

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of financial statements of the Sri Lanka University of Rajarata for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the Sub-section 107 (5) of the 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 for 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 Sri Lanka University of Rajarata as at 31 December 2023, 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 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 determines 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 Rajarata University's ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the University of Rajarata or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Rajarata University's financial reporting process.

As per Sub-section 16 (1) of the National Audit Act, No. 19 of 2018, the University of Rajarata is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the University.

#### 1.4 Auditor's Responsibility for the Audit of the Financial Statements

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 or the override of internal control.
- Obtain an understanding of internal control 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 based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Rajarata 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 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 of Rajarata and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the University of Rajarata has complied with applicable written law, or other general or special directions issued by the governing body of the University of Rajarata;
- Whether 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 Audit Observations on the Preparation of Financial Statements

### 1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

	<b>Non compliance with the Reference to the Particular Standard</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a)	As per the paragraph 09 of Sri Lanka Public Sector Accounting Standard 2, investments for a period of 03 months or less should be treated as cash and cash equivalents. But investments amounting to Rs.144,925,413 less than 03 months had not been shown under cash and cash equivalents in the statement of financial position and cash flow statement.	That it is more prudent to present these funds as investments rather than presenting them as cash or cash equivalents. Otherwise, it may give a wrong impression that a government entity is maintaining excessive cash balances.	Sri Lanka Public Sector Accounting Standards should be followed.
(b)	In the revaluation of property, plant and equipment items contrary to paragraph 49 of Sri Lanka Public Sector Accounting Standard 7, without revaluation of the land where the quarters were located and the land where the police quarter is located, the total cost of the financial statements of the year under review had been shown as Rs.15,213,947	Since both the construction of the building and the acquisition of the land have been done in the year 2023, there has been no material change in the above values of the assets, hence revaluation was impractical and it had been more prudent to value them at cost.	Sri Lanka Public Sector Accounting Standards should be followed.

### 1.5.2 Accounting Deficiencies

	<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a)	The total value of Rs.2,429,951 which was directly credited to 02 bank accounts of the University was shown under various deposits in the statement of financial position of the year under review without being properly	That those values will be identified and transfer them to the relevant ledgers in the timely inquiries made by the relevant parties	Direct credits should be correctly identified and accounted for.

- identified and accounted for between 01 months to 02 years.
- (b) The Center for Distance and Continuing Education (CDCE) of Sri Lanka Rajarata University in use since 20 January 2023 after the completion of its construction work. But further payable amounting to Rs.12,363,765 and VAT amounting to Rs.3,295,900 due for the building had not been capitalized. As such, the building value was understated by Rs.15,659,665 the accrued expenses were understated by Rs.12,363,765 and the mobilization advance was overstated by Rs.3,295,000. Further, depreciation amounting to Rs.740,080 in relation to this building has not been accounted for the year under review.
- (c) Two buildings worth of Rs.8,011,381 which were in use after completion of works has been shown as work in progress without accounting as property, plant and equipment under non-current assets. As such, work in progress was overstated, and property, plant and equipment were understated in the financial statements by that amount. Further, the depreciation value of those buildings amounted to Rs.400,569 and Rs.403,909 for the year under review and the previous year respectively, had not been accounted for.
- (d) The amount of Rs.7,000,000 transferred from the current account of the People's Bank to the current account of the Bank of Ceylon on 29 December of the year under review had been shown under various advances and debtors instead of shown under cash and cash equivalents.
- (e) A discrepancy of Rs.976,716 in the stock of 4 stores was observed in comparison of the stock shown in the statement of financial position with the stock in the board of survey report as on 31 December of the year under review.
- regarding their deposits.
- Agreed. That the bills of the relevant project cannot be accrued as the certification work of bill values has not been done as on 31.12.2023.
- This was an accounting error and it has been rectified now.
- This was an accounting error and it has been rectified now.
- The difference had been arisen from stocks of expired chemicals.
- Assets, liabilities and expenditures should be correctly accounted for.
- Financial statements should be prepared in such a way that accounting errors do not occur.
- Cash transferred between current accounts, should be shown under cash and cash equivalents in the financial statement.
- The correct balance obtained after the board of survey should be shown in the financial statements.

