

1.1 Financial Statements

The audit of the financial statements of the University of Ruhuna for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 and the Provisions of the 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, financial statements give a true and fair view of the financial position of the University of Ruhuna as at 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Opinion

I conducted my audit in accordance with the Sri Lanka Auditing Standards (S.L.Au.Ss). My responsibility with regard to financial statements is further described under the section “Auditor’s Responsibility”. I believe that the audit evidence that I have obtained is sufficient and appropriate to provide a basis for my 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 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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern of the University 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 financial reporting process of the University of Ruhuna.

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 Audit Scope (Auditor's Responsibility for 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 Financial Statements

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.

1.6 Receivable and Payable Accounts

Advances

Audit Observation	Management Comment	Recommendation
The research advances of Rs. 3,149,340 given to 26 lecturers in the years 2018 and 2019 had not been settled by the end of the year under review.	Letters have been sent inquiring about delays with advising to immediate settlement of unpaid advances.	Action should be taken to settle advances in accordance with Financial Regulations.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Sub section (xv) of Section 45 (2) of the Universities Act No. 16 of 1978.	An excess of Rs. 79,755,690 had been invested in 03 fixed deposits of the	All investments are made in People’s Bank, which maintains	The money should be invested after obtaining the relevant approval.

- Faculty of accounts with the Postgraduates without approval of the obtaining the approval of the Commission as Governing Council and the per the provisions of approval of the the Act. University Commission.
- (b) Public Accounts Circular No. 94/30 dated 20 April 1994. Although the Department of External Resources was required to obtain foreign grants and technical assistance, 05 projects had been initiated without obtaining such approval. The international unit working in this regard is in the process of obtaining the relevant approvals. Action should be taken to obtain Foreign project aids through the Department of External Resources.
- (c) Management Services Circular No. 02/2014 dated 11 February 2014.
- (I) Paragraph 4(I) Research allowances were paid to university academic staff without approving research proposals from 2014 to 2020 in accordance with circular instructions. University Grants Commission circular No. 5/2014(1) was instructed to apply Higher Education Circular No. 1/2011 and 1/2011(1) and the relevant research allowances have been paid accordingly. Since the 2011 Budget Circular was canceled by the Management Services circular, research allowances should be paid based on this Management Services Circular.
- (II) Paragraph 4(II) Although research allowances were required to be paid to the academic and non-academic staff of the University after obtaining the approval of the Committee for University Grants Commission circular No. 5/2014(1) was instructed to apply Higher Education Circular No. 1/2011 and The 2011 Budget Circular was canceled by the Management Services Circular. Also, research allowances should be paid based on the

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| | | the research reports submitted under the Action plan within 06 months of the commencement of the research, no payment was made accordingly. | 1/2011(1) and the relevant allowances have been paid accordingly. | Management Circular 2/2014. |
| (III) | Paragraph 4 (III) | Although the research papers of the lecturers were published in a publication, the final research report had not been submitted to the Research Monitoring Committee referred to mention in paragraph 5(ii) of the circular. | University Grants Commission circular No. 5/2014(1) was instructed to apply Higher Education Circular No. 1/2011 and the relevant research allowances have been paid accordingly. | Circular 1/2011 was canceled based on the 2011 budget circular. Accordingly, research allowances should be paid based on the Circular 2/2014. |
| (d) | Internal Circular No. 2016/3 dated 30 December 2016. | All the lecturers except the Department of Information and Communication Technology (ICT) had conducted between 70 and 50 percent minimum number of lectures per week as per the circular instructions. | Two lecturers in probationary period of the post of lecturer have been given a reduced teaching period for the relief of postgraduate courses which are in the condition of service confirmation. | According to circular provisions, 83 percent of the lecturers cannot be given study leave at once. |

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs. 294 million and the corresponding deficit of the preceding year amounted to Rs. 834 million. Therefore an improvement of amounting to Rs. 1,128 million of the financial result was observed. The main reasons for the improvement were increasing the recurring grants by Rs. 272 million and decreasing the operating expenses by Rs. 285 million.

