

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the Sabaragamuwa University of Sri Lanka for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance, statement of changes in funds and equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy 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 Sub-section 107(5) of the Universities Act, No. 16 of 1978 and 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 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 2024 and of 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 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 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 Auditor's Responsibilities 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 skepticism 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 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 the University on 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. However, future events or conditions may cause to cease to continue as a going concern.
- Evaluate the 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 it has performed according to its powers, functions and duties .
- 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 Non-compliance with Sri Lanka Public Sector Accounting Standards**

<b>Non-compliance with Reference to Relevant Standard</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) The recurrent expenses of Rs. 60,825,232 incurred by the University from the Science and Technology Human Resource Development (STHRD) project, which cannot be recognized as an expense of the University as per Section 07 of Sri Lanka Public Sector Accounting Standards 01 had been recognized as University expenses. Further, a sum of Rs. 18,332,555, which was not received as a grant to the University from this project, had been identified as a grant to the University.	Since the amount incurred for the recurrent expenses of the STHRD project has also been accounted for as income the University's expenses have not decreased, and the recurrent expenses related to the project were given as Rs. 60,825,232, and the the audit query has identified that salaries and other expenses incurred in that project were included in that value and steps are being taken to correct it.	Income and expenses that are not directly related to the entity should not be disclosed in the entity's financial statements and the adjustments which had been made but not in relevant manner should be corrected as necessary.
(b) Due to the fact that the amount of Rs. 1,288,125 that should have been recognized as an expense in the statement of financial performance during the reporting period according to Paragraph 07 of Sri Lanka Public Sector Accounting Standards 01 was directly debited to the relevant fund accounts, the surplus had been overstated in the statement of financial performance for the year under review.	The Development Fund of the University consists of self-generated income, and these funds have been used subject to proper approvals since the General Treasury's fund cannot be used for the purpose of expenses mentioned herein, and steps will be taken to accurately indicate the expenses in the	Due to failure to include the expenses incurred in the financial statements the profit is overstated and actions should be taken to adjust the relevant expenses properly in the financial statements. The expenses incurred from self-generated income should be made in accordance with the relevant circulars.

financial statements in the future.

**(c) Sri Lanka Public Sector Accounting Standard No. 02**

(i) An overstated amount of Rs.5,947,064 and understated amount of Rs.2,684,086 for building acquisition and long-term investment respectively had been recognized as cash outflows under investing activities in the statement of cash flows.

Actions will be taken to submit the 2024 revised cash flow statement along with the financial statements 2025 .

Steps should be taken to submit the revised cash flow statement for 2024.

(ii) Although the net cash inflow of National Science Foundation (NSF) grants in the Faculty of Applied Sciences shown under financial activities was Rs. 1,839,375, the net cash inflows had been understated by Rs. 3,678,750 because it was shown as a net cash outflow .

Net cash receipts were mistakenly reported as cash outflows.

Actions should be taken to correct this error when preparing the revised cash flow statement and to accurately identify and report cash inflows and outflows in the future.

(iii) The value of Rs. 26,635,681 identified as adjustments relating to prior years had been adjusted from the accumulated recurrent fund and actions had been taken to adjust the value that is not related to this profit, when converting the surplus of the year under review into cash in the cash flow statement.

The adjustments from prior years are accurate from the relevant accrual /receivable accounts and although its effect is included in the cash flow statement, as the adjustment to the surplus is not included in the cash flow statement, the value of the cash flow is not accurate.

Steps should be taken to prepare the cash flow statement as per the guidance given in the Standard.

(d) Although the comparative information presented for the period in which the error occurred should be restated in relation to the corrections made to the financial statements of previous years in accordance with Section 47 of Sri Lanka Public Sector Accounting Standards 03, this had not been done in the presentation of the financial statements of the University.

Arrangements will be made in the future in accordance with Section 47 of Standard No. 03.

Actions should be taken to present financial statements in accordance with Standards.

(e) Due to the delay charges payable for the construction of a building, which is an expense that cannot be capitalized

The delay charges of Rs. 202,941,475 claimed by the

Necessary steps should be taken to correct the overcapitalized building

amounting to Rs. 202,941,475 was capitalized in the year 2024 according to paragraph 28 of Sri Lanka Public Sector Accounting Standards 07, the cost of the building and the accumulated fund had been overstated by that amount. Further, due to depreciation of Rs. 20,294,146 for the years 2023 and 2024 against the capitalized value, the surplus and accumulated fund for the year under review had been understated by Rs. 10,147,073 and the depreciation provision account had been overstated.

contractor in the construction of the Para-Clinical Building of the Faculty of Medicine will be corrected in accordance with Sri Lanka Public Sector Accounting Standards No. 07 .

value as well as provisions for depreciation and accounting should be done after proper classification when accounting for expenses in the future.

(f) An accounting policy had been recognized to depreciate fixed assets for the entire year of purchase and not to depreciate them in the year of disposal. As a result, due to the overstating of depreciation of several capitalized assets by Rs. 26,667,770 in the year 2024 during the audit check carried out, the surplus and depreciation provisions for the year were understated and overstated respectively in the financial statements by that amount.

When purchasing large and various types of assets, since it is practically difficult to start depreciating assets after they have been brought into a state of readiness for use, it has been done in accordance with accounting policy and will consider making corrections in the future.

