

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Uva Wellassa University for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 2021, 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; 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 Internal Control over the preparation of financial statements

The entity is 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.

1.5.2 Accounting Deficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
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(a) Although all the revenue collected should be included in the financial performance statement in accordance with paragraph 99 of Sri Lanka Public Sector Accounting Standard 01, a sum of Rs. 7,126,683 recovered from the officers in breached of bond agreements in 2021 and the interest income of Rs.	According to the University Grants Commission Circular No. 737, instructions had not been given to treat the recovered money from the concerned officers for breaching the bond agreements as income and only mentioned	Sri Lanka Accounting Standard should be complied.

1,129,608 earned by investing that the eligible that money thereon, a total sum expenses in the of Rs. 8,256,291 had not been investment of received included in the financial money. The interest performance statement. As income will be taken such, the surplus of the year into income in the under review was under stated future. by Rs. 8,256,291.

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| (b) | The total cost of 15 buildings amounting to Rs. 593,944,192 which the construction was completed and taken into use had not been capitalized during the year under review, as such, the cost of property, plant and equipment and work in progress as of that date were understated and overstated by equal amount respectively. Also, the depreciation of building was under accounted by Rs, 12,010,316 for the year under review. | Action will be taken to capitalize the completed works in the same year and to make provision for depreciation for related assts in the same year. | Soon after the construction is completed in a usable condition the cost should be accounted as an asset and the related depreciation should be calculated. |
| (c) | A receivable amount of Rs. 18,243,844 due from 03 lecturers due to breach of bond agreements as on 31 December 2021 had not been disclosed in the financial statements. | Action will be taken to disclose all due amounts for breach of bond agreement in the financial statements in future. | Receivable amount to the university due to breach of bond agreements should be disclosed in the financial statements. |

1.5.3 Unauthorized Transactions

The following observations are made.

Description of unauthorized transaction -----	Comments of the Management -----	Recommendation -----
(a) A sum of Rs. 54,020,257 had been paid as rent allowances to the 186 officers of the university staff relevant to the period from 01 January 2017 to 31 December 2021 without obtaining the approval of the University Grants Commission and the Treasury.	A letter was submitted to the University Grants Commission on 12 January 2022 to obtain the approval for the payment of rent allowances.	Action should be taken to get an approval for the payment of rent allowances.

- (b) Although the university does not have engineering activities to be carried out on a daily basis and not in the approved cadre of the University, a Chief Engineer in the Uva Provincial Building Director office was appointed on a part time basis for a post of Engineer with effect from 02 December 2015 for a period of 06 months on the basis of payment of Rs. 50,000 per month. Also, continuously extending the service period the monthly allowance had increased to 75,000 from 01 June 2018. Although a total sum of Rs.4,650,000 was paid for the period from December 2015 to 31 December 2021, the university does not keep a record on the works performed by the officer on a monthly basis.
- This officer performs the duties of the Project Manager and the position is in the approved cadre issued by the Department of Management Services in the year 2017. He supervises the construction works of the projects and he was paid from the funds available for consulting services of the respective projects.
- Recruitments should be done for the posts in approved cadre only.
- (c) A retired land commissioner had been recruited as land acquisition consultant to expedite the acquisition of 29.805 hectares of land belonging to the university at the end of the year 2017 which was not in the approved cadre. Although more than 4 years had lapsed and a sum of Rs.2,750,000 had been spent on him as on 31 December 2021, the land acquisition works had not been completed.
- A suitable officer was appointed as per the recommendation of the University Grants Commission. A lot of relevant information about the ownership of those lands had been collected by him and most of the acquisition activities of those lands are in the final stage.
- Recruitments should be done for the posts only in approved cadre.
- (d) An applicant who was not meet the qualifications as per the University Grants Commission Circular No. 921 dated 23 April 2010 for the position of Senior Assistant Librarian had been recruited for the position from 25 July 2018 and a sum of Rs. 10,072,409 had been paid as salaries and allowances during the period from that date to 31 December 2021.
- The recruitment for the post of Senior Assistant Librarian was done formally and the qualifications of the concerned applicant were considered and recommended by the Selection Committee.
- Qualified Applicants should be recruited for the vacancies.

consisting of necessary expertise and the approval was granted by the Governing Council accordingly.