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| (f) | The expired stock as at 31 December of the year under review was understated by Rs.1,005,353 in the statement of financial position in comparison with the financial statements and the board of survey reports.  | Action will be taken to revaluation these goods and the relevant measures will be taken according to the Financial Regulations on the goods that cannot be used actually. | Expired stock should be properly identified and accounted for.                    |
| (g) | Although the increase in receivable balances under working capital changes in the cash flow statement of the year under review was shown as Rs.55,216,542 the increase was Rs.50,085,842. As such, the net cash flow from operating activities had been overstated by Rs.5,130,700.   | This was a dual calculation error that has occurred in the preparation of the cash flow statement and this has been rectified.  | Actions should be taken to present the cash flow statement in an accurate manner. |
| (h) | In accounting for the revaluation value of the land of the Faculty of Applied Sciences, which was revalued during the year under review, the cost of the land amounted to Rs. 2,383,259 had not been considered and the entire value of the revaluation had been accounted. As such, the property, equipment, equipment balance and the revaluation surplus were overstated by that value in the statement of financial position. | Disagreed.<br>That no value of the applied science faculty land had been included in the initial value of the land.   | The cost of the land should be taken in to account and accounted for.             |
| (i) | According to the revaluation reports conducted in the year under review, although the revalued value of the vehicles was Rs.121,288,000. But the value was recorded as Rs.126,388,000 in the accounting, the revaluation surplus and the value of the vehicles were overstated by Rs.5,100,000.   | The revalued value mentioned in the account statements amounting to Rs.126,388,000 was correct.   | The revaluation values should be accounted for correctly.                         |

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

	<b>Reference to Laws, Rules, Regulations etc.</b>	<b>Non-compliance</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a)	Financial Regulations 571 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Action had not been taken in terms of the Financial Regulations regarding the tender deposits total amounting to Rs.1,163,655	That the release of these is moving gradually.	Financial Regulations should be followed.

lasting from 02 years to 03 years and contracts and various retentions total amounting to Rs.59,819,645 lasting from 02 years to 13 years.

- (b) Paragraph 3.1 of Chapter xx of the Establishment Code of the University of Sri Lanka Although every higher education institution is required to record the arrival and departure time of all employees, the academic staff had not done so. Necessary action will be taken in the future. The Establishment Code of the University should be followed.

## 2. Financial Review

### 2.1 Financial Results

The operating result of the year under review had been a deficit of Rs.274,616,654 as compared with the corresponding deficit of Rs.11,452,634 in the preceding year, thus observing a deterioration of the deficit by Rs.263,164,020 in the financial result. Increase in expenditure of the year had mainly attributed to this deterioration.

## 3. Operational Review

### 3.1 Identified Losses

Audit Observation	Comments of the Management	Recommendation
<p>The contract for construction of 04 staff dual quarters in Mihinthale premises had been awarded on 23 December 2016 at a cost Rs.52,703,236 and a sum of Rs.15,859,979 was paid as mobilization advance. However, the university had terminated the agreement on 20 February 2019 due to non-performance of the works as scheduled when the value of the work done was Rs.10,620,619. A sum of Rs.15,760,611 should have been recovered on that date from the contractor to the university, despite the ability to encash the advance bond of Rs.3,952,742 and the performance bond of Rs.10,540,647 before the expiry, no action had been taken accordingly. As such, the university had to incur a loss of Rs.15,760,611 No action had been taken in this regard even by 01 April 2024, the date of audit.</p>	<p>The project continued to show poor progress during the progress review meetings where the contractor had informed DFCC Bank to extend the period of guarantees and was abandoned in August 2018 due to financial difficulties of the contractor. That legal action is being taken in this regard.</p>	<p>Action should be taken to recover the loss incurred from the respective responsible parties due to the inability to encash the advance security bond and performance security bond.</p>

### 3.2 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>(a) The project for the design and build of construct of 03 dual quarters for the Faculty of Medicine at a contract amount of Rs.42,979,355 commenced on 30 May 2017 and after being extended the completion date on several occasions it should have been completed by 19 April 2019. But after the value of the work done was Rs.29,239,233 the contractor abandoned the construction, and up to that a sum of Rs.21,798,120 has been paid the contractor. The performance security bond amounting to Rs.2,148,967 and the advance security bond amounting to Rs.9,885,251 relevant to this contract had expired on 08 January 2020 and 30 July 2019 respectively, as such, it had not been possible to recover the money owed to the government through those guarantees. No action had been taken in this regard even by 01 April 2024, the date of audit.</p>	<p>This project could not be completed on the scheduled dates due to the financial crisis of the contractor, accordingly, an amount of Rs.4,297,935.50 had been charged as liquidated damages from the contractor in accordance with the contract agreement. As the contractor is unable to complete the project at this time, the final bills are being prepared for a mutual termination.</p>	<p>Action should be taken to recover the loss incurred from the respective responsible parties due to the inability to encash the advance security bond and performance security bond.</p>
<p>(b) In the procurement process for the provision of security services related to the period from 1 March 2023 to 28 February 2024 for the premises of Rajarata University, contrary to the provision of the procurement guidelines 4.2.3, 2.11.3, 7.9.11 (a) and (c) 8.8.2 of the Procurement Guidelines and the provisions of the Wage Boards Ordinance No. 27 of 1941 44, the company that offered the lowest price of Rs.58,044,125 was recommended as the best bid by 04 technical committee members. But according to the recommendation made by one member of the Technical Committee based on an evaluation criterion not mentioned in the bid documents, the acceptance of the second lowest price of Rs.63,929,750 been recommended. As such, the university fund had suffered a loss of Rs.5,885,625.</p>	<p>Since the period from 26 October 2022 to 07 February 2023 was 15 weeks, as such, the timeline of 4.2.3 of the Procurement Guidelines Code has not been complied with.</p> <p>According to the decision of the procurement committee met on 30.01.2023, the calculation of the officer who disagreed with the decision of the Technical Evaluation Committee was correct and the chairman of the Technical Evaluation Committee has not made objections to the decision and the award of the contract was done according to the procurement guidelines. Therefore, the amount payable per shift for an</p>	<p>Most advantageable decisions should be taken, as such, not to make any losses to the university fund.</p>

