

1. Financial Statements

1.1 Qualified Opinion

The audit of financial statements of the Sri Lanka University of Rajarata for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 and a summary of significant accounting policies and other explanatory 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 Sub-section 107 (5) of the Universities Act No. 16 of 1978 and National Audit Act. No. 19 of 2018. 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 financial statements give a true and fair view of the financial position of the Sri Lanka University of Rajarata as at 31 December 2022, 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 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 matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the University of Rajarata 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 of the University.

1.4 Auditor's 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 or the override of internal control.
- Obtain an understanding of internal control 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 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 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 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 has performed according to its powers, functions and duties; and
- Whether the resources 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

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.

1.5.2 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the Reference to the Particular Standard	Comment of the Management	Recommendation
Since useful life time of the non-current assets had not been reviewed annually in terms of Paragraph 65 of the Sri Lanka Public Sector Accounting Standard 07, 13 classes of assets costed for Rs.867,706,599 were further in use despite being fully depreciated. As such, action had not been taken to revise the said estimated error in terms of Sri Lanka Public Sector Accounting Standard 03.	Presently, revaluation values of land and buildings had been given by the valuation department and necessary physical verification is being done parallel to the board of survey of the year 2022 for all other movable fixed assets and records are being prepared.	Sri Lanka Public Sector Accounting Standards should be followed.

1.5.3 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The first installment of Rs.5,250,000 paid in the year 2021 for the ERP System of the University had been accounted under advances instead of being accounted under work in progress.	At present both the stock management model and the general ledger model are fully developed and after acceptance of those modules the value will be transferred to the work in progress account.	The first installment of Rs.5,250,000 paid for the software should be accounted for under unfinished work.

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| (b) | The depreciation had not been accounted since the year 2015 up to the year under review for the clinic building and security room built by the University constructed at a cost of Rs.1,025,396,975 in the year 2015 at Anuradhapura Teaching Hospital site, as such, the building value by Rs.365,735,755 and the general reserve by Rs.314,465,906 were overstated and the deficit of the year was understated by Rs.51,269,848. | Even though it was built from the university funds, the transfer of the land has not been done properly, accordingly, it was not possible to depreciate considering as a university property. | Assets of the university should be properly identified and accounted for. |
| (c) | The value of 142 office equipment and household equipment, including the building donated to the Elephant Conservation Unit in the year 2021, had not been valued and accounted for. | Action will be taken for identification and revaluation before preparing the fixed asset register of the year 2023 and will be accounted from the year 2023 onwards. | The office equipment including the donated building should be valued and accounted for. |
| (d) | The construction of solid waste unit building at a cost of Rs.12,166,249 was completed and handed over in November 2019, but the value of the installed machinery had not been accounted for separately from the building value. | This Solid Waste Management building, which has been built on a grant from the Central Environment Authority, is classified under buildings as it is a building. | The value of the building and the value of the installed machinery should be correctly identified and accounted for separately. |
| (e) | Unusable expired stock remaining in 05 stores of the University valued for Rs.6,055,399 was included in the closing stock balance as a current asset, as such, the closing stock was overstated by that amount. | These goods will be re-evaluated and a detailed report will be submitted with the 2023 accounts about the goods which can actually be used and the goods which cannot be used for any reasonable matter. | The correct value of closing stock should be identified and accounted for. |
| (f) | Although the hostel income related to the year under review was Rs.4,671,650, only a sum of Rs.2,172,088 was shown as hostel income in the statement of financial performance, which was the income received in cash during the year. As such, the deficit of the year was overstated | Necessary action will be taken to account for student hostel income properly on accrual basis from the year 2023. | Action should be taken to account for on accrual basis. |

by Rs.2,499,562.

- (g) The values of 1,434 coconuts and 8,217 kg of paddy as on 31 December 2022 at the farm of the Faculty of Agriculture were not valued and not shown in the financial statements. The related stocks will be formally checked and included in the stock in the year 2023. Year-end stock should be properly valued and accounted for.

