University of Ruhuna - 2024
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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the University of Ruhuna 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 a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article (1)154of 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 the Sub-section 107(5) of the Universities Act, No.16 of 1978 .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 accompanying financial statements give a true and fair view of the financial position of the Ruhuna University as at 31 December 2024, and 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 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 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 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 intends 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 (1)16of the National Audit Act, No. 19of 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 misstatements, 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 to identify and assess the risk 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 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 whenever 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 Standard

Non-compliance with reference to the relevant standard	Comment of the Management	Recommendation
As stipulated in Paragraph 49 of Sri Lanka Public Sector Accounting Standard 07, the entire class of assets must be revalued in the revaluation of property, plant, and equipment. However, 5 out of the 51 vehicles belonging to the University, valued at a total cost of Rs. 18,800,000, had not been revalued.	During the valuation of vehicles, it was not possible to obtain a valuation report for the motor vehicle numbered 31-2282 as it was at the garage for repair work. That the fully depreciated and retired motor vehicles from active use do not require revaluation. It was reported by the Valuation Department that the Research Vessel could not be assessed due to its non-operational status.	Actions regarding property, plant, and equipment should be taken in accordance with the Sri Lanka Public Sector Accounting Standards.

1.5.2 Accounting Deficiencies

Audit Observation	Comment of the Management	Recommendation

(a)	Due to the violation of agreements by certain academics who had gone abroad under contracts with the University for postgraduate studies, a sum of Rs.38,032,179, which was payable to the University, had not been accounted for as receivable on account of the agreement violations.	Since the both parties have not reached an agreement regarding the amount to be recovered due to the violation of agreements and bonds, and both the amount and the payment schedule remain uncertain, the receivable from the agreement violations has not been stated as a current asset in the financial statements.	Actions should be taken to precisely identify and account for the sums recoverable from the violation of bond agreements.
(b)	Although the agreement for construction and rehabilitation works included under current liabilities in the financial statements was invalidated in 2020, failure to recover the Rs. 12,607,224 retained from the construction contractor resulted in the retention money and the accumulated fund being overstated and understated, respectively, by that amount.	The 12-story building of the Faculty of Medicine has been the subject of an arbitration case filed by the first contractor against the university regarding the construction. Since the arbitration process has not been concluded and no final decision has been made concerning the contract payments, the related retention amounts have not been accounted for in the income.	Steps must be taken to account for or settle the retention money as revenue.
(c)	The renovation of the main university library was completed on 20 February 2024 and handed over to the university for operational use. The expenditure of Rs.170,134,326 incurred for this purpose had been recorded under work-in-progress without being capitalized. Due to the failure to account for a depreciation of Rs.7,797,823 related to the library building, the surplus for the review year was overstated by Rs. 7,797,823, while the value of the building and the work-in-progress were understated and overstated in the financial statements by Rs.162,836,503 and Rs. 170,134,326, respectively.	I would like to bring to the auditor’s attention that the library building has already been capitalized in the building account, and only the expenditure incurred for its renovation is yet to be capitalized. Nevertheless, these issues have been properly disclosed in the notes and policies of the financial statements.	Action should be taken to properly capitalize the additions made to the assets.
(d)	Instead of recognizing Rs. 10,304,461 received from foreign students of the Faculty of Medicine for the following year as income for the subsequent year, it was recognized as income for the current year. As a result, the surplus and deferred	The audit observations are agreed upon.	Income for the year should be accurately recognized and included in the financial statements.

income for the year had been overstated and understated, respectively, by that amount in the financial statements of the year.

1.6 Receivable and Payable Accounts

1.6.1 Receivable Accounts

Audit Observation	Comment of the Management	Recommendation
Action had not been taken up to 31 May 2025 to recover Rs. 5,372,107 due from external parties as of 31 December of the review year for the telephone towers constructed on the university land.	In accordance with Clause 02(f) of the agreements with Mobitel, payment of electricity charges for the Mobitel towers is to be made by Mobitel. Several written notices have been sent to the relevant parties regarding these receivables, and action will be taken to recover the amounts due as soon as possible.	Action should be taken to recover all outstanding amounts without delay.