Since accounting standards has not allowed for the formulation of policies that exceeds Accounting Standards under any circumstances, depreciation should be accounted for in accordance with Section 69 of Sri Lanka Public Sector Accounting Standards 07 .

(g) Vehicles were revaluated based on a valuation report obtained for the purpose of insurance without considering the fair value of the asset as the revaluated amount by the University in the year 2022 in terms of Sri Lanka Public Sector Accounting Standards 07 and a revaluation profit of Rs.135,757,664 was recognized and provision for depreciation had also been made on that revaluation value.

Actions will be taken to take the accurate value into account by following a formal review process for all vehicles.

The revaluation of fixed assets is carried out in accordance with the guidelines provided in the Standard in the future and the current vehicle revaluations adjusted in the financial statements should be reviewed and the valuations of all vehicles should be done according to the accurate valuation methodology and adjusted in the financial statements. Since employee gratuity provisions represent a significant value in the financial statements,

(h) Due to failure of making provisions for employee gratuities using sufficient assumptions according to Paragraphs 85 and 86 of Sri Lanka Public Sector

It is agreed with the audit observation and since it should comply with Public Sector

Accounting Standards 19 and despite it is possible to obtain the services of a specialist if necessary, that had not been done, the accuracy of the balance of Rs. 833,662,211 in the employees' gratuity allowances provision account as at 31 December 2024 could not be verified.

Accounting Standards No. 19 in the year 2024, the calculation was made using data related to the general formulation and that steps will be taken to obtain the services of a life-saving expert next year and actions will be taken to obtain the services of a actuarial valuer for the next year.

arrangements should be made to disclose the correct value in the financial statements using the most appropriate methodology.

### 1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) As a result of the expenses of Rs. 1,296,486 paid in cash on 31 occasions in the year 2023 were again recognized as expenses payable in the same year, the accumulated fund and the value of creditors had been understated and overstated by that amount, respectively.	As it is a double counting steps will be taken to correct it in the future.	Since it is a case with significant risk steps should be taken to pay more attention to this matter and correct it after a formal analysis and to analyze the existing internal control system in incurring expenses and strengthen it or introduce a new system.
(b) Despite the value of Rs. 2,190,890 identified as receivable by the University from a private institution had been deducted from a bill payable to that institution in the previous year, it has been further recognized as a receivable in the statement of financial position as at 31 December of the year under review, the receivables and accumulated funds had been overstated in the financial	Agree with the audit observation and actions will be taken to correct it in the future.	The error that has occurred should be corrected and the balance actually receivable should be indicated in the financial statements.

- statements.
- (c) Although the value of the stock of livestock (excluding rabbits) on the farm belonging to the Faculty of Agriculture as at 31 December 2024 should have been Rs. 8,506,748, according to Circular No. 05/2025 dated 07 February 2025 issued by the National Livestock Development Board, due to the value was stated as Rs. 13,550,100, the value of the livestock stock and revaluation reserve had been overstated by Rs. 5,043,352 in the financial statements.
- Since the latest circular had not been issued at the time of preparing this report, the actual value of the animals has been assessed based on the previous circular and steps will be taken to adhere to the new circular.
- Because of the National Livestock Development Board has informed that this circular be used to calculate the 2024 livestock stock, and when considering the time existing for presenting the financial statements to the audit, there is sufficient time to use the circular, actions should be taken to correct the livestock stock in accordance with the new circular.
- (d) Despite the fact that the amount of Rs. 1,067,688 that had to be paid to the company that provided consultancy services for the design of the University Administration Building was deducted directly from the University's bank account as per the judgement of court decision on 05 September 2024 the surplus and cash book balance for the year under review had been overstated by that amount due to failure of stating the relevant expense in the statement of financial performance.
- The Bank of Ceylon has informed by letter dated 19.09.2024 that an amount of Rs. 1,067,688 was deducted in accordance with the case filed by a consulting services company and after receiving a copy of the letter, the Bursar has informed the Registrar to submit it to the Finance Committee for further action to adjust in the financial statements and it is not possible to make adjustments to the accounts without receiving a payment voucher with legal approval or information about the relevant project and after
- Actions should be taken to adjust this value in the financial statements and to develop a formal system to inform all divisions of the organization and obtain the necessary information when preparing financial statements in the future.

obtaining it in the future, steps will be taken to adjust it correctly and the necessary steps will be taken to write this value off the books in accordance with the decision of the COPE Committee..

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| <p>(e) Even though the court had ordered a private institution to pay Rs. 6,625,106 in a case relating to a problem that arose during the provision of consultancy services for Phase 1 of the construction of the Faculty of Applied Sciences, had been held in a bank account of the University, a provision in this regard had not been made in the financial statements.</p>                                     | <p>Agree with the auditor and steps will be taken to correct.</p>  | <p>After recognizing the accurate value for this, adjustments should be made in the financial statements.</p>                                |
| <p>(f) Despite the fact that the invoice stated that the University would not be refunded the initial amount of Rs. 500,000 paid for the reservation of the Bandaranaike Memorial Hall for the convocation ceremony of the year 2024, the surplus and deposits for the year had been overstated by that value because of recognizing the deposit as a value without being recognized as an expense for the year.</p> | <p>The audit query regarding the fees related to the allocation of the Bandaranaike Memorial Hall is accepted and steps will be taken to correct it in the future.</p> | <p>Actions should be taken to correct the error of overstating the surplus and deposits of the year in the financial statements.</p>         |
| <p>(g) Actions had not been taken to make provisions in the financial statements for the amount of Rs. 5,648,479, which has not been paid yet but identified in the year 2023 to be paid for price variations in the construction works of</p>   | <p>The audit query is accepted and steps will be taken to correct it in the future.</p>  | <p>Necessary steps should be taken to correct this error and to allocate provisions for values that should be paid, even if the date and</p> |