1.5.4 Inappropriate Valuation or Estimation

Audit Observation	Comments of the Management	Recommendation
<p>The first and second minimum bids in the procurement for supply of security services to the University for the year 2020/2021 had been rejected without any basis by the Technical Evaluation Committee without evaluating each bid by calculating the daily minimum basic salary of a Security Officer. The contract was recommended and awarded to the company which had submitted the third lowest bid and, accordingly, a sum of Rs. 2,634,989 had overpaid for the supply of security services for the period from 01 October 2020 to 31 January 2022.</p>	<p>The first minimum bidder had not submitted the calculation method of wages and on the request of the Technical Evaluation Committee and the approval of the Procurement Committee. Arrangements were made to obtain the calculation method of wages from this company. Accordingly, the wages calculation method had been submitted by the concerned company on 07 August 2020 and the Technical Evaluation Committee had given the decision based on it. Therefore, the Technical Evaluation Committee had decided that the lowest bidder will be the third lowest bidder. Accordingly, no financial loss had occurred to the university.</p>	<p>Action should be taken to make correct decisions in the procurement process to avoid losses to the university.</p>

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

The following observations are made.

	Reference to Laws, Rules and Regulations -----	Non-compliance -----	Comments of the Management -----	Recommendati on -----
(a)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 571	Retention money amounting to Rs. 41,848,552 remained over 02 years had not been disbursed.	Action will be taken to release amounting to Rs. 41,848,552 retained as retention money of various constructions, supplies and services over 02 years after settle the final bills.	Action should be taken as per the financial regulations.
(b)	Establishments Code of the University Grants Commission and Higher Education			
(i)	Paragraph 7.6 of chapter V	The university was unable to recover a sum of Rs.32,827,523 as on 31 December 2021 due to breach of bond agreements.	A sum of Rs.7,020,196 had been recovered during the year 2022 and action will be taken to recover the remaining balance.	The mechanism for recovery of dues in breach of bond agreements should be made efficient.
(ii)	Paragraph 1.6.1 of Chapter X, Paragraph 3.1 of Chapter XX and Public Administration Circular No. 03/2017 dated 19 April 2017	A sum of Rs.627,890,669 was paid as salaries and allowances during the year under review without verifying the arrival and departure of the academic staff through fingerprint machines.	Neither the attendance registers nor the finger print machines were used for academic staff within the University system and Lectures are conducted in accordance with the time tables given for the lectures of the academic staff. Confirmation on the engage in employment of	The University should comply with the Establishment Code and provisions in the circulars

- academic staff officers will be obtained on those lecture records.
- (c) State Accounts Circular No. 30/94 dated 20 April 1994 and Department of External Resources Circular No. SC&PMU/Gra nt/19 dated 25 July 2019
- A sum of Rs.4,217,177 had been received directly by the University from the Higher Education Program of the European Union for the research project of the Center of Excellence in Sustainable Tourism (CESTour) to enhance economic development and university business cooperation in South Asia without awareness and the concurrence of the Department of External Resources during the year under review.
- The funds had been received as per the agreement and the Treasury had been informed about the foreign grants received directly to the University for the year 2021 by the letter No. UWU/FD/B/2022/09 on 01.06.2022 and a copy of the letter had been sent to the Department of External Resources.
- As per the circular provisions, foreign grants should be received through the Department of External Resources.
- (d) University Grants Commission Circular No. 09/2019 dated 25 November 2019
- Although 10 percent of the salary of the officers entitled for the official accommodation should be charged as per the circular provisions, contrary to the circular, charges had not been done for the Vice-Chancellor's quarters.
- Also, a very low rent of Rs.2,000 per month was charged from the officers occupying in the other senior staff quarters and Rs.1,000 per month was charged from the officers occupying in the official housing complex (Studio Apartment).
- The Vice-Chancellor's quarters was reserved not only for his personal use but also reserved for the accommodation of all officers visiting the university such as Ambassadors, Vice-chancellors of other universities and Heads of state.
- As per the Government instructions from 01 April 2018, since the houses and vehicles provided by the university being taxed for the "Pay As You Earn" (PAYE), the Establishment Circular No. 9/2019 of 2019 of the University Grants Commission was not applied.
- Provisions in the University Grants Commission circulars should be followed.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a surplus of Rs.142,962,594 and the corresponding deficit in the preceding year amounted to Rs. 31,334,498. Accordingly, an improvement amounting to Rs.174,297,092 of the financial result was observed. The reasons for this improvement had been mainly attributed to the increases in government recurrent and capital grants.

