

University of Colombo - 2013

The audit of financial statements of the University of Colombo for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of financial performance, statement of changes in equity and cash flow statement and a summary of significant accounting policies and other explanatory notes 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 Section 13(1) of the Finance Act, No. 38 of 1971 and Sub-section 107(5) of the Universities Act, No. 16 of 1978. My comments and observations which I consider should be published with the Annual Report of the University in terms of Sub-section 108(1) of the Universities Act appear in this report.

1:2 Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1:3 Auditor’s Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University’s preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub - sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and the extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1:4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2:1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the University of Colombo as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Accounting Deficiencies

The following observations are made.

- (a) Income of Rs.16,462,244 earned as at 31 December of the year under review by hiring cloaks belonging to the University and the expenditure of Rs.1,430,010 incurred during the year under review had not been identified as income and expenditure of each year and brought to account. Instead, those had been retained in a specific Fund.
- (b) Teaching activities of the 2010/2011 Education Diploma Course had been completed on 31 December 2012 and the Teacher Training of that course had also been completed on 06 December 2013, thus it was not necessary to defer the income of the above course continuously. Nevertheless, a sum of Rs.5,889,552 had been brought forward as deferred income.

2.2.2 Lack of Evidence for Audit

Evidence in support of establishing the ownership of lands and buildings valued at Rs.11,379,250,000 which were shown in the financial statements had not been presented to audit.

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

The following non-compliances with laws, rules, regulations and management decisions were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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- (a) Circular No.2004/ප්‍රස/1 dated 26 January 2004 of the National Library and Documentation Services Board Evidence to confirm that the computation of misplaced library materials was completed after carrying out stock verifications had not been made available to audit.

Section 3.3

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| (b) | Public Contract Act, No.03 of 1987
Section 6 (1) (a) | Procurement | Even though every bidder should register with the Registrar of Public Contracts in case of cost of contract agreements exceeding Rs.5 million, contract for the renovation of Hewamawatha building with an agreement value of Rs.15,663,225 had not been so registered. |
| (c) | Government Guidelines
Section 4.2.1(c) | Procurement | Even though the Master Procurement Plan should be prepared including the detailed procurement activities, contract for the renovation of Hewamawatha building had not been included in the plan prepared. |
| (d) | Government Guidelines
Sub-section 2.12 | Procurement | Evidence to confirm that the formats had been signed by the members of the Technical Evaluation Committee had not been made available to audit. |
| (e) | Section 5.2 of Chapter V of the Establishments Code of the Universities and Public Administration Circular No.09/2007(1) dated 24 August 2007 | | Five officers over 60 years of age had been recruited for the posts not essential in the non-academic staff without the approval of the Secretary to the Ministry. |
| (f) | Section 3.1 of Chapter XX of the Establishments Code of the Universities and Section 1.6.1 of Chapter X of the Establishments Code | | According to the test check carried out, relevant books and registers required for the confirmation of arrival, departure and leave of the academic staff had not been maintained and as such the payments made in this connection could not be confirmed. |

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operation of the University for the year ended 31 December 2013 had resulted in a surplus of Rs.214,339,468 as compared with the corresponding surplus of Rs.33,033,435 of the preceding year. Increase of Government grants by a sum of Rs.312,143,538 had mainly attributed to the increase of Rs.181,306,033 in the surplus of the year under review as compared with the preceding year.

4. Operating Review

4.1 Performance

Delays ranging from 06 to 14 months were observed in the release of results of 17 internal examinations and 33 external examinations held during the year under review.

4.2 Management Inefficiencies

A sum of Rs.43,086,046 was recoverable by the end of the year under review from 34 lecturers who had breached the agreements and bonds. Further, the following observations were made in this connection.

- (a) The Vice Chancellor had informed the audit that the Department of Attorney General had informed that even though Court cases had been filed in the year 1985 to recover a sum of Rs.1,892,023 from 07 lecturers, their addresses could not be found. Even though the sums recoverable from those lecturers due to the breach of agreements should be recovered from their Provident Funds at earliest, action had not been so taken in terms of Section 94 of Universities Act. Instead, recovery from Provident Funds had been delayed by defining the shortcomings in the Agreement in a manner unfavourable to the institution.
- (b) Even though 08 years had elapsed, action is still being taken to file a Court case in respect of the recovery of Rs.6,229,373 due from a lecturer who vacated the post in the year 2005.

4.3 Library Administration

In the examination of the main library , it was observed that 144 books borrowed by 76 University Lecturers had not been returned while the lapsed period ranged from 01 to 65 months. Further, action had not been taken during the years from 2011 to 2013 for the recovery from the parties concerned, the loss resulting from the loss of 562 book costing Rs.853,563.

5. Accountability and Good Governance

5.1 Staff Vacancies.

There were 414 vacancies in the academic and non- academic staff during the year under review while twenty three lecturers had obtained academic leave and twenty nine lecturers had obtained sabbatical leave. The University had paid a sum of Rs.25,719,870 in respect of Visiting Lecturers during the year under review.

6. Systems and Control

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Vice-chancellor of the University from time to time. Special attention is needed in respect of following areas of control.

- (a) Procurement
- (b) Contract Administration
- (c) Library Administration
- (d) Accounting
- (e) Income from Courses