- employee has been calculated considering the minimum daily wage payable for an employee.
- (c) Although research advances obtained as per section 2.10 of the Guidelines for Research Grants of the University should be settled within 90 days. But the total advance amount of Rs.1,227,223 given to 12 lecturers from 01 year to 13 years as on 31 December of the year under review, although the range had passed, the Management had been unable to get settle the advances.
- If it does not settle in the year 2024, it will be deducted from the salary of the concerned officials.
- Action should be taken to recover advances.
- (d) According to University Grant Circular No. 904 dated 07 January 2009, a bond should be signed before going abroad. But a Management Assistant Officer who had participated for the 'Enhancing Governance, Government Management and Reform in Sri Lankan Universities through Non-Academic Staff Training (ENACT) program' held in 2022 and 2023 had not been done so. As such, the management was unable to recover the amount of Rs.1,659,877 that should have been recovered from him due to his non-return. Further, suitable officers have not been selected for foreign training programs by the management violating of Article 13.1 in the partnership agreement, resignations and retirements has been approved without a compulsory service of 05 years after the training. Accordingly, the University had incurred a loss of Rs.2,097,837.
- 264th Governing Council held on 27.02.2023 has been approved to be treated as vacating the service. According to that, the amount of Rs.1,659,877.54 due from Mr. Patinayake to the university is being recovered from his provident fund. Also, an inquiry had been made from the Attorney General to get advice for the next steps.
- As per the circular provisions, action should be taken to achieve the desired results of the project.
- (e) The ceiling of the Faculty of Management theatre of the University collapsed on 26 October 2019, leaving the 405 chairs of their decaying due to lack of formal arrangements to protect them. A sum of Rs.3,657,500 had been incurred for the repair of those chairs in the year under review, as such, the university fund had borne a financial loss.
- When the ceiling collapsed, the feces of the bats that were on the ceiling fell on the chairs, which caused the covers of the chairs to rot. But, denying that on the management inefficiencies caused the decay the chairs due to expose those to the outside environment.
- Necessary actions should be taken to recover the loss incurred.



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| (f) | A total value of Rs.71,332,305 from 09 lecturers who breached their bond agreements, between for a period of 01 to 09 years by 31 December 2023, remained to be collected. Although provisions had not been made to write off the bond values, the Governing Council decision 272 held on 26 June 2023 had been written off Rs.15,154,309 due on 01 January 2023 from two lecturers who broke their bonds. | That the relevant two lecturers have either completed their doctorates delay or handed over their certificates to the university. | The University Grants Commission's internal audit circular letter No. 02/2022 dated 22 June 2022 should be followed. |
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### 3.3 Procurement Management

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
<p>A contract for the establishment of a networked management software system for the university was awarded at a contract value of Rs.17,500,000 on 31 December 2020 and it should have been completed and handed over on 31 December 2021.</p> <p>But it had not been completed and handed over to the university even till 01 April 2024, the date of audit.</p>	<p>Accepted. This is a 9-module operating system and currently 03 very complex systems are being implemented.</p>	<p>Necessary action should be taken for the speedy completion of the construction of the networked software system as per the agreement.</p>

## 4. Accountability and Good Governance

### 4.1 Submission of Financial Statement

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
<p>As per paragraph 6.6 of the Operations Manual attached to Public Enterprises Circular No. 1/2021 dated 16 November 2021, although the financial statements of that year should be submitted to the Auditor General within 60 days of the end of the financial year, it had been submitted to the Auditor General on 02 April 2024.</p>	<p>The shortage of positions of financial officers in the university has affected the inability to submit these financial statements on the due date.</p>	<p>The financial statements of the year should be submitted to the Auditor General within 60 days of the end of the financial year.</p>