3. Operational Review

3.1 Management Inefficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) Action had not been taken to recover a sum of Rs. 368,646 due from 06 employees for more than a year and distress loan balance of Rs. 163,500 due from a deceased employee since the year 2011.	Loan balance of Rs. 368,646 outstanding due to various reasons should be recovered. The University Grants Commission was informed by a letter to recover the outstanding distress loan balance of a deceased officer from the provident fund. But no proper reply was received in this regard.	Prompt action should be taken to recover the outstanding employee loan balances.
(b) A University Lecturer was granted with Paid study leave for 3 years from 25 September 2015 to 24 September 2018 and unpaid study leave from the date of ending of paid study leave until 24 July 2019 for pursuing a Ph.D. in Philosophy at Xiamen University, China. Although the university had spent a sum of Rs. 7,191,549 for his paid study leave and the scholarship, the lecturer was reported for duty on 11 July 2019 without completing his Ph.D. in Philosophy.	In response to the letter sent with the signature of the Registrar on 11 November 2020 inquiring about this, a request was made by him to postpone the handing over of the Certificate of Completion of the Doctorate until December 2021. If he is unable to handover by that date, it was decided to treat the person as a bond violator.	Immediate action should be taken regarding the officers who violated the bond agreements without completing the PhD within the stipulated time.

3.2 Operational Inefficiencies

----- Audit Observation -----	Comments of the Management -----	Recommendation -----
<p>(a) A lecturer was appointed for the post of Temporary Assistant Lecturer in the Faculty of Zoology and Export Agriculture by the appointment letter of the Vice-Chancellor from 26 September 2006 and, subsequently, he was appointed for the post of Lecturer (Probationary) with effect from 01 May 2007 by the appointment letter of the Vice-Chancellor dated 18 April 2007. Even he had not met the relevant qualifications for promotion to Senior Lecturer grade II, on the request made on 30 April 2012 for promotion to the said post and the University Grants Commission had not sent replies to the appeals made in two occasions and, even though, it was decided in the Governing Council dated 14 July 2015 that clarifications should be obtained from the University Grants Commission, this lecturer was promoted to the Senior Lecturer grade II with effect from 01 May 2012 by the Vice-Chancellor's letter dated 05 October 2015.</p>	<p>The following decisions were taken regarding his promotion in the 103rd Governing Council meeting of the University dated 26.08.2015. According to the University Grants Commission Circular 2013/1, a decision cannot be taken regarding his promotion to Senior Lecturer II grade and since he was followed a two years Master degree course and his course also contained a research component, the Governing Council has approved his promotion to the Senior Lecturer grade II as per item No. 7 of the Section 0I of the Circular No. 721 (1) of the Commission. Further, the Governing Council decided that there is no need to refer for the approval of the University Grants Commission regarding the above promotion.</p>	<p>Appointments and promotions should be done in accordance with the Establishment Code of the University.</p>
<p>(b) A lecturer was appointed for the post of temporary lecturer in the Faculty of Management from 01 July 2007 by the appointment letter of the Vice-Chancellor dated 14 June 2007. Subsequently, he was appointed for the post of Lecturer (Probationary) from 15 July 2008 by the appointment letter</p>	<p>A memo had been submitted to the 95th Governing Council held on 08 August 2014 regarding the issues related to his initial recruitment by the Ex-Senior Assistant Registrar in the Human Resource Department at that time. Subsequently, he completed his PhD in Enterprise</p>	<p>Recruitment and promotion should be done in accordance with the Establishment Code of the University. Also, action should be taken to verify the educational and professional</p>

of the Vice-Chancellor dated 02 July 2008. Later, he was promoted to the Senior Lecturer grade II with effect from 15 July 2013 by the Vice-Chancellor's letter dated 07 June 2019.

But even though more than 14 years have passed since the promotions were given, action had not been taken to confirm his initial degree obtained from Bangalore University, India, was a university which recognized by the University Grants Commission and his educational qualification till 22 January 2022, the date of audit.