	the main library building of the University .	amount to be paid are not specified.
(h)	Due to the failure to account for the stock of chemicals and glassware valued at Rs. 4,877,088 held in the Faculty of Technology laboratories of the University as at 31 December 2024, the surplus and stock for the year had been understated in the financial statements.	<p>Due to the fact that information regarding the stock received from the STHRD project was not submitted even when the final accounts of the year it has been omitted from accounting and actions will be taken to correct it based on audit observations.</p> <p>Steps should be taken to adjust this stock, which was omitted from the financial statements, in the financial statements, and to accurately survey and account for the stocks available at the end of the year in the main warehouses, sub-warehouses, laboratories and other locations of the University when preparing financial statements in the future.</p>
(i)	Due to failure of accounting of the Value Added Tax (VAT) amounting to Rs. 1,747,570 payable for the month of December 2024 for the janitorial service of the University, the surplus and creditors for the year under review had been overstated and understated in the financial statements respectively.	<p>The amount to be paid for the month of December 2024, as indicated in the expected expenditure document sent by the General Administration Division has been accounted for and it states the amount is exclusive of VAT and the payment has now been made by adjusting the VAT after receiving the correct voucher and using the relevant journal entries.</p> <p>Steps should be taken to show the accurate profit for the year under review in the financial statements by taking necessary steps to allocate provisions for the total expenditure including VAT when allocating provisions for future expenses.</p>

### 1.5.3 Unreconciled Control Accounts or Records

Item	Value as per the financial statements Rs.	Value as per corresponding reports Rs.	Difference Rs.	Comments of the Management	Recommendation
(a) <b>Creditors</b>					
Expenses payable to the Central Engineering Consultancy Bureau	39,646,791	15,812,024	23,834,767	After verifying the creditor balances in the future, steps will be taken to reconcile the accounts, and although confirmation of the balances has been requested, no response has been received and nevertheless, the letter sent by the CECB institution on 2022.08.04 has been used as the basis for this.	Actions should be taken to discuss with the Central Engineering Consultancy Bureau and get settled the value to be paid to that institution.
(b) Accrued Expenses Value payable to Associated Newspapers Co. Ltd.	1,690,293	2,403,766	713,473	Actions will be taken to inquire the institution regarding the vouchers that have accrued for the year 2024 or previous years and correct.	Arrangements should be made to negotiate with the Associated Newspapers Co. Ltd. and settle the amount payable to the company.
(c) Value deposited with the Ceylon Electricity Board for bulk electricity supply	2,105,500	3,312,500	1,207,000	According to the reports of the Accounts Division, the balance of the relevant ledger account has been carried forward from before 2013, and the current balance of	Actions should be taken to discuss with the Administration Division and relevant institutions as given in the answer and to get confirmed the accurate

Rs. 2,105,500.00 deposit value.  
has been  
remaining since  
2022. Steps will be  
taken in the future  
to obtain data from  
the Electricity  
Board through the  
Control  
Department  
regarding the  
discrepancy  
indicated in the  
audit query .

(d)	Building values received under the Science and Technology Human Resource Development Project (STHRD)	3,637,659,333	3,783,718,901	146,059,568	Since the Project Management Unit (PMU) has not officially provided sufficient information to the University, actions will be taken to correct the situation after receiving the accurate final accounts as at 31.12.2024 .	Actions should be taken to settle the value of the building after examining the final accounts of the project as at 31.12.2024 .
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#### 1.5.4 Lack of Written Evidence for Audit

Item	Amount (Rs.)	Audit Evidences Unavailable	Comments of the Management	Recommendation
(a) Property Plant Equipment	15,346,456,151	(i) Detailed schedules (ii) Register of Fixed Assets	After the completion of the Register of Fixed Assets, actions will be done to remove from the work -in - progress account and capitalize .	The internal control over fixed assets should be streamlined by promptly preparing schedules related to fixed assets and Register of Fixed Assets .
(b) Creditors	10,741,198	(i) Balance Confirmations (ii) Invoices	These creditors remaining since 2015 and steps will be taken in the future to verify whether they are still exists as indicated by the audit, and actions will be taken to	After conducting a thorough analysis of creditors, obtaining confirmation of the relevant creditor balances, and

adjust and correct resolving existing accordingly. issues with creditors, steps should be taken to reflect the true creditors in the financial statements.

