

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the University of Sri Jayewardenepura 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 the provisions in Finance Act No. 38 of 1971 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, the financial statements give a true and fair view of the financial position of the University as at 31 December 2020 and its financial performance and its cash flows 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 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 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 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 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 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.

1.6 Accounts Payable and Receivable

1.6.1 Accounts Receivables

The following observations are made.

	Audit Observation	Management Comment	Recommendation
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(a)	Even though 01 year to 03 years have elapsed for 11 receivables balances total amounting to Rs. 7,053,294, action had not been taken to recover those balances even during the year under review.	A deposits balance amounting to Rs. 2 million is available in these balances and cannot be recovered as the relevant service is still continued. Other balances are being recovered and settled and will be adjusted in 2021 accounting year.	Action should be taken to recover the due balances expeditiously.
(b)	Thirty Four academic staff and two non-academic staff of the university who had gone for overseas study had not been reported back for duty and a sum of Rs. 19,705,186	Arrangements have been made to recover a sum of Rs. 17,548,926.93 Further, legal actions had been taken against 15 officers and preliminary inquiries are being conducted on 12	Action should be taken to recover the due to the University.

was due to the University officers. Also, actions are on breach of bonds as at being taken to recover from 31 December of the year 07 officers from the under review. provident fund.

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

The following observations are made.

	Reference to Laws, Rules Regulations etc.	Non- compliance	Management Comment	Recommendation
(a)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i)	Public Finance Circular No. 01/2020 dated 28 August 2020	(i) Six advances total amounting to Rs. 1,069,879 issued by cheques and cash during the year under review and 03 advances total amounting to Rs. 83,027 issued in the years 2018 and 2019 had not been settled even by 31 December of the year under review.	Advances had been issued to make reservation of auditoriums for the Graduation Ceremony and Color Awarding Ceremony to be held in the year 2020 but these ceremonies could not be held due to the prevailing COVID situation in the country. Therefore, these deposits were kept in those institutions as deposits. Furthermore, advance for "The Economist" magazine could not be settled before 31.12.2020 due to the COVID situation prevailing in the country due to the inability to import the magazine from Singapore, the relevant invoice was not received from the company.	Act in accordance with Financial Regulations and circulars regarding Ad-hoc imprest and advances.

	(ii)	Ad-hoc imprest total amounted to Rs. 1,561,800 had been issued to 02 officers in 13 instances, exceeding the maximum limit of Rs. 100,000.	Advances exceeding Rs.100,000.00 had been issued with the approval of the Vice Chancellor for the payment of membership allowances and transport allowances to the members who attend the meetings of the governing council.	Should act in accordance with the circular provisions.	
	(ii)	Financial Regulation 571 (2)	Action had not been taken to refund or take into the revenue a total of 107 refundable tender deposits amounting to Rs. 1,486,675 received in the years 2016, 2017 and 2018.	Even though those depositors are informed in writing, they continue to keep the tender deposits till the next tender deposit term without asking for a refund and those tender deposits will be refunded at the end of their term. Action will be taken to take in to the revenue if they do not ask for refund in future.	Financial Regulations should be followed.
(b)		Establishment Code of University Grants Commission and Higher Education			
		Section 3.1 of Chapter XX	Records regarding the attendance, departure and leave of academic staff had not been maintained. Although instructions was given at the Committee on Public Enterprises	The University Grants Commission should advise on how to take a decision and act in this regard as this is a matter that affects the university system itself. This issue was also discussed in the Committee on Public Enterprises in previous years.	Should act in accordance with the provisions of the Establishment Code of University Institutions and the instruction of the Committee on Public Enterprises.

(COPE) to establish a mechanism to verify in and out and leave of academic staff, had not been complied thereof.

