

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Uva Wellassa University 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, 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 the Paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the University 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 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 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;
- 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 Accounting Deficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	An amount of Rs.17,096,857 spent on assets procurement and constructions during the months of November and December of the year under review by the Acceleration of Higher Education Extension and Development Project (AHEAD) had omitted from the financial statements of the year under review.	It was decided to hand over the assets purchased from 01.11.2023 to 31.12.2023 to the University in the year 2024 as it was not practical to carry out the identification, verification and, get approval in 2023 of the Governing Council through the Finance Committee.	Non current assets purchased in each year should be capitalized in relation to that year.
(b)	Provisions for unused government grants amounting to Rs.2,173,402 had been shown under current liabilities and provision for compensation of Rs.33,372,413 had been shown under non-current liabilities in the financial statements of the year 2022. Adjustments had been made for those provisions to the General Reserve as prior year	Comparative information in the liability balances of capital grants and, provision for compensation has been removed due to adjustment in the previous year. That the comparative information in the general reserve balance has been updated with the corresponding adjustments made.	Detailed disclosures should be made for adjustments made in the financial statements.

adjustments in the statement of changes in Equity in the 2023 financial statements without giving any reasons.

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

	Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Management	Recommendation
(a)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 571	Regarding 59 deposits held for more than 02 years total valued for Rs.37,166,338 had not been dealt with as per the referred regulation.	Total amount of Rs. 15,762,675 after paying the final bills and remaining Rs. 9,425,480 will be released after expiry of warranty period. Action will be taken to send reminding letters to release the retention money to the suppliers of total amounting to Rs.7,358,191 or take the balance to the state revenue.	Action should be taken as per the financial regulations.
(b)	Section 4.2.2, 4.5, 4.6 and 6.3 of Chapter XXIV of the Establishment Code of the Democratic Socialist Republic of Sri Lanka	A sum of Rs.897,095 due from 15 officers who had transferred, resigned, taken study leave without pay or died as at 31 December 2023 had not been recovered for a period between 01 and 16 years.	Debt balances from 03 officers amounted to Rs. 154,750 has been collected and the debt to be collected from 03 other officers will be included to the bond contract value and recovered. The loan amount of the remaining officers will be recovered from their provident fund.	Actions should be taken to recover the respective loan balances.
(c)	Establishments Code for the University Grants Commission and Higher Education Institutes			
(i)	Section 3.1 of Chapter XX and Public Administration Circular No. 03/2017 dated 19	A total sum of Rs.950,299,631 had been paid as salaries and allowances in the year 2023 without confirming the arrival	The salary division had obtained a confirmation from the respective heads that the officers were employed before paying the salaries at the end of every	Establishment Code and the Public Administration Circular should be followed.

	April 2017.	and departure of the members of the academic and non academic staff during the year under review.	month.	
(ii)	Paragraph 7.6 of chapter V	A total amounting to Rs. 125,662,225 due from 14 lecturers due to the breach of bond agreements for the period from 2015 to 31 December 2023 was unable to be recover as on 31 December 2023.	A sum of Rs.125,662,225 should have been collected from the receivables due to breach of bond agreements.	Action should be taken to recover promptly.
(d)	Letters No. SC&PMU/Grant/19 dated 25 July 2019 and No. SC&PMU/Grant/20 dated 14 August 2020 of the Director General of the Department of External Resources and Ministry of Finance letter No. ERD/AE/GEN/16 dated 02 October 2020	05 projects are being implemented on the basis of foreign grants without the knowledge and consent of the Director General of the Department of External Resources of the Treasury, and foreign grants of Rs. 15,437,938 had been received for 02 projects in the year 2023.	The Treasury had been informed by letter dated 19 April 2024.	The consent and the approval should be obtained as per the relevant circulars.
(e)	University Grants Commission Circular No. 09/2019 dated 25 November 2019	Due to rent had not been charged in accordance with circular provisions, a total rent of Rs.4,804,939 has not been recovered from 72 officers including the Vice-Chancellor only for the year under review.	A rent of Rs.2,000 per month will be charged for senior quarters based on the recommendations of the Housing Committee and the approval of the Governing Council and Rs.1,000 per month will be charged from officials of the housing complex.	Provisions in the University Grants Commission Circular should be followed.
(f)	Department of Management Audit Circular No. DMA/2009(2) dated 01 September 2009	An updated fixed asset register or updated computer data base was not maintained in respect of fixed assets worth	The fixed asset reporting system will be updated after the revaluation of assets. That a register containing the fixed assets procured in each and every year is	The relevant circular should be followed.