## 1.6 Accounts Receivable and Payable

### 1.6.1 Accounts Payable

Audit Observation	Comments of the Management	Recommendation
(a) Within the accrued expense in the recurrent form, amounting to Rs. 243,687,493, there was a balance of Rs. 8,103,635 for more than 5 years and an unsettled balance of Rs. 5,455,221 remaining between 2 and 5 years .	Upon further examination of the accrued expenses account with a balance of Rs. 243,687,493 remaining from the year 2015, this figure includes payments that have already been made and actions will be taken to correct them and submit them with journal entries in the future.	Steps should be taken to carry out a formal analysis of each expense within these accrued expenses and to clearly identify the expenses that have been paid and settle and steps should also be taken to recognize expenses that have not been paid off and to settle them after getting confirmed the relevant balances.
(b) A sum of Rs. 411,076,052 has been shown as creditors and payables in the statement of financial position and within that, there were outstanding balances of Rs. 39,328,210 which were for more than 10 years and Rs. 9,760,054 which were between 1 and 10 years.	Answers had not been provided	Steps should be taken to carry out a formal analysis of individual creditors within these creditor balances and clearly identify the expenses that have been paid and settle and steps should also be taken to recognize creditor balances that have not been paid off and to settle them after getting confirmed the relevant balances.

## 1.6.2 Advances

Audit Observation	Comments of the Management	Recommendation
<p>Although it should not delay to settle the outstanding balance later than 31 December of the year in which the imprest was issued in accordance with Financial Regulation 371 (5), the advances totalling Rs. 2,267,873 which were granted for research, recurrent and capital works on 18 occasions during the period 2017 to 2024 had not been settled even by 31 December of the year under review. Further, although the sub-imprest should be settled within 10 days of completing the relevant task in terms of the Regulation, the completion of the relevant tasks had been delayed by 46 to 93 days to settle advances totalling to Rs. 643,200 given in 08 cases examined by the audit during the month of April 2024.</p>	<p>The Finance Division had sent reminder letters regarding the unsettled advances (recurrent) and the advances other than the sundry advances (capital) to the University of Moratuwa have now been paid and several reminders were made for the outstanding research advance and the relevant voucher arrived at the Finance Division with deficiencies and the relevant parties were informed to correct the deficiencies and resend them and the relevant parties were informed and the relevant parties will be informed and actions will be taken to prevent this from happening in the future.</p>	<p>Necessary steps should be taken to settle the advances given during the year by 31 December of that year and as stated in the reply, steps should be taken to settle the sub-imprest given within 10 days of completing the relevant work.</p>

## 1.7 Failure to Disclose Related Parties and Related Party Transactions

Audit Observation	Comments of the Management	Recommendation
<p>A house belonging to the wife of a senior management person at the University was rented out for a university hostel for a period of 1 January 2025 to 31 December 2025 at a monthly rent of Rs. 40,000 and actions had not been taken to obtain the approval of the Secretary of the Line Ministry for that in terms of Financial Regulation 836 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.</p>	<p>Approximately 9,500 students are studying in the nine (09) faculties of the Sabaragamuwa University of Sri Lanka and the University's rented houses and university-owned hostels can only accommodate approximately 5,000 students, many of the homes of University</p>	<p>Actions should be taken to disclose this transaction in the financial statements and to obtain the permission of the relevant Secretary of the Ministry when entering into such agreements.</p>

employees and officials affiliated with the University Governing Council have also been acquired for the needs of the University since past considering the deficiencies in university student hostels.

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

	Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a)	Section 38(i) (c) of the National Audit Act, No. 19 of 2018	The Accounting Officer should ensure that an effective internal control system is established and maintained for the financial control of the University and although the effectiveness of the system should be reviewed periodically and necessary changes should be made accordingly to make the system effective, actions had not been taken in accordance with the provisions during the year under review.	Actions will be taken to establish and maintain the existing internal control system effectively and systematically in the future and to report their written reviews to the Auditor General.	Steps should be taken to make the university's internal control system effective.
(b)	Financial Regulations 751 and 756	Due to the total assets provided to the University from 2018 to 2024 amounted to Rs. 1,584,604,644 by the Accelerating Higher Education and Development (AHEAD) Project and the total assets provided by the Science and Technology Human Resource Development Project (STHRD) from 2019 to 2024 amounted to Rs. 1,871,437,904 were not documented in accordance	Actions will be taken to document the list of items with all costs from the files related to the project and report them in the future and it is stated that these documents will be used for Annual Board of Surveys activities in the next year.	Assets should be documented in accordance with relevant regulations and Annual Board of Surveys should be conducted on those assets.

(c) Establishments  
Code for University  
Grants Commission  
and Higher  
Education  
Institutions

(i) Due to the breach of bonds of 13 officers who had gone abroad on study leave during the period from 2000 to 2023, a sum of Rs. 68,561,320 receivable had not been recovered by the date of audit 25 June 2025 .

Actions should be taken to recover the arrears of defaulting of bond in accordance with the provisions of the Establishments Code.

A sum of Rs. 62,069,887.55 should be recovered from 08 officers who reported back to duty without completing their studies as at 25.06.2025.

Actions should be taken to recover the arrears of defaulting of bond in accordance with the provisions of the Establishments Code.