2 Financial Review

2.1 Financial Result

The operations for the year under review had been a deficit of Rs. 146,550,951 as compared with the corresponding deficit of Rs. 871,320,870 for the preceding year, thus indicating an improvement of Rs.724,769,919 in the financial result. Decrease in the internal revenue, increase in the personal emoluments, depreciation and amortization of intangible assets had been the main reasons for the said improvement.

3. Operational Review

3.1 Management Inefficiencies

The following observations are made.

Audit Observation	Management Comment	Recommendation
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(a) A sum of Rs. 172,295,076 received as external examination course fees and seminars from the students in the years 2018 and 2019 had been shown as differed income due to non-conducting of relevant courses and seminars.	Expense of these courses will have to be incurred in the future years and action has been taken to defer the receipt of the course fee for the coming years as per the audit standards.	Arrangements should be made to conduct courses and seminars on time.
(b) A sum of Rs. 5,794,676 had been spent as consultation fee on 22 June 2016 for the preparation of plans and consultancy fees for the works related to the construction of the auditorium without conducting a proper feasibility study to determine the possibility of implementing the project. The cost incurred was	The expenditure of Rs. 5,794,676 is available in the account for submitting of the plan by the Consultancy Institute and is had been received by the University. Contract has not been awarded due to lack of funds and the provision has been requested from the Treasury as a new project.	Proper feasibility study should be done for implementing of projects and management should focus on completing projects at minimal cost.

an un-economical expenditure due to non-performance of that function till the year under review.

- (c) As per the Cabinet decision taken on 29 June 1994 for the acquisition of 6.5 acres of land from Meth Sevana land for the Medical Faculty, although a total sum of Rs. 74 million has been paid to the Western Provincial Council in 03 occasions, a sum of Rs. 24 million from the year 1998 to 2010 and Rs. 50 million in the year 2019, the acquisition activities of the land had not been completed even by the end of the year under review.
- So far, payments have been made for the acquired parts only. Meetings will be held regularly to obtain the remaining part of land and it is the intention of the University to obtain the same as soon as possible.
- Land acquisition should be expedited.
- (d) The estimated cost for 366 different researches for university lecturers amounted to Rs. 669 million was approved by the Research and Publication Committee during the period of 06 years up to the end of the year under review. Out of that 31 researches had been gave up due to withdrawal and not taking of funds and 173 researches had not been completed by the end of the year under review. Further, 31 lecturers who got the approval of Rs. 14.89 million during the year under review had not commenced research activities up to the date of the report and the opportunity had missed by another lecturer.
- The research council regularly does reviews on the researches and after providing the relevant information to this report, 12 researches have been completed and reports have been submitted. Measures have been taken to extend the date for some other reports.
- Action should be taken to utilize research grants and complete them within the relevant time frame.

3.2 Under -utilization of Property, Plant and Equipments

The following observations are made.

	Audit Observation	Management Comment	Recommendation
(a)	Out of total sum of Rs. 35,527,763 available in 102 Prize and Scholarship Funds, a sum of Rs. 32,839,003 in 98 funds remained ideal without utilization for the intended purpose as at end of the year under review.	Scholarship and prize funds were established for a specific purpose or objective and will only be utilized if the relevant objective and criteria are achieved. Utilization of these funds was also minimal due to the lack of the graduation ceremony this year. Only the income of the fund will be spent and the investment will be carrying out.	Relevant funds should be utilized to achieve the objectives of establishing of prize and scholarship funds.
(b)	The balance of the 28 research fund accounts amounting to Rs. 36,658,732 had not been utilized for more than 05 years at the end of the year under review and total sum of Rs. 22,503,744 in 47 fund accounts and a total sum of Rs. 347,586,262 in special funds had not been utilized during the year under review.	Grants from various institutions will be used only for relevant purposes and Covid-19 was also affected for underutilization of funds in the year 2020. Special funds are revenues generated by each department and those revenues are utilized for the purpose of establishing funds. The 2020 Covid-19 impacts are seen as underutilized.	Funds should be utilized to achieve the objectives of establishing of research funds.