- of Rs.650,178,172 as maintained by the General Administration Department.
- on 31 December of the year under review.
- (g) Paragraph 5 of Circular Letter No. BD/HRD/126/214/19/2023 dated 18 January 2023 addressed to the Secretary to the Ministry of Education by the Secretary to the Treasury.
- A sum of Rs.12,562,232 collected from 08 lecturers whose bonds were breached during the year under review had not been sent to the Treasury.
- According to the University Grants Commission Circular No. 737, it is informed that the remittance of the funds received from breach of bond agreements to the Treasury cannot be done and that if a new circular is issued, it will be dealt with accordingly.
- The funds recovered should be sent to the Treasury.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a surplus of Rs. 310,420,127 and the corresponding deficit in the preceding year amounted to Rs. 225,687,938. Accordingly, an improvement amounting to Rs. 536,108,065 of the financial result was observed. The reasons for this improvement had been mainly attributed to the increase in capital and recurrent grants received from the non exchange transactions in the year under review.

2.2 Trend Analysis of major Income and Expenditure items

The revenue collection of the University in the year under review had increased in the ranged from 16 percent to 229.33 percent compared to the previous year and the expenditure in the year under review had increased by 4 percent to 87.64 percent as compared to the previous year.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) According to the Cabinet Paper No. 2004/ED/HE/45 dated 28 October 2004, the university had not taken action to provide hostel facilities to students and officers. As such, a total amounting to Rs.288,798,652 had been spent to provide external hostel facilities from January 2008 to 31 December 2023.	Actions are being taken to construct of hostels from the year 2015 and a 12 acre land will be acquired and expected to be provided hostel facilities to about 2000 students.	Actions should be taken to build new hostels to provide the necessary hostel facilities for the next year.
(b) Although the University Grants Commission had approved the registration of 1639 students in 16	Students will be enrolled in the degree programs according to the student	Actions should be taken to enroll the approved number of

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| <p>degree courses for the year under review, only 1166 students had registered, but action had not been taken to fill 473 vacancies.</p> | <p>registration lists forwarded to the University.</p> | <p>students for the respective courses.</p> |
| <p>(c) A total amount of Rs.80,381,472 had been paid as house rent for the 113 staff members of the university from 01 January 2017 to 31 December 2023 without obtaining the approval of the University Grants Commission and the Treasury.</p> | <p>As per Cabinet Paper No. 2004/ED/HE/45, accommodation facilities were provided for the officers of the University. Based on a decision of the Governing Council, instead of providing hostels from the year 2017, a part of the rent was reimbursed for the officers on certain limits.</p> | <p>Action should be taken to pay allowances on formal approval.</p> |
| <p>(d) Though consulting institutions have provided assistance for the construction and project activities of the university, and an engineer position was not in the approved cadre of the University in the year 2015, a Chief Engineer in Uva Provincial Building Director office has been appointed on the parttime basis. He was appointed for a period of 6 months with effect from 02 December 2015 on the basis of payment of an allowance of Rs.50,000 and the service period was continuously extended from that date and the monthly allowance had been increased to Rs.75,000 from 01June2018. Accordingly, a total sum of Rs.6,225,000 has been paid as allowances for the period from December 2015 to August 2023.</p> | <p>The Deputy Chief Secretary (Administration) of the Uva Provincial Council informed that the Governor's approval had been received for the appointment of an engineer on a part-time basis and, accordingly, has been released to provide the service. That this appointment has been made pursuant to that letter.</p> | <p>The approval of the Department of Management Services should be obtained for the recruitment of officers.</p> |
| <p>(e) An applicant who had not completed the basic qualifications for the position of Senior Assistant Registrar of the University was recruited for the position of Senior Assistant Registrar on 05 September</p> | <p>The University Grants Commission has appointed to the post of Senior Assistant Registrar and confirmed the correctness of the educational qualifications</p> | <p>Action should be taken for a formal inquiry into informal recruitment.</p> |

2008 and the service had been confirmed without verifying the accuracy of his educational qualifications and working experience. Furthermore, he was promoted to the position of Deputy Registrar of the University from 07 October 2019 and was paid Rs.22,895,602 as salary and allowances for the period from 15 October 2008 to 31 December 2023 and was also given other benefits of the position.

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| <p>(f) Strongly highlighting the requirement for an alternative water supply project for the university at an estimated value of Rs.35,832,218 (tax free) in the year 2021 was completed by spending Rs.79,475,047 on the alternative water supply project and on 12 October 2022. Treasury approval was not obtained for the additional expenditure of Rs.43,642,829 for this project and the relevant file was not submitted to the audit.</p> | <p>That the files have been taken to provide the payments and other information requested by the contracting companies and consulting companies in relation to the alternative water supply project.</p> | <p>Circulars should be followed and additional payments should not be made without the approval of the Treasury.</p> |
| <p>(g) In the procurement process related to getting the security service, for the period from 01 October 2020 to 31 March 2023, the companies that had submitted the lowest bids on 02 occasions had been rejected and the security company that submitted the third lowest bid had been accepted. As such, an overpayment of Rs.14,380,776 had been made.</p> | <p>That the tender was awarded to the tenderer who has correctly submitted the tenders as per the daily minimum wages.</p> | <p>The procurement process should be implemented in a manner that maximizes the benefit to the government.</p> |

3.2 Transactions of Contentious Nature

Audit Observation	Comments of the Management	Recommendation
<p>The main canteen of the university and the new canteen had been leased in contrary to the procurement guidelines</p>	<p>That the payment as per the conditions of the tender for the year 2023 is not correct,</p>	<p>Actions should be taken to follow the procurement process</p>

and as per the canteens tender conditions, hence the payment has been suspended from 20 February 2024 and action will be taken to recover the payment made. and allow for competitive bidding.

the contractor had to employ staff for cooking. But for 09 maids employed for cooking, a total allowance of Rs.3,762,024 had been paid from the university fund only for the period of 05 months from 01 April 2023 to 31 August 2023.