(i) The approval of the University Grants Commission had not been obtained for 05

Relevant steps have already been taken to obtain approval for the 05 relevant

Steps should be taken to obtain the approval of the University Grants Commission in

		degree-awarding courses run by the Faculty of Postgraduate Studies of the University in accordance with the Circular.	courses.	terms of the relevant circular for the degree courses offered by the University.
		(ii) Despite it has been stated that the direct and indirect costs incurred for those courses should be borne from the income generated from self-financing activities, in contrary to the said circular, an amount of Rs. 724,500 had been paid as salaries for the management position of the University Business Linkage Unit (UBLC), which is maintained as a separate unit outside the activities of the Open and Distance Education Centre.	Approval has also been obtained from the 313th Governing Council dated 2024.09.03 and the 240th Finance Committee dated 2024.12.19 for the payment of salaries from self-financed income for the position of Manager of the UBLC Unit.	Since the expected task has not been accomplished through the UBLC Unit, transforming the UBLC unit into a self-financing unit that can generate income and accounting for income and incurring expenses in a manner that preserves the independence of the self-financing units of the University should be done.
(e)	Section 3.5 of the University Grants Commission Internal Audit Circular No. 02/2023 dated 09 May 2023	Although an appropriate procedure and separate records should be maintained to account for all transactions on the farm in order to provide information required for the financial statements of the University and to provide a report to management, actions had not been taken accordingly.	The relevant approval has already been obtained and necessary arrangements will be made.	Appropriate procedures and separate records should be maintained to account for all transactions to streamline transactions on the farm.

## 2. Financial Review

### 2.1 Financial Result

The operating and non-operating result for the year under review was a surplus of Rs. 4,213,346,404 while the corresponding surplus for the previous year was Rs. 505,333,576. Accordingly, an increase of Rs. 3,708,012,828 was observed in the financial result. The receipt of STHRD project grants had mainly caused this improvement.



## 2.2 Trend Analysis of Major Income and Expenditure Items

- (a) The recovery of Rs. 14,344,442 from bond breaches and Rs. 4,635,717,503 in grants received from the STHRD project were also affected to the increase of operating and non-operating results for the year under review increased by 734 per cent.
- (b) Further, supply and consuming expenses by Rs. 43,814,220 equivalent to 34 per cent, other operating expenses by Rs. 7,313,399 equivalent to 11 per cent and recurrent AHEAD project expenses by Rs. 57,487,955 equivalent to 99 per cent had been decreased.

## 2.3 Ratio Analysis

Ratio	2024	2023	Difference
Current Ratio (per cent)	70	83	13
Liquidity / Quick Ratio (per cent)	62	74	12

The current ratio had declined by 13 per cent and the liquidity /quick ratio by 12 per cent compared to the preceding year. Accordingly, it was observed that the University had achieved a deterioration in working capital compared to the preceding year. Further, it was observed that the current assets of the University have been insufficient to cover current liabilities since 2019 .

## 3. Operational Review

### 3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Although the relevant curriculum should be reviewed every 5 years, according to the University's Policy and Code of Practice Guidelines, the courses had not been reviewed for a period of 18 to 6 years in relation to 06 courses run by the Open and Distance Learning Centre.	Letters have been sent to the Deans of the relevant faculties after consultation in respect of the current status of curriculum adjustments in the 06 courses conducted by the Open and Distance Learning Centre.	Necessary steps should be taken to prepare the curriculum adhering to the current job market and globalization by reviewing before expiring relevant curriculum every 05 years.
(b) Due to the registration of 1,079 students less than the number of students approved by the University Grants Commission for 8 faculties of the University for registration for 04 years from the 2019/2020 academic year, students expecting to receive a university education had lost that opportunity.		After carrying out discussions with the University Grants Commission in this regard as discussed in the Committee on Public Enterprises, necessary steps should be taken to enroll the approved number of students

(c) Although a sum of Rs. 2,440,300 had been spent on preparing a Register of Fixed Assets as at 31 December 2024, it was observed that the responsible officers had not taken steps to prepare and finalize the Register of Fixed Assets by 30 June 2025 .

Actions will be taken to remove work-in-progress from the account and capitalize after the completion of Register of Fixed Assets .

within the prescribed period. Since expenses have been incurred for the years 2016, 2017, 2019 and 2023 for the purpose of preparing a Register of Fixed Assets, it should inquire from officials who are responsible for this and actions should also be taken against the relevant officials for not fulfilling their responsibilities properly.

### 3.2 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>(a) Four security officers from the service group should provide 6,541 shifts to cover 99 locations, according to the contract agreement for the provision of security services to the Sabaragamuwa University. it was revealed during the physical audit conducted in December 2024 that 32 female security officers were deployed in excess of the required number and 1,974 other officers were deployed less than the required number. Accordingly, due to the lack of sufficient staff on duty, it was not possible to obtain sufficient assurance regarding the maintenance of security at the University, and the payment of salaries to the staff had not been based on the attendance and departure</p>	<p>Since the fingerprint machine is disabled it has been handed over for repair and the necessary steps are being taken to purchase a new fingerprint machine.</p>	<p>Steps should be taken to properly ensure the security of the University by deploying sufficient security personnel to cover the locations in accordance with the contractual agreement for providing security services to the University.</p> <p>A formal methodology should be used to verify the arrival and departure of security officers when paying salaries.</p>

confirmation records using the fingerprint machine.