1.7 Unauthorized Transactions

Audit Observation	Comment of the Management	Recommendation
The Bursar, who had been employed on a contract basis from 17 August 2020 to 31 July 2022, represented the university at a workshop held in Bangladesh from 17 April 2022 to 23 April 2022 without obtaining formal approval for leave to be spent out of the island. Furthermore, after the officer's contract with the university had ended on 31 July 2022, he represented the university again by participating in a training session organized by the University of Huddersfield in the United Kingdom under the BRITAE project from 8 September 2022 to 16 September 2022.	The officer who served as Bursar on a contract basis under sabbatical leave periods from 17 August 2020 to 31 July 2022 does not have any written document in his personal files indicating that leave to be spent out of the island was approved for participation in the workshop held in Bangladesh from 17 to 23 April 2022. Furthermore, although the officer participated in a workshop organized by the University of Huddersfield, United Kingdom, under the BRITAE project from 8 to 16 September 2022, his name was not included in the Council records. Additionally, at the time of this workshop, the officer had already concluded his service at this university and had reported back to Sabaragamuwa University.	Disciplinary action should be taken against those who took leave to be spent out of the island without proper approval, and measures should be implemented to identify the officers responsible for involving an officer not assigned to the project and to take appropriate action.

1.8 Non-compliance with laws, rules, regulations, and management decisions

Reference to laws, rules, regulations etc.	Non-compliance	Comment of the Management	Recommendation
a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) F.R.135 and 138	Although the Bursar was required to certify expenditures for payments of Rs. 20 million or more in the vouchers, contrary to this rule, the Assistant Bursar had certified contract payments totalling Rs. 851,812,903 for 12 vouchers, each exceeding Rs. 20 million.	Based on the (II) Finance Committee recommendation dated 08.12.2023 and with the approval of the Council dated 14.03.2024, while delegating financial management duties for the university for the year 2024 in accordance with Financial Regulation 135, authority was granted for expenditure certification in vouchers up to Rs. 10 million to Assistant Bursars, up to Rs. 20 million to Deputy Bursars, and payments exceeding Rs. 20 million to the Bursar.	Financial authority should be properly delegated.
(ii) F.R. 502 (2)	An asset register for property, plant and equipment with a total value of Rs. 5,449 million and for intangible assets with a total value of Rs. 57.1 million had not been submitted to the audit.	The university maintains a computerized fixed asset management system, through which all fixed assets of the university's departments are recorded and updated.	The fixed asset register, containing updated information on all assets, should be submitted to the audit.

(iii) F.R. 571	Action had not been taken in accordance with Financial Regulations up to the end of the year under review regarding retention balances of Rs. 43.68 million, which had long existed for construction works and payables to suppliers included under current liabilities in the financial statements.	Some of these projects are undertaken under the provisions of the Ministry of Higher Education. Since the works for these projects have not yet been completed and construction activities are still ongoing, it is not possible to release 10% of the retention funds for these projects. For the remaining projects, retention funds have been withheld due to deficiencies not being rectified and the works not being handed over to the university.	Action should be taken to settle the retention money within the stipulated period.
(b) Public Enterprises Circular 01/2018 dated 18 September 2018	The amount of Rs. 5.203 million obtained from the sale of motor vehicle assets had not been credited to the Consolidated Fund or used to purchase relevant assets for about five years.	The funds received from the sale of vehicles had not been remitted to the Treasury in the respective years, and this balance consists of monies received from time to time during the years 2003 to 2019. At present, these funds have already been utilized for vehicle repair expenses of the University. Therefore, arrangements are being made to obtain the concurrence of the Treasury by July 2025 to use the said funds for vehicle maintenance activities of the University.	Action should be taken without delay either to discharge the liabilities or to take appropriate measures.
(c) University Grants Commission Circular No. 04/2016 dated 01 March 2016	No action had been taken in accordance with circular provisions up to the end of the year under review with regard to the income of Rs. 34.74 million earned from self-financed courses that had already been concluded, which was shown under Accounts	That the necessary arrangements have already been made to prepare the financial statements of the completed courses, and to finalize them by distributing the relevant balances to the Development Funds with the approval of the Finance Committee and the Council,	Action should be taken to prepare the financial statements of the completed courses without delay and distribute relevant balances to the designated funds.