- (c) Although 1589 students should have been enrolled for 15 degree courses in 2020 and 2021, only 1232 students were enrolled and the university was unable to utilize its full capacity by enrolling 357 students less than the expected number of students.

- (d) Although along with the relevant application form for inviting tenders for the renting external hostels an valuation report obtained within 06 months should be submitted, such valuation reports were not submitted in respect of 14 application forms of the applicants selected for rent. As a result, it was unable to verify whether the monthly rent paid

Management at Dalian University on 27 December 2018 and a letter was sent to Dalian University to verify the degree on 26 February 2019. Again he has submitted application for the post of Senior Lecturer (Grade II) on 29 January 2019. Accordingly, he was appointed as Senior Lecturer (Grade II) with effect from 15 July 2013. The selection board for that was held on 24 April 2019. Further, a letter has been sent to Bangalore University to confirm his basic degree on 05 October 2020.

The University Grants Commission forwarded the list of students for registration to the university for the 2020/2021 batch of students and action had been taken to enroll students based on those lists. But some students were not registered and some students who were registered were transferred to other universities on the instructions of the University Grants Commission. Due to such various reasons, the expected number of students in the university has decreased.

The procurement committee has decided to rent the houses based on the valuation reports and the amount calculated by the university per student and more economically profitable. Also, due to unable to get the valuation reports on time in this situation, to avoid delays the procurement process, the houses were selected based on

qualifications of the officers recruited within 03 months of recruitment from the relevant institutions.

Students should be enrolled according to the relevant plans and the student capacity should be fully utilized.

According to the stipulated tender procedures, valuation reports should be obtained and houses should be rented on a fair value.

by the university is a fair value for the 14 external hostels. the time criteria mentioned above.

- (e) Although according to the Cabinet Paper No. 2004/ED/HE/45 dated 28 October 2004, it was emphasised that the University should construct hostels and provide hostel facilities to the students and officials, action had not been taken to allocate provisions for that or identify suitable places and prepare plans and implement those plans. As a result, a sum of Rs. 153,546,444 had been paid for rented house for the period from January 2018 to February 2022 for obtaining hostel facilities from external parties.
- Hostel facilities have been built for 502 students since 2005 and other students were provided hostel facilities by renting hostel facilities around the university. Also, on the request of the Vice-Chancellors, constructions of hostels are in progress since 2015 and 12 acres of Wevassa Watta land near the university is being acquired for this purpose. However, once the land is acquired, the university is expected to provide hostel facilities for 2,000 students.
- Sufficient hostels should be constructed and hostels should be rented at minimum cost

3.3 Underutilization of Funds.

Audit Observation	Comments of the Management	Recommendation
A total sum Rs. 7,827,099 remained in the Uva Industries Central Fund, Vice-Chancellor's Fund and Welfare Fund was not utilized for the purpose of establishment during the year under review.	Due to the spread of COVID started in 2020, it was not possible to carry out university activities as scheduled for about two years and will prepare and implement those programs and plans in the next year.	The respective funds should be utilized for achieving the objectives of the establishment.

3.4 Human Recourse Management

Audit Observation	Comments of the Management	Recommendation
(a) Newspaper advertisements were published on 24 September 2017, for the post of Project Manager included in the approved cadre of Uva Wellassa University and not a single qualified applicant submitted	A newspaper advertisement will be published soon for the post of Project Manager.	Necessary action should be taken to fill the vacancies in the university.

applications. However, no suitable officer had been recruited for the post even by 31 December 2021.

- (b) An officer for the post of Trainee Technical Officer II Grade “B” had been recruited who had not met the qualifications as per the recruitment procedure for the period from April 2016 to October 2020 and a sum of Rs. 3,108,324 had been paid as salaries and allowances.
- She was dismissed as per the 156th Governing Council Decision as there was a discrepancy in the G.E.C. Advanced level result sheet submitted by her and she had not met the basic qualifications related to the Trainee Technical Officer post.
 - The 161st Governing Council held on 26.03.2021 decided that all salaries, wages and allowances given to her should be recovered. Accordingly, it was informed to notify to the Assistant Labour Commissioner and complaint to the Criminal Investigation Department with his reply.
- Further, the Human Resource Department was instructed to confirm the educational qualifications of all new recruitments within 03 months in the future.
- According to the recruitment procedure, qualified officers should be recruited and their educational and other qualifications should be verified within the stipulated time.