

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the Eastern University, Sri Lanka (“University”) for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy 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 National Audit Act, No. 19 of 2018 and Finance Act, No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the University as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

**1.2 Basis for Qualified Opinion**

My opinion is qualified 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 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 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 Auditor's Responsibilities 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 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 particular Standards</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a) Sundry debtors outstanding over five years was Rs. 11,511,674. However no impairment had been made in accordance with paragraph 21 of SLPSAS 10.	Due to the lack of sufficient supporting documents and confirmations, we were unable to verify the recoverability of the above-mentioned balances. The balances have remained outstanding for over ten years without any progress in recovery.	Adhere the Sri Lanka Public Sector Accounting Standards.
(b) Investment interest income amounting to Rs. 26,272,214 had been credited to the fund accounts instead of being recognized as income for the year under review.	Corrective action has already been taken in the current financial year to recognize investment income properly in the Statement of Financial Performance before any transfer to restricted funds, in line with SLPSAS 10.	-Do-

### **1.5.2 Accounting Deficiencies**

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a) Direct debits and deposits totaling Rs.3,925,059 and Rs.1,604,146 have been shown as unidentified debits and unidentified deposits, respectively, in the bank reconciliation statements of the University for more than 14 years.	The Council is unable to find documents from before 2009 and has taken steps to address any issues from that time. Necessary write-offs have been made as decided by the Council.	Action should be taken to identify the respective debits and deposits before write off.
(b) Capital work-in-progress increased during the year under review was Rs. 181,407,693. However, according to the cash flow statement for the year under review, a sum of Rs. 537,256,699 was shown as capital work-in-progress as an inflow under investing activities.	It will be rectified in forthcoming Financial Statements.	Action should be taken to adjust in the books of accounts.

### 1.5.3 Inappropriate Valuation or Estimation

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
Land totaling 241.2 hectares across 15 locations of the University had not been valued and recognized in the financial statements.	Efforts are currently underway to procure rightful possession of the lands in question. As soon as the transfer of ownership is completed, prompt and diligent measures shall be implemented in strict adherence to the accounting standards.	Action should be taken to value and bring to the accounts.

### 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>Management Comment</b>	<b>Recommendation</b>
<b>(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.</b>			
(i) Financial Regulations No.571 of the Government of the Democratic Socialist Republic of Sri Lanka.	Retention balances amounting to Rs.16,264,477 and security deposits amounting to Rs. 850,000 had remained over three to eight years without being settled or recognized as income.	Appropriate actions will be taken in accordance with the procedure.	Action should be taken according to the Financial Regulations.
(ii) National Budget Circular No. 03/2022 dated 26 April 2022	The University had incurred Rs.48,598,255 (including VAT) on constructing a new pavilion and on the rehabilitation and extension of the old pavilion, including supplementary works, contrary to the provisions of the circular.	The existing pavilion was rehabilitated in view of Sri Lanka University Games (SLUG) which was hosted by the EUSL that year. Otherwise, the University would have spent more money to set up temporary stages and other arrangements.	Action should be taken to strictly adhere to National Budget Circular.

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

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| (i)  | Sub-section 20.8 of Chapter III and 4.1 of Chapter VI                            | The Council accepted the resignation of a Grade I Senior Lecturer in the Department of Botany on 29 August 2020. The lecturer was subsequently re-employed to the previous post with effect from 3 September 2020. However, contrary to the Establishments Code, the salary step was set at Rs. 119,520 instead of the initial salary of Rs. 91,310. As a result, Rs. 3,633,900 was overpaid to the lecturer during the period from 3 September 2020 to February 2024. | The Legal Affairs Committee did not recommend her request, and its recommendation has been forwarded to the Council. The Council's final decision is awaited. | Action should be taken according to the provisions in the Establishments Code. |
| (ii) | Sub-section 3.1 of Chapter XX and Circular No.10/2017 dated 10 July 2017 of UGC. | Salaries and allowances totaling Rs. 1,435,494,950 had been paid during the year under review without verification of academic staff attendance.   | Traditionally, the Academic staff do not record their attendance in the finger print machine as practiced in all other Universities.                          | -Do-   |

