p>The percentage of work completed on the date of submission of the final bills of the above three contracts were 65 percent, 66 percent and 53 percent respectively. Action had not been taken to get approval for the building plans for these three contracts from the Municipal Council and, further, the clearance certificate from the Urban Development Authority had not been obtained.</p>	<p>In view of the corona epidemic in the country, the daily work activities were not working from time to time, shortage of building materials, inability to procure labor etc., the governing council had also given time extensions on several occasions. These projects are currently underway and the actions are being taken to get the works completed through the same contractor.</p>	<p>Action should be taken to get approve the building plans and complete the contracts on time.</p>
<p>(b) Construction of the 8-storied building of the Faculty of Applied Sciences at a total cost of Rs. 363.5 million, has been approved by the Cabinet of Ministers to be constructed in 3 phases from the year 2008, but by the time of the fifth floor, contracts had been awarded to 4 contractors.</p>	<p>Although approval was granted, allocation of funds was not provided. Contracts have been awarded in stages based on receipt of funds. Accordingly, it was expected to build the part which can be constructed on the provision and make it available for use by the students.</p>	<p>Action should be taken according to the approval of the Cabinet of Ministers.</p>