

University of Ruhuna - 2022.

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the University of Ruhuna for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance, statement of changes in funds and reserves, 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 and Sub-section 107(5) of the Universities Act, No.16 of 1978. My comments and observations which I consider should be submitted to Parliament appear in this report.

In my opinion, except for the effect 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 2022, and of its financial performance and 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 this 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 Sub-section 16(1) of the National Audit Act No. 19 of 2018, the University is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

1.4 Scope of Audit (Auditor's Responsibility for Auditing 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:

- Appropriate audit procedures were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my 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 Council 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 Observations on the 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 the Sri Lanka Public Sector Accounting Standards

Non-compliance with reference to the relevant standard	Comment of the Management	Recommendation
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(a) Although the fair value of the items of property, plant and equipment should be revalued once every 03 or 05 years according to Paragraph 47 of Sri Lanka Public Sector Accounting Standards 7, 28 blocks of land owned by the University had not been revalued since 2006.	At present, the University owns 28 parcels of land covering a total area of 58573.99 perches and as such, there is a practical issue in obtaining their valuation from the Government Valuation Department, as required by the aforementioned accounting standard.	Action should be taken in accordance with Sri Lanka Public Sector Accounting Standards.
(b) According to Paragraph 49 of the Sri Lanka Public Sector Accounting Standard 7, the entire class of assets should be revalued in the revaluation of property, plant and equipment. However, out of	Revaluations have been adjusted in the financial statements of the related years based on the valuation reports of the years 2020,2021 and 2022. Adjustments have been made in the financial statements of the current year only for the 08 vehicles, as	Action should be taken in accordance with Sri Lanka Public Sector Accounting Standards.

51 vehicles owned by the University, only 31 had been revalued during the year under review. Similarly, due to the failure to account for the revaluation amount of 24 vehicles, the value of both the vehicles and the revaluation reserve were understated by Rs.27,776,400.

mentioned in Paragraph 1.2 (b) of the Audit Report, 2021, which were not revalued during the aforesaid years.

1.5.3 Accounting Deficiencies

Audit Observation -----	Comment of the Management -----	Recommendation -----
(a) The expenditure of Rs. 2,064,387 incurred for accessing the software during the year under review had been brought to account under the intangible assets instead of being identified as a revenue expenditure. Consequently, the expenditure for the year had been understated, while the value of intangible assets had been overstated by the same amount in the financial statements.	Agreed with the audit observations. An error has occurred pertaining to the accounting principles in identifying the transaction.	Revenue and capital expenditure should be correctly identified and brought to account.
(b) Fixed assets worth Rs. 4,123,108 received as the donations during the preceding year had been adjusted as capital revenue from non-exchange transactions of the year under review instead of retrospectively adjusting them. As a result, the capital surplus for the year had been overstated by that amount in the financial statements.	Agreed with the audit observations. The above adjustment has been stated in the statement of financial performance due to a mistake.	Donations for the year should be correctly identified and brought to account as the capital revenue of the year.
(c) A sum of Rs. 3,964,256 that remained receivable from a lecturer due to the violation of agreements had been written off from the financial statements during the year under review without obtaining proper approval.	According to the decision made during the 408 th Council meeting held on 28.09.2020, the value of the scholarship, which was included in the relevant bond value and awarded to the respective lecturer personally by the foreign university, has been written off from the books.	A formal approval should be obtained to write off an amount due.

- (d) Although the balance of the deferred course fee income was Rs. 207,555,076 according to the statement of financial position as at 31 December of the year under review, it was Rs. 197,886,816 as per the related schedule, thus resulting in a difference of Rs. 9,668,260.
- Only the externally earned deferred income related to the Postgraduate Distance Unit for the year ended 31.12.2022 has been stated in Note No.26, while the deferred income related to the entire courses has been stated in the statement of financial position. It also includes the deferred income as at 31.12.2022 of the language courses conducted for the internal students.
- The balances in the statement of financial position and schedule should be tallied.

1.5.4 Lack of Evidence for Audit

Item	Amount Rs.	Audit Evidence not Submitted	Comment of the Management	Recommendation
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Sundry Deposits	1,857,250	Relevant details	The deposits payable to the Divisional Secretariat have been carried forwarded in the financial statements since the year 2012.	Relevant details should be furnished to the Audit.

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

Reference to Laws, Rules and Regulations	Non-compliance	Comment of the Management	Recommendation
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F.R.394 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Although 146 cheques worth Rs.6,087,813 issued by the University from the year 2019 to 2021 had been cancelled, no action was taken according to the Financial Regulations regarding those cheques.	Necessary actions will be taken according to Financial Regulation 394 with regard to the cheques that were not extended and the cheques cancelled without being reissued.	Action should be taken in accordance with Financial Regulations.