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| <p>(b) Actions had been taken to give 07 doses of Tetanus Toxoid vaccine, which expired on 31 October 2024 at the University Medical Centre on 17 December 2024, to 07 students studying the Farm Practical Course in the first semester of the second year of the Department of Export Agricultural Studies of the Faculty of Agriculture. Accordingly, it was found that the officers employed at the Medical Centre had acted without proper professional due care, and no formal guidelines, circulars or faculty board decisions were submitted for audit on the basis of which the Tetanus Toxoid vaccination was given to students studying the farm practical course at the Faculty of Agriculture.</p> | <p>When studying the farm practical course at the Faculty of Agriculture, various equipment and animals can cause damage, the Tetanus Toxoid vaccine has been given for a long time and the permission was sought from the Doctor of the University to receive the Tetanus Toxoid vaccine at the beginning of the last farm practical course and the vaccine was given accordingly.</p>              | <p>Actions should be taken to use the “Vaccine Movement Register” system to be maintained as a pre-monitoring measure.</p>   |
| <p>(c) The University had registered 115 students during the period from 2019 to 2023, exceeding the number of students approved by the University Grants Commission, for degree courses in the Faculties of Agriculture, Medicine, Geosciences and Technology on 12 occasions.</p>   | <p>The University Grants Commission sends lists of names for each course from time to time and the university registers the students who are selected and sent. Registration of students continues even after the completion of the first semester of the academic year and the students who register in this manner will be transferred to the next academic year, and this will be done at the</p> | <p>When enrolling students in excess of the number approved by the University Grants Commission, it should be careful about that and if the University has the ability to recruit in this manner, steps should be taken to inform the relevant divisions and increase the number of approved students.</p> |

request of the relevant students, and in doing so, the approved number of students will be exceeded.

<p>(d) The desired goal had not been reached two grants valued at Rs.85,000,000 out of 5 grants awarded to researchers during the period 2018-2024 for the Accelerating Higher Education and Development (AHEAD) Project aims to encourage research, innovation and commercialization (RIC) at the University. Further, the University had not yet taken steps to obtain the royalties/license fees receivable for these 05 commercialized products as at 31 December 2024 and it was also not observed in audit that any follow-up regarding the recovery of the said award was carried out.</p>	<p>RIC-07 Although the research teams inquired via email, there was no response to that.</p> <p>RIC -24 Although attempts were made to commercialize this project through a Memorandum of Understanding with SULECO Pvt. Ltd and the Bandarawela Municipal Council, it was impossible to implement it due to organizational constraints and AHEAD KPIs have been completed.</p>	<p>Although the purpose of the grants provided under RIC is commercialization by the UBLC unit, actions should be taken to take relevant steps by carrying out follow up on this matter since the expected commercialization objective of RIC 07 and RIC 24 has not been achieved and to take urgent steps to ensure that the University receives contractual royalty income/license fees for commercialized products as contracted.</p>
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### 3.3 Underutilization of Funds

Audit Observation	Comments of the Management	Recommendation
<p>The total balance of Rs. 5,259,907 in 6 funds maintained by the University had not been utilized for the relevant purposes for more than two years.</p>	<p>Since the student is still studying at the relevant faculty regarding foreign student's scholarship funds, as the relevant amount cannot be returned to that Fund or taken into government revenue, it will remain as it is and since the amount of Rs.240,000 provided under the Demarketing boundaries of rural tanks project is for a</p>	<p>If these funds are non-statutory funds, actions should be taken in accordance with the circular issued by the Treasury regarding those funds.</p>

course conducted by the Indigenous Peoples Centre, actions will be taken to rectify accordingly and letters have been sent to the relevant coordinators asking about the performance of other funds.

### 3.4 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation
(a) A machine capable of producing compost fertilizer from 200-250 kg of food waste was installed in Sampath Piyasa in April 2024 at a cost of Rs. 12,400,000 under the provisions of the Science and Technology Human Resource Development (STHRD) Project. However, due to the lack of technically trained officers to operate the machine, it remained idle as at 30 June 2025. Therefore, although the University disposes of about 437 kg of food waste per day, it had failed to manage waste using that material.	The contractors have successfully conducted training sessions on the operation of the compost machine located at Sampath Piyasa and steps will be taken to commence the operation of the compost machine in collaboration with professional teams with the aim of achieving optimal results from this machine, i.e. ensuring a smooth and efficient process, Since there is a shortage of required employees in the university, requests have been made to recruit suitable and technically competent employees for this purpose.	Necessary steps should be taken to streamline the University's waste management process using this machine, which was built to produce compost using about 50 per cent of the University's daily food waste, in the rapid composting process.
(b) The milking machine valued at Rs. 95,000 provided to the farm under the Acceleration of Higher Education and Development (AHEAD) Project for a period of 02 years and the grass cutting machine valued at Rs.1,090,500 for a period of 03 years had remained in an idle	The milking machine and the grass cutting machine are being repaired and will be put into use later. Milking Machine- Milkary – Actions will be taken to send 02 Machines to repair to a company	Steps should be taken to promptly repair and utilize assets effectively.

condition due to failure to repair. Further, the Milking Machine Sezer, Generator, and Tube Well, which were not indicated the value, had been inactive for about two years.

that can repair the equipment.

Generator - It has been sent to the General Administration Division to contact a suitable institution for the repair works.

Tube Wells - Since the main power supply for the tube well is connected to the circuit connected to the generator, the tube well will be repaired after the generator is repaired, and arrangements have been made to contact the National Water Supply and Drainage Board for preliminary observation activities for this.