**(c) University Grants Commission**

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| (i)  | Letter dated 12 October 2018      | Action had not been taken to obtain reimbursement of the Mahapola Trust Fund component of Rs.2,305,000, which had remained recoverable for over three years. | The University maintains regular communication and diligent follow-up with the University Grants Commission regarding the reimbursement of bursary funds. | -Do-                          |
| (ii) | UGC Circular No. 10/2017 and EUSL | Finger scanners were not properly used by non-   | According to UGC Circular No. 10/2017   | Action should be taken to use |

Internal Circular No. EUSL/E/C/2007/06,	academic and academic support staff. Audit noted 58 staff who took leave exceeding their 45-87/day entitlement by up to 106 days between January and October 2024 (excluding the strike period). Due to weak leave controls, the accuracy of Rs. 99,181,457 paid in salaries during this period could not be verified, and no deductions for unpaid leave had been made by 31 December 2024.	and EUSL Internal Circular No. EUSL/E/C/2007/06, all staff must use finger scanners to record attendance. At Trincomalee Campus, usage has been inconsistent due to technical issues, power failures, and human error.	finger scanners to record attendance.
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**2. Financial Review**

**2.1 Financial Result**

The operating result of the year under review amounted to a surplus of Rs. 136,416,567 and the corresponding deficit in the preceding year amounted to Rs. 379,540,072. Therefore, an improvement amounting to Rs. 515,956,639 of the financial result was observed. The reason for the improvement is increase of recurrent grant by Rs.318,800,000 mainly attributed to the above-mentioned improvement.

**3. Operational Review**

**3.1 Management Inefficiency**

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a) Grants of Rs. 81,977,656 disbursed in 2018 and 2019 under the AHEAD Project for nine candidates had not resulted in completion of their PhD programs within the stipulated period. Out of these nine candidates, five candidates were dismissed from University service, rendering grants of Rs. 45,977,656 become fruitless due to non- completion of PhD programe.	The action is being taken to recover all bonded amount.	Action should be taken to strictly adhere to project terms and conditions and utilize grant properly.
(b) According to the Guidelines for Proposal Submission under the Enriching Learning, Teaching, Assessment (ELTA) and English Language Skills Enhancement Development Projects (ELSE DPs), at least one activity should specifically target the English language component. However, in 2022, the Trincomalee Campus spent Rs. 18,568,775 on a movie theater	According to the approval of the Department Procurement Committee (DPC) at its meeting held on 13th October 2022, the Trincomalee Campus	Action should be taken to strictly adhere to project terms and conditions.

construction without implementing any English-language activity under the above Project. As a result, the core objective of enhancing English language skills was not achieved.

placed a purchase order for goods for the Movie Theatre based on the decision of the Finance Committee.

- (c) The Trincomalee Campus experienced an island-wide non-academic strike from 12 April 2024 to 18 June 2024. Nevertheless, amounts totaling Rs.5,296,708 were paid to the manpower contractor for engaging employees during the strike period, with no deductions made for days when no cleaning, janitorial, or garden maintenance activities took place at the Campus.

During the non-academic staff trade union action from 02 May 2024 to 15 July 2024, academic activities such as lectures, practical, and examinations continued with the support of temporary, supportive, and outsourced staff.

Action should be taken to strictly adhere to terms and conditions in the agreement.

- (d) Out of the total receivables balance of Rs.437,077,616 as at 31 December 2024, Rs.238,964,922 (52 percent) had remained unrecovered for 03 to 40 years. Out of this, bond value totaling Rs. 147,164,353 had not been recovered from 66 lecturers who breached their bond and agreements for a period ranging from 10 to 40 years.

As much as possible letter of demand are sent to defaulter and their sureties periodically and up to now around Rs.37 million was received from bond defaulters.

Action should be taken to recover bond value from the bond violators.