

1.1 Qualified Opinion

The audit of the financial statements of the Rajarata University of Sri Lanka for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 Sub-section 107 (05) of the Universities Act No.16 of 1978. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for 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 Rajarata University of Sri Lanka as at 31 December 2019, 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 based 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 of the Institute.

1.4 Auditor's Responsibility for Auditing 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 Institute
- 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

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. Issues with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under this heading.

1.5.2 Non-compliance with Sri Lanka Public Sector Accounting Standards

| Non-compliance with reference to the relevant standard | Comment of the Management | Recommendation |
|---|--|--|
| As the useful life of the non-current assets had not been reviewed annually according to the Paragraph 65 of Sri Lanka Public Sector Accounting Standard 07, assets costing Rs.482,021,727 were further in use despite being fully depreciated. Accordingly, the resultant estimated error had not been revised as per Sri Lanka Public Sector Accounting Standard03. | Action will be taken to revalue fixed assets and correct this error in the future. | Sri Lanka Public Sector Accounting Standards should be followed. |

1.5.3 Unreconciled Control Accounts or Reports

| Item | Value as per Financial Statements | Value as per Corresponding Reports | Difference | Comments of the Management | Recommendation |
|------------------------|---|--|------------|---|---|
| | Rs. | Rs. | Rs. | | |
| Maintenance Division | 8,873,302 | 9,739,014 | 865,712 | Agree. Reasons for the difference are being checked by comparing with the stock verification balance. | Before the preparation of financial statements, reconciliations should be made with the corresponding reports and the correct balance should be stated in the financial statements. |
| Garden Division | 1,499,675 | 1,771,891 | 272,216 | | |
| Faculty of Agriculture | 2,350,832 | 3,052,429 | 701,597 | | |
| Faculty of Medicine | 627,439 | 448,635 | 178,804 | | |
| Central Stores | 9,134,424 | 9,855,114 | 720,690 | | |

1.5.4 Lack of Documentary Evidence for Audit

| Item | Amount | Evidence not furnished | Comment of the Management | Recommendation |
|---|-----------|---|--|---|
| | Rs. | | | |
| (a) A balance of a Current Account | 1,879,684 | Bank reconciliations statement and balance confirmation letters | Not commented | Bank balance confirmation letters as at 31 December 2019 should be furnished to audit and the bank reconciliations should be prepared for each month. |
| (b) Retention money deposits of rented houses | 1,150,182 | Schedule | Schedules are being prepared for these balances. | Detailed schedules on the balances included in the financial statements should be furnished to audit. |

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

| Reference to Laws, Rules Regulations etc. | Non-compliance | Comments of the Management | Recommendation |
|---|--|---|--|
| (a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka | | | |
| Financial Regulation 571 | Action had not been taken either to release or credit to revenue the sundry deposits totalling Rs.3,920,940 that had continued to exist for a period ranging from 02 to 16 years. | Agree. Our attention was focused in this regard. Due to the issues of the contracts, retention monies of these contracts are retained in the accounts over a long period and Finance Division and Administration Division are taking steps to settle them. | Action should be taken in accordance with the Financial Regulations. |
| (b) Section 3.1 of Chapter XX of the Establishments Code of the Universities | Even though every individual working in every higher education institution should record his/her arrival and departure and signed the relevant register, officers of the staff had not recorded the time of their arrival and departure. | Deans will be informed to give necessary instructions to the academic staff. | Action should be taken in accordance with the Establishments Code of the Universities. |
| (c) University Grants Commission Circular No.13/2015 dated 18 September 2015. | Eight officers who were entitled to the official vehicles had been issued 3,847 litres of fuel worth Rs.525,434 during the year 2019. | As a solution to this issue, action will be taken to connect the allowance to the salary of the relevant officers and pay the same on the approval of the Council in the future. | Action should be taken in accordance with circular instructions. |

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|-----|--|---|--|--|
| (d) | State Finance Circular No.03/2015 dated 14 July 2015. | Although ad hoc sub imprests given for a specific purpose should be settled immediately after completion of the relevant purpose, 15 advance balances totalling Rs.266,488 continued to exist over a long period had not been settled even by 31 December of the year under review. | Agree. | State Finance Circular should be followed. |
| (e) | Paragraph 3.1 of the Public Administration Circular No.30/2016 dated 29 December 2016. | As per the circular, fuel consumption test had not been conducted for 44 vehicles of the University after the year 2017. | Agree. Action will be taken to conduct the relevant fuel test in the year 2020. | Action should be taken in accordance with circular instructions. |

2. Financial Review

2.1 Financial Results

The operations of the University for the year under review had resulted in a deficit of Rs. 162,043,893 as compared with the corresponding deficit of Rs. 57,401,588 for the preceding year, thus observing a deterioration of Rs.104,642,305 in the financial results. This deterioration was mainly due to increase in the personal emoluments.