- (c) The equipment purchased by the Accelerating Higher Education and Development (AHEAD) Project in September 2022, namely Tea roller, Tea dryer and Roll breaker valued at Rs. 3,000,000, remained unused for the students' academic activities and remained idle until the date of audit 30 June 2025. Likewise, the NUVE type refrigerator (Freezer) valued at Rs. 3,133,750 purchased for the Faculty of Applied Sciences in October 2019 remained inactive from 01 July 2023 to 30 June 2025, the date of the audit, due to not being placed in a suitable location with suitable air conditioning facilities.

The purchases were made by the project with the aims to establish a Tea Processing Unit in a laboratory that will be vacated by moving the equipment such as Tea Roller, Tea Dryer and Roll Breaker to the new Faculty of Agriculture building in the Mungasthanna area.

However, with the delay in the construction of the new faculty complex, the work was also delayed and the General Administration Division has been

Before purchasing such high-value assets, it is necessary to analyze whether the infrastructure required to locate the relevant assets is sufficient and to make optimal decisions when purchasing assets and actions should be taken to promptly implement methods that will enable these idle assets remained so to be utilized for relevant purposes.

informed to make arrangements to obtain three-phase electricity for this purpose and a request has been submitted to the Land and Buildings Committee (LBMC) to provide building facilities.

### 3.5 Procurement Management

Audit Observation	Comments of the Management	Recommendation
(a) Although the bid documents were opened on 22 November 2023 without appointing a Technical Evaluation Committee to purchase 20 types of uniforms for 177 non-academic staff officers for the year 2024, the bid could not be awarded within the valid period due to the time taken for bid evaluation from the date of bid opening to 102 days. Due to the appointment of the Technical Evaluation Committee after the opening of the bid documents, the responsibility for evaluating the specifications had not been fulfilled in accordance with Paragraph 2.6.1 (a) (ii) of the Procurement Guidelines. It had also not been possible to provide the officers with the uniforms for the year 2024 even by 30 June 2025 .	It had been stated that the Administrative Division has made requests on 10.10.2023 for the provision of official uniforms for the year 2024 and bids were called on 07.11.2023, the bids were opened on 22.11.2023 and sent to the Technical Evaluation Committee on 01.12.2023 for evaluation and the Technical Evaluation Committee report was received on 24.02.2024 and the procurement of uniforms has been carried out without specifying a specific colour or fabric type for a very long time. It was also stated that a Pre-technical Evaluation Committee will be appointed for the purchase of merchandise with standard specifications not exceeding Rs. 10 million and steps will be taken to	Thus the irregularities were observed in the procurements made by the University for the purchase of uniforms over several years steps should be taken to streamline the procurement process as much as possible and provide uniforms in a timely manner to prevent that situation.

carry out the procurement based on its recommendations.

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| <p><b>(b)</b> Due to the deficiencies in the invitation of bids for the purchase of uniforms for the year 2022 for 54 female officers in 06 positions at the University, 138 sarees and saree jacket materials valued at Rs. 576,150 had been taken on 06 December 2023, from a supplier after repeatedly calling for quotations on 06 occasions. Nevertheless, due to the refusal of the relevant officers to obtain these uniforms, it had been returned to the supplier on 20 January 2025 .</p> | <p>Since the recipients of the uniforms have refused in writing through the trade unions to receive the uniforms (only sarees) purchased for the year 2023, they were returned to the relevant supplier on 20 January 2025. Since various problematic situations have arisen regarding the type and colour of fabric in the current procurement of official uniforms in accordance with Circular No. 15/1989, the Bursar, and Senior Assistant Bursar, Assistant Registrar of the University, Non-Academic, and representatives of unions held a discussion and a written notice has been issued by the Procurement Division to the Assistant Registrar, Administrations, Non-Academic for the necessary steps to obtain the correct specifications required for the procurement of uniforms.</p> | <p>Thus the irregularities were observed in the procurements made by the University for the purchase of uniforms over several years steps should be taken to streamline the procurement process as much as possible and provide uniforms in a timely manner to prevent that situation.</p> |
| <p><b>(c)</b> Although the contract for the cleaning, sanitation and garden maintenance service had been awarded to a private company</p>   | <p>When evaluating the increase in costs over time has led to an increase in the price</p>  | <p>It should use a uniform methodology annually in inviting</p>  |



for Rs. 116,504,645 on the basis of employing 165 employees, at the University for the year 2024/2025, the said contract had been executed by another private institution for Rs. 64,134,867 on the basis of employing 158 employees in the year 2023/2024. There, the attention of the Procurement Committee and Technical Evaluation Committee had not been drawn on the increase of only 7 employees compared to the year 2023/2024 and the increase of only Rs. 100 and Rs. 200 per male and female worker respectively and an abnormal price fluctuation of 81 per cent at a time when the inflation rate is falling rapidly. Further, it was observed that although the contract period had expired on 31 March 2025, the contract period of this company had been extended until 01 July 2025 instead of re-inviting bids and awarding the procurement.

stated in the audit query. Further, the total bid price has been considered in the evaluation of the bid and has not been compared item by item. Further, since an increase in the minimum wage to be paid to sanitation workers has also been considered for the relevant year, labour costs 2024/2025 have increased.

bids for cleaning, sanitation and garden maintenance services, take steps to prepare a preliminary estimate stating the requirements before inviting bids and pay attention of the responsible party in cases of abnormal price fluctuations.