3. Operational Review

3.1 Un-economic Transactions

Audit Observation	Management Comment	Recommendation
The post of Field Assistant and Laboratory Assistant had considered as 02 posts in the Asia Pacific Network (APN) project and paid an additional salary and allowance of Rs. 389,349 per employee.	As the relevant employee was well trained for laboratory work, I would like to inform you that on the days when samples are not collected in the field, his service has been obtained and payment has been made not to exceed the previously approved amount.	This officer has worked in the laboratory on non-working days in the field. Therefore, payments cannot be made as two posts.

3.2 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
(a) Rs. 236 million had been paid as the annual research allowance for the academic staff of the university, but the carried out researches and its results had not been communicated to the public.	The result sheets are regularly published. Relevant students or lectures will continue to do that work based on the results of that research.	It is not enough to publish the results of the research in a publication and a programme should be established to communicate the results to the public.
(b) According to results of the examination conducted by the Faculty of Technology, the pass percentage in the examinations conducted in two semesters of phases 1 and 2 for the years 2018 and 2019 had increased from 30 percent to 98 percent.	Related issues have already been identified and focused the attention on managing this situation.	Should find the reasons for exams failure of the students and take action to solve those problems.
(c) In the second semester of phase 1 of the Faculty of Technology in 2019, 72 percent of the students who sat for the examination had failed the examination and 63 percent of the passed students had obtained "C" pass which was the lowest pass.	Some shortcomings have occurred due to the weaknesses of the students' knowledge and understanding of the subject matters in the Faculty of Technology and some lecturers were failure to conduct the courses with understanding of the students' knowledge.	Thus, should find the reasons for exams failure of the large number of students and take action to solve those problems.

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| (d) | Out of the 250 students who sat for the ME 1201 subject in the first semester of 2019 of the E 2018 batch (C-18) group of the Faculty of Engineering, 153 or 61 percent had failed the examination. There were no “A” passes for the subject and 65 students obtained “C” and “C+” passes. | It was decided to attach more instructors to the drawing machine drawings, examine the mechanical drawing of the students and discuss their shortcomings and implement the mechanical drawing programme by giving training opportunities. | Management should be checked the reasons for exams failure of the large number and make a programme that is not unfair to the students. |
| (e) | 05 years have passed, 14 students or 54 percent of the first batch of 26 students enrolled in the postgraduate courses in Peace and Development have not completed the course. | Although notices and e-mails were sent to those students from time to time, only a few students applied to complete that level. | Since these courses that are operate on a scholarship programme, action should be taken to get the most benefits from that scholarship. |
| (f) | Although it should be achieved the primary purpose of implementing a degree programme on a scholarship programme, there was no agreement for that with the candidates of the Postgraduate course in Peace and Development. | Arrangements have been made to sign agreements with scholarship holders who are currently studying academics, as pointed out by the audit. | Scholarships that received from foreign funded projects are government grants and So that, it should be utilized in an effective manner. |

3.3 Controversial Transactions

Audit Observation	Management Comment	Recommendation
Research reports pertaining to the 04 non-academic staff officers currently not in the university which was paid Rs. 858,745 as the research allowance had not been submitted.	While on duty at the University of Ruhuna, these officers submitted research proposals and received research allowances. Payments were suspended from the time of their transfer.	Action should be taken to obtain research reports from all officers who receive research grants.

3.4 Issues in Contract Administration

Audit Observation	Management Comment	Recommendation
Rs. 45,423,367 which was 20 percent advance of the total contract value had been paid to the contractor for the construction of the Faculty of	The university has obtained a security guarantee for the payment of this advance. Therefore, the university has	Contract administration should be carried out in a systematic manner to act in accordance with the

Management and Finance building complex as at 23 February 2018, but there was a weakness in contract administration due to non-implementation of a work beyond 02 years of agreement period as per the advance payment.

the coverage capability to recover the advance even if no work related to the advance payment.

agreements and to achieve the objectives of the organization.

4. Accountability and Good Governance

Corporate Plan

Audit Observation	Management Comment	Recommendation
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According to the Corporate plan for the period of 2014-2018, it was planned to commence 22 new distance learning courses and an online course by 2018 and to develop curricular for job creation with 60 percent of all distance and continuing degree courses, but nothing has been done.	02 Regional centers were opened in Galle and Hambanthota in the year 2015 and applications were called for the commencement of various courses aimed at employment, but they could not be started due to insufficient number of applications and lack of software system.	Management should be made the logical plans and set goals accordingly and manage the organizational resources.