1.5.4 Unreconciled Control Accounts or Records

Item	Value as per the Financial Statement (Rs.)	Value as per the corresponding Records (Rs.)	Difference (Rs.)	Comment of the Management	Recommendation
Mobilization Advance	171,558,694	181,407,650	9,848,956	The value of the mobilization advance shown in the statement of financial position was Rs.171,558,694 and the same value was also shown in the schedule.	The value should be compared according to the above statements and corresponding reports.

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

	Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a)	Establishment Code of the Democratic Socialist Republic of Sri Lanka	In the unavailability of provisions in the University Establishment Code regarding the recovery of house rent from an officer who was not entitled to get scheduled houses, the provisions of the	The Rajarata University is located in a very difficult area and has received minimal facilities compared to the government quarters. Accordingly, an inquiry was made from the University Grants Commission and it was	Provisions of the Establishment code of the Democratic Socialist Republic of Sri Lanka should be followed.
	i. Paragraph 5.2 of Chapter XIX			

		Establishment Code should not be exceeded. But house rent in the range of Rs.400 to Rs.1,500 per month had been collected from 180 officials based on the concurrence of the housing committee appointed by the university.	advised to refer to the University Housing Committees to arrange house rent by considering the geographical location and difficulties. Accordingly, the rent decided by the housing committee appointed by the University Governing Council will be deducted monthly from the salary of the relevant officers.
ii	Paragraph 5.3 of Chapter XIX and University Grants Commission Institutional Circular No. 09/2019	Although 10 percent of the basic salary of an officer entitled for scheduled quarters should be charged, no house rent was charged from the officer for providing the Vice-Chancellor's quarters. Further, the university had spent a total sum of Rs.197,335 for water and electricity bills for this house.	The university has provided the official quarters for the vice chancellors who have been appointed for the past many years. An amount of 10 percent of the monthly water and electricity bills is being deducted from the salary based on the approval of the finance committee from the year 2022.
(b)	Section 371 (2) (b) of the Financial Regulations as amended by paragraph 9.1 of Finance Circular No. 01/2020 dated 28 August 2020	Advances of Rs.202,000 and Rs.961,620 were given in 02 occasions beyond the maximum limit of Rs.100,000 which can be given without the prior approval of the Treasury.	That advances were given to supervisory officers on the necessity.
(c)	Chapter xx, Paragraph 3.1 of the Establishment code for universities	Salaries and allowances of Rs.1,324,297,724 were paid for the year under review without confirming the attendance and departure of the academic staff.	Necessary action will be taken in the future.
			Provisions of the Establishment Code and University Grants Commission circulars should be followed.
			Financial Regulations should be followed.
			Establishment Code of the university should be followed.

2. Financial Review

2.1 Financial Results

The operating result of the year under review had been a deficit of Rs.11,452,634 as compared with the corresponding surplus of Rs.3,552,761 in the preceding year, thus observing a deterioration of Rs.15,005,395 in the financial result. Decrease in external course fee income and increase in contractual services and supplies expenses had mainly attributed to this deterioration.

3. Operational Review

3.1 Identified Losses

Audit Observation	Comments of the Management	Recommendation
(a) The contract for construction of 04 staff dual quarters in Mihinthale premises was awarded on 23 December 2016 at a cost Rs.52,703,236 and a sum of Rs.15,859,979 was paid as mobilization advance. However, the university had terminated the agreement on 20 February 2019 due to non-performance of the work as scheduled when the value of the work done was Rs.10,620,619. Although a sum of Rs.15,760,611 should have been recovered on that date from the contractor to the university, despite the ability to encash the advance bond of Rs.3,952,742 and the performance bond of Rs.10,540,647 before the expiry, the university had incurred a loss of Rs.15,760,611 due to not processed accordingly.	The University did not want/willing to suspend the contract according to the procurement strategies and award it to someone else. This project was abandoned in August 2018 due to financial difficulties of the contractor and the legal action is being taken in this regard.	The responsible officials for not encashing the advance and performance bond before the expiry should be identified and action should be taken to recover the loss to the government from them due to the suspension of the contract in the middle.
(b) The awarding letter of the contract awarded to a selected supplier with a contract value of Rs.6,211,226 for installation of an air conditioning system for the Faculty of Management Studies had been sent with a delay of almost 2 months and the supplier had refused to accept it. By that time, the bid security bond had expired and the possibility of encashing was avoided. No action had been taken even till 31 May 2023, the date of audit, in this regard.	The awarding of contract was approved in the procurement committee meeting held on 18.08.2021, and due to the corona epidemic in the country, the letter of award was sent to the relevant contracting company on 03.10.2021. Due to the economic instability of the country, the relevant institute had rejected this procurement contract. Bid security has expired on 25.08.2021.	Management should proceed to award the contract immediately upon receipt of bid security.