### 3.6 Human Resources Management

Audit Observation	Comments of the Management	Recommendation
(a) It had been stated that there should be a satisfactory period of service of not less than five (5) years in the police service or military service or security service in the university sector or in any other recognized security service institution as per Qualification I (b) II of the Security Inspector Grade II Recruitment Scheme as amended by the University	A Committee has been appointed to investigate the recruitment of male security inspectors to the rank of Security Inspector (II). The investigation is being carried out at present.	Steps should be taken to conclude the investigation promptly and act in accordance with the recommendations given and to adhere to the prescribed procedures when recruiting employees to the University.

Grants Commission Circular No. 679 dated 07 May 1996. Nevertheless, a person who submitted a false certificate stating that he had worked full-time in a private security service company from 06 May 2002 to 04 October 2008 had been recruited to the Security Inspector (II) Grade male position.

(b) It was observed that the vacancy of the management position of the farm belonging to the Faculty of Agriculture of the Sabaragamuwa University since 01 November 2022, had directly affected to the supervision and administrative activities of the Faculty.	The necessary requests have been communicated to the relevant divisions for the recruitment of a Farm Manager.	Recruitment for this position should be expedited informing relevant departments about the impact of the absence of a Farm Manager.
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### 3.7 Vehicle System Management

Audit Observation	Comments of the Management	Recommendation
(a) Although a motor vehicle should be registered in the designation name of the Registrar of the University to which the vehicle belongs, in accordance with the provisions of Chapter XXIV, paragraph 2.1.1 of the University Grants Commission and the Establishments Code for Higher Education Institutions, it was observed that 13 vehicles were not registered in the designation name of the Registrar of the University.	The approval of the 313th University Governing Council held on 30.12.2024 has been received in this regard and the necessary further steps will be taken.	Motor vehicles belonging to the University should be registered in the designation name of the Registrar in accordance with the provisions of the Establishments Code.
(b) Action had not been taken in accordance with the Comptroller General's Asset Management Circular No. 05/2020 dated 02 October	The relevant file has been forwarded to a special committee appointed by the Vice-Chancellor on	Necessary actions should be taken in respect of the vehicles that are not in running condition

<p>2020 to dispose the ambulance which is not in running condition valued at Rs. 500,000 and to repair and put into use the Gully Bowser valued at Rs. 1,500,000 .</p>	<p>24.09.2024 to dispose of the ambulance from these vehicles, steps will be taken in the future to repair or dispose of the Gully Bowser No. SG RA-0757 using existing financial provisions.</p>	<p>including these two vehicles, in accordance with the Asset Management Circular,</p>
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#### **4. Accountability and Good Governance**

##### **4.1 Submission of Financial Statements**

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Although the financial statements for the year should be submitted to the Auditor General within 60 days of the end of that financial year, in accordance with Paragraph 6.6 of the Operations Manual issued with Public Enterprises Circular No. 01/2021 dated 16 November 2021, the financial statements for the year under review had been submitted on 28 March 2025, that is after a delay of 27 days.	Although the final accounts for 2024 were prepared and recommended by the Special 242nd Finance Committee on 25 February 2025 and were notified to be presented to the Governing Council scheduled to be held on 27 February 2025, the new Board Members had informed in writing that they needed two weeks to study the financial statements, accordingly, the spelling and grammatical errors pointed out by the Governing Council held on 17 March have been corrected and submitted for audit on 28 March 2025 .	Since it is a statutory requirement to submit financial statements to the Auditor General within the prescribed period, steps should be taken to submit financial statements in accordance with the prescribed provisions in the future.

##### **4.2 Annual Report**

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) It was observed in audit that there are differences in the	The Chairman of the Strategic Planning	A single organizational chart

hierarchy flow between the Organizational Chart included in the Draft Annual Report submitted by the University for audit and the Organizational Chart included in the Strategic Plan submitted for the years 2024-2028.

Committee has discussed this matter with the Registrar and has created a more appropriate organizational plan and it will be used in the future, after obtaining the approval of the Governing Council, which will be scheduled for July 2025 .

should be prepared for the University in consultation with the University Grants Commission and other universities.

### 4.3 Environmental Issues

Audit Observation	Comments of the Management	Recommendation
<p>Due to the construction of the chimney of the chemical waste incinerator constructed in the Faculty of Applied Sciences in the year 2021 at the same level as the windows of tall buildings, with a financial contribution of Rs. 1,950,258 received under the Accelerating Higher Education and Development (AHEAD) Project, the repairs required to overcome the obstruction caused by smoke emitted during chemical waste incineration had not been carried out even by the date of audit 30 June 2025. Further, since the chemicals emitted from this garbage incinerator are harmful to the human body, the installation of this machine in a location close to the Faculty of Applied Sciences also raised a problem for the audit.</p>	<p>The reasons for installing this machine were the preventing toxic and wastes removed from laboratories from entering the general waste collection system and emission of smoke without full combustion by adding other waste (not in the laboratory) in several cases and turning off the machine before complete combustion and properly packing of waste that has been properly disposed of in laboratories and the disposal should be done very quickly and as a solution, this machine has been installed next to the faculty complex to minimize</p>	<p>Since it is in an area where many people, including students and professors, hang out, recommendations from a regulatory authority should be obtained regarding this chemical waste incinerator and relevant decisions should be made based on those recommendations.</p>

environmental damage through very high-quality combustion and students studying at the faculty can also observe how waste management is maintained at a high level practically.