2. Financial Review Financial Results

The operations of the University for the year under review had resulted in a surplus of Rs. 888,979,918 as compared with the corresponding surplus of Rs. 1,468,177,792 for the preceding year. Accordingly, a deterioration of Rs. 579,197,874 was observed in the financial result. This deterioration was mainly due to the decrease in the Government grants as well as local and foreign donations and increase in the operating expenses.

3. Operating Review
3.1 Management Inefficiencies

Audit Observation -----	Comment of the Management -----	Recommendation -----
(a) Sums totaling Rs. 157,953,261 remained receivable from 30 lecturers due to the violation of bonds during the years 2006,2008 and 2018 could not be recovered even by 31 December 2022.	Money is being recovered and legal actions are in progress against the individuals who have neglected the due payments.	Action should be taken to recover the relevant money promptly.
(b) Although rents for the official quarters had been increased since the year 2020 in accordance with the Council decision made at its 413 th meeting held on 17 June 2021, the increased rental was not recovered from the quarters at the Wellamadama premises for 22 months from January 2020 to October 2021, resulting in an outstanding rental of Rs. 3,589,800 due from the official quarters as at 31 December 2022.	Taking into account the prevailing Corona pandemic situation in the country, the rental period of those quarters have been extended by another one year under the existing charges at the requests of both officers. However, you are kindly informed that any outstanding amount due from those two officers will be recovered before 31.07.2023 and reported to you.	Outstanding rent for the quarters should be recovered without delay.
(c) No action had been taken to recover the loan balances totaling Rs. 1,295,498 due from 19 lecturers, officers and employees who had retired or vacated the service.	Arrangements have been made to recover the relevant loan balances immediately after the release of university provident fund.	Outstanding loan balances should be recovered without delay.
(d) Since the relevant location had not been inspected in the first call for bids on 31 March 2021 for the purchase of furniture and fittings for the senate meeting hall of the Faculty of Management and Finance, those bids were rejected by the Bid Evaluation Committee. Although the bidder who submitted the lowest bid at the first call for bids had also offered the lowest bid in the second call for bids on 31 August 2021, the University	In the invitation of bids, all the suppliers were expected to examine the new senate meeting hall of the University and gain an idea of the relevant furniture to be supplied to suit the place and accordingly, presented the bids. However, any supplier did not visit the new senate meeting hall for examination in the first call for bids. Accordingly, without being evaluated the relevant bids by the Technical Evaluation Committee due to the above reason, a report was issued under	Decisions should be made in a manner economically beneficial to the University.

had to make an overpayment of Rs. 1,166,720 when comparing the bids presented in the first and second call for bids.

the signature of the Chairman of the TEC stating that it is necessary to fulfil the said condition prior to submitting bids. Accordingly, bids were called again.

- (e) As at 31 December 2022, a sum of Rs. 2,936,263 was due from the SLT Mobitel for the communication towers constructed on the University premises without entering into an agreement.

The capacity documents related to the amounts due for the communication towers have been attached together with the relevant journal entries.

A formal agreement should be signed and the relevant money should be recovered without delay.

3.2 Idle or Underutilized Property, Plant and Equipment

Audit Observation

Twelve computers and accessories worth Rs. 1,229,925 purchased by the funds from the AHEAD Project and the university funds in the years 2019,2020 and 2021 for the Engineering Faculty remained idle without being utilized.

Comment of the Management

Six Central Processing Units alone were given to the lecture halls under the Dean's approval. The other accessories - monitors and keyboards were packed and stored in the Computer Centre. Since 03 computers were out of order due to the defects in the operating system, those were brought to the old Computer Centre to check and attend to necessary activities.

Recommendation

Purchases should be made after correctly identifying the requirement and before the items are accepted, those should be checked and verified for their suitability. Similarly, arrangements should be made to utilize the items purchased.

3.3 Identified Losses

Audit Observation

In the purchase of 280 (i5) desk top computers at a cost of Rs. 31,474,800 for the Engineering Faculty in December 2021, the supplier had delayed the supply without being extended the contracted period and out of the late fee recovered from the supplier 50 per cent or Rs. 1,748,600 had been repaid to the supplier during the year under review without a formal approval.

Comment of the Management

Approval was given on the recommendations of the Departmental Procurement Committee meeting held on 25.01.2022 and 50 percent of the deductions was repaid.

Recommendation

Recommendations of the Procurement Committee was not furnished to the Audit and action should be taken in accordance with the agreements.