3.2 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The Elephant Conservation Unit remained idle for almost 03 years without being used for any academic purpose after 15 February 2020, and an expenditure of Rs.1,220,764 was incurred in the year 2021 for the repair work of this unit.	Research related to wildlife has been started with the participation of local and foreign students in February 2023. Apart from this, the studies of the Department of Biology were also conducted in this unit.	Action should be taken to utilize the resources of that unit, so that the objectives of the project are fulfilled.
(b) The project of design and build of 03 dual quarters for the Faculty of Medicine, which the contract amount was Rs. 42,979,355, should be completed by 19 April 2019 and after being extended the date on several occasions it should be completed by 19 April 2019. But after the value of the work done was Rs.29,239,233, the contractor abandoned the construction, and up to that the contractor had been paid Rs.21,798,120. The performance security bond amounting to Rs.2,148,967 and the advance security bond amounting to Rs.9,885,251 relevant to this contract had expired on 08 January 2020 and 30 July 2019 respectively, as such, it was not possible to recover the money owed to the government through those guarantees.	This project could not be completed on the scheduled dates due to the financial crisis of the contractor. Accordingly, an amount of Rs. 4,297,935 had been charged as liquidated damages from the contractor in accordance with the contract agreement. The contractor has agreed to extend the period of the relevant guarantees and provide them to the university. The value of the work done so far is Rs.30,946,442 and after recovering the retention money of Rs.2,148,967, the liquidated damages of Rs.4,297,935 and the total advance amount of Rs.8,595,871, an amount of Rs.92,090.38 has to be paid to the contractor.	Advance security bond and performance security bond should be encashed before expiry.
(c) The amount of Rs.2,383,594 (US \$12,308) due for 194 books procured in the years 2011, 2019 and 2020 for the use of the library of the Faculty of Medicine had not been paid till the end of the year under review. As such, an additional amount of Rs.584,993 had to be paid as of 31 December of the year under review due to the increase in the exchange rate during this period.	That necessary action is being taken in this matter by the University.	Necessary action should be taken for the settlement of the creditors.

3.3 Procurement Management

Audit Observation	Comments of the Management	Recommendation
A contract for the establishment of a networked management software system for the university was awarded at a contract value of Rs.17,500,000 on 31 December 2020 and it should have been completed and handed over on 31 December 2021. But it was not completed and handed over to the university even till 31 May 2023, the date of audit.	This is a 9-module operating system and currently 03 very complex systems are being implemented. Also, other modules have been developed more than 50%.	Necessary action should be taken for the speedy completion of the construction of the networked software system as per the agreement.

4. Accountability and Good Governance

4.1 Submission of Financial Statement

Audit Observation	Comments of the Management	Recommendation
As per paragraph 6.6 of the Operations Manual attached to Public Enterprises Circular No. 1/2021 dated 16 November 2021, although the financial statements of that year should be submitted to the Auditor General within 60 days of the end of the financial year, the submission of the financial statements of the year under review was delayed until 06 April 2023.	The reason for this delay is the shortage of financial officers in the financial sector.	The financial statements of that year should be submitted to the Auditor General within 60 days of the end of the financial year.