3.3 Human Resources Management

Audit Observation	Comments of the Management	Recommendation
(a) Contrary to Management Services Circular No. 03/2018 dated 18 July 2018, a retired Land Commissioner who is not part of the sanctioned staff has been recruited with effect from 06 December 2017 to supervise the land acquisition activities, and from the date of appointment until 31 December 2023 a total amounting to Rs.3,650,000 has been paid at the rate of Rs.50,000 per month. Although 05 years had passed since the appointment of that officer, the university was unable to take over the declared lands.	A retired Land Commissioner has been appointed on 11 December 2017 to streamline the land acquisition process as per the University Grants Commission letter No. UGC/IDD/GEN/01. After the joining of this officer, the transfer of 0.8119 hectares of land has been completed and the transfer of 12 acres and 05 acres of land is in progress.	The approval of the Department of Management Services should be obtained for the recruitment of staff.
(b) The university had verified the educational certificates of the applicant who was appointed on 01 April 2016 for the post of Trainee Technical Officer II Grade "B" category and confirmed that the certificates were fake certificates. A total sum of Rs.3,275,787 had been paid as salary and allowances in the relevant period. Accordingly, due to the verification of the certificates had not been done within the stipulated time, the loss to the university fund had not been recovered from the relevant parties even by 31 December 2023.	A complaint has been made to the Deputy Inspector General of Police in charge of Badulla Province on 07.07.2021 to conduct an investigation into the discrepancy in the examination results of the officer. That the matter has been reported to the Hon'ble Magistrate's Court and proceedings have been commenced.	A formal investigation should be conducted regarding the informal recruitments and actions should be taken to recover the losses incurred to the university fund from the parties related.

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| <p>(c) An officer who has not met the minimum educational qualification had been recruited for the position of Technical Officer which was not approved by the Management Services Department, on the approval of the Governing Council of the University from 10 April 2019. He was paid a monthly allowance of Rs.50,000 from 10 April 2019. Further, a trained Technical Officer had also been recruited on a monthly allowance of Rs.40,000 from 10 July 2019. Accordingly, a total allowance of Rs.4,720,000 were paid to the Technical Officer and Trainee Technical Officer until 31 December 2023 and 08 July 2023 respectively without confirming the daily arrival and departure of those officers.</p> | <p>Since all the approved projects had to be carried out accurately and efficiently on time, the two officers with one year experience and trained as an engineering draftsman (Designer) and the project engineer were recruited on a work assignment basis. Although the approval has been sought for these posts, the approval has not been received so far.</p> | <p>The approval of the Department of Management Services should be obtained for recruitment and actions should be taken to recover irregularly paid salaries and allowances.</p> |
| <p>(d) Even though a vacancy for Security Inspector (work Assignment) officer was not available, an officer had been recruited on 05 December 2021 and an amount of Rs.1,225.000 had been paid as allowances from the University Fund for the period from that date to 31 December 2023.</p> | <p>As Vacancy in the post of Chief Security Officer was available, recruitment was made on assignment basis. That his service was not extended from 30.04.2024.</p> | <p>A formal investigation should be conducted on informal recruitments and action should be taken to recover the wages and allowances paid.</p> |
| <p>(e) An officer who had not met the relevant qualifications had been recruited for the post of Senior Assistant Librarian under open recruitment on 01 August 2018. Also he had been appointed as Acting Librarian from 02 March 2022 and paid a total sum of Rs.18,420,538 as salary and allowances till 31 December 2023.</p> | <p>Taking into consideration the educational qualifications in the relevant field at the 134th Governing Council, he was appointed as Assistant Librarian for a period of 03 years from 01 August 2018. He had been promoted to the post of Senior Assistant Librarian (Grade II) from 01 August 2021.</p> | <p>A formal investigation should be conducted on informal recruitments and action should be taken to recover the wages and allowances paid.</p> |

4. Accountability and Good Governance
4.1 Submission of Annual Reports

Audit Observation	Comments of the Management	Recommendation
According to Section 45(2)(1)(vi) of the University Act No. 16 of 1978, submission of the annual report of the University to the Court (Utthara) and the Commission will be the task of the Governing Council, but the University had not prepared the annual reports for the years 2022 and 2023 even by 30 June 2024.	That preparation of the annual reports for the year 2022 will be prioritized and submitted as soon as possible and that the 2023 annual report will be prepared by the end of September 2024.	Action should be taken to prepare and submit the annual report timely.