		Payable and Deferred Income.	before 31 July 2025.	
(d)	Sub-section 2 of Section 5 of the Inland Revenue Act, No. 24 of 2017	When calculating the Pay-As-You-Earn (PAYE) income tax on employment income, during four assessment years (2019–2022), the research and development allowances totalling Rs. 686.5 million received by 1,708 employees, including university lecturers, had been disregarded in the assessment of taxable income. As a result, a significant amount of tax revenue due to the Government was lost.	When paying salaries by the employer to the employee from 01 April 2020, the deduction of personal income tax from salaries was based on the "Declaration of Consent for Tax Deduction," and this arrangement remained in force until 31 December 2022. However, from 01 January 2023 onwards, taxes, including on the Research and Development Allowance, have been duly deducted and continuously remitted to the Department of Inland Revenue.	PAYE tax should be calculated in compliance with the provisions of the Inland Revenue Act.

2. Financial Review

2.1 Financial Results

The operational results for the year under review showed a surplus of Rs. 1,286,227,217, compared with a surplus of Rs. 1,000,772,789 in the previous year. Accordingly, an increase of Rs. 285,454,428 in the financial results was observed. This growth was primarily due to increase in revenue from recurrent and capital grants, income from exchange transactions, and reductions in travel expenses, supply and consumer costs, research and development expenses, and expenses for self-financed activities.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
As an initial fund for acquiring approximately 12 acres of land, namely the Panikkaiya Kumbura and Diganwala Kumbura lands located in Meddawatta village, for the proposed development activities of the University's Urban Development Project, an amount of Rs. 500,000 was	In this regard, the University informed the Matara Divisional Secretariat through a letter dated 07 March 2024. As this amount is receivable by the University, it has been correctly accounted for under "Pre-payment Deposit" during the preparation of the financial statements, and action is being taken to recover the amount	Steps must be taken without delay to either transfer the land or reclaim the deposited funds.

deposited in May 2017 with the Matara Divisional Secretariat. However, up to the date of the report, no action had been taken either to transfer the land to the University or to recover the deposited amount.	within three months.	

3.2 Uneconomic Transactions

Audit Observation	Comment of the Management	Recommendation
Under the Accelerating Higher Education Expansion and Development (AHEAD) Project's PhD Scholarship Program, an amount of Rs. 69.67 million was spent on behalf of seven doctoral students for pursuing their PhD studies. However, no action had been taken to recover this amount as the degrees had not yet been completed even by the end of the year under review.	For a doctoral student who failed to complete the Ph.D. program, the bond value is being recovered at Rs. 100,000 per month from the monthly salary. Three doctoral students have been considered as having vacated service by the Council. Two doctoral students have not yet taken action to settle the bond, while one doctoral student has been instructed to pay the bond amount.	Funds provided through foreign-funded projects should be utilized efficiently, and management should implement a formal procedure to promptly recover these amounts from doctoral students who have breached their bond agreements.

3.3 Deficiencies in contract administration

Audit Observation	Comment of the Management	Recommendation
Out of Rs. 148,024,526, which was to be paid to a private contract company with the approval of the Ministry of Education Procurement Committee, an amount of Rs. 131,001,705, equivalent to 75%, was paid from the University's funds in February of the year under review, based on the approval of the Vice-Chancellor, without obtaining the necessary official approval and without the funds being received by the University.	Based on the Vice-Chancellor's covering approval, 75% of this price variance was paid on 05 February 2024, until the approval of the Ministry of Education Procurement Committee is granted. Subsequently, the Ministry of Education Procurement Committee granted approval for this price variance on 18.03.2024.	No payment should be made without formal approval, and all relevant payments should be carried out with transparency.