3. Operating Review

3.1 Management Inefficiencies

| | Audit Observation | Comments of the Management | Recommendation |
|-----|--|---|---|
| (a) | Sum of Rs.310,000 granted for research advance of the Deyata Kirula Exhibition and continued to exist in the statement of financial position under the sundry advances since year 2010 had not been settled even in the year under review. | According to the recommendations of the Audit and Management Committees, this matter was referred to the Council and thereafter, a committee was appointed to carry out preliminary inquiries. Action will be taken to settle this issue in the future. | Action should be taken to settle the advance. |

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| (b) | According to Section 2.10 of the Guidelines on Research Grants of the University, the research advance received should be settled within 90 days. Nevertheless, advances totalling Rs.2,356,041 granted to 10 lecturers of the University had not been settled up to date. | Advances of Rs.200,000, Rs.336,041 and Rs.200,000 related to Mr. M.A.C.S. Jayasumana, a Lecturer, are the funds provided under the National Science Foundation. Research advances of Rs.400,000 obtained by two lecturers have been settled on 30.06.2020. | Advances should be settled in accordance with the Guidelines on Research Grants |
| (c) | Despite being spent a period from 02 to 09 years from obtaining full pay leave by 7 lecturers engaged in the service at present for their postgraduate activities, they had not completed the relevant degrees. Accordingly, the bond value totalling Rs.30,718,648 recoverable from those lecturers had not been recovered by the end of the year under review. | One of the lecturers has submitted relevant certificate to confirm his completion of the academic activities. Enquires have been made from the other lecturers on the progress of relevant studies and future steps will be taken in accordance with the committee decisions in the future. | Action should be taken in accordance with the agreements entered into with the University. |
| (d) | The bond amounting to Rs.411,844 due from the year 2016 from a lecturers who had vacated the post had not been recovered by the University. | It was decided to refer the matter to the University Grants Commission to recover the amount due from the lecturers for breaching bonds in the release of their provident funds. Action will be taken to recover the relevant money in the future. | Action should be taken in accordance with the agreement. |
| (e) | Due to failure in completing the relevant degree by a lecturer who had availed academic leave in June 2012 to read MPhil degree, his service had been terminated and Rs.3,784,401 was due from him for breach of bond agreements. Although the University had reinstated him on August 2017, action had not been taken to recover the due amount. | This matter was discussed at the follow up committee conducted on 17.01.2020 relating to the breach of bonds and a decision was reached to update the bond upon the compulsory service period of the lecturer. Accordingly, Action will be taken to recover the relevant money in the future. | Action should be taken in accordance with the agreement. |
| (f) | In order to computerize, analyse and report the data relating to the project called "Gama" jointly implemented by the Department | The 423 rd University Council conducted on 29.06.2020 has appointed a preliminary inquiry committee to here explanations on | Action should be taken in accordance with the University Grants Commission |

of Social Sciences and the North Central Province, the Head of the Department had entered into a memorandum of understanding on behalf of the University in the year 2018 without approval of the Council. The sum of Rs.5,142,000 received from the Provincial Council for the above activity carried out using physical and human resources of the University had been credited to personal accounts of two persons.

this matter and relevant decisions will be taken in the future.

Circular
No.04/2016.

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| <p>(g) In excess of the limits and rates approved by the Ministry of Higher Education, a sum of Rs.722,284 had been paid to a former Vice Chancellor and a lecturer in December 2018 to participate in foreign seminars. and action had not been taken to recover that amount.</p> | <p>Combined allowances have been paid based on the letters obtained for these occasions. As there was no indication on those letters about provisions and not provisions of meals and accommodations by the organizing institutions, above payments were made. Financial Regulation 237(c) will be followed in the payment of money for such foreign tours in the future.</p> | <p>Payments should be made only within the limits approved by the Ministry of Finance.</p> |
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3.2 Procurement Management

| Audit Observation | Comments of the Management | Recommendation |
|--|---|---|
| Even though 06 Fume Cupboards had not been installed together with electricity and LP Gas supply for 03 laboratories of the Technology Department Building of the Faculty of Applied Science of the University constructed under planning and construction method, payments for those items too had been made. A sum of Rs.8,026,275 had been spent in order to get the work done by another contractor. As 3 items installed under the laboratory items included in the bid documents were not at the expected standard, a sum of Rs.964,688 had to be spent to purchase those equipment from another supplier. | It was decided to get explanations from the consultancy firm and the contractor of this contract and to refer such information to the Technical Evaluation Committee for its evaluation. Accordingly, after obtaining the relevant information, further action will be taken on the decision of the Technical Evaluation Committee. | The value that had to be additionally borne for undone works of this project carried out under planning and construction method and the value of substandard equipment should be recovered from the contractor. |

3.3 Human Resource Management

| Audit Observation | Comments of the Management | Recommendation |
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| The approved cadre of 06 faculties of the University was 361 and the actual cadre was 253. Accordingly, the number of vacancies was 110. | Not commented. | Action should be taken to fill the vacancies. |

4. Accountability and Good Governance

4.1 Sustainable Development Goals

| Audit Observation | Comments of the Management | Recommendation |
|--|--|---|
| Every public institution should act in accordance with the Agenda 2030 of United Nations Sustainable Development Goals. Nevertheless, the University had not paid adequate attention on the activities coming under the scope of the University. | Relevant information in this regard has been called for from all the Deans and accordingly, the University will take steps to implement operating policies and Guidelines of procedures in the future. | Action should be taken to identify the goals and objectives of the Agenda 2030 of United Nations Sustainable Development Goals and archive such goals and objectives. |