

1. Financial Statements

1.1 Opinion

The audit of financial statements of the University of Moratuwa 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 and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No. 19 of 2018 and Finance Act No. 38 of 1971. 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 of Moratuwa as at 31 December 2020, 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 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 determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the University's ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the University or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University's financial reporting process.

As per Sub-section 16 (1) of the National Audit Act, No. 19 of 2018, the University is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the University.

1.4 Auditor's Responsibility for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, 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 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 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following observations are made.

	Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendati on
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(a)	Section 3.1 of Chapter XX of the Establishments Code for University Grants Commission and Institutes of Higher Education	Contrary to the Establishment Code of University Institutes, a sum of Rs. 1,459,550,041 had been paid as salaries and allowances for the year under review, without the confirmation of the arrival and departure of the academic staff.	Kindly inform that this methodology is practiced in the entire university system as well as in the University of Moratuwa.	The relevant rules and regulations should be followed.
(b)	Public Enterprises Circular No. 12	The corporate plan and action plan for the year under review had not been	Although the Action Plan for the year 2020 was prepared	Should act in accordance with the relevant

dated 02 June prepared.
2003

at the beginning of circulars.
2020, it has not been
able to be submitted
to the Governing
Body for approval
due to staff issues
that persisted due to
the Covid epidemic
in the past year. The
preparation of the
corporate plan was
delayed due to the
shortage of staff due
to the Covid
epidemic situation.

(c) State Accounts Circular No.842 of 19 December 1978	A Fixed Assets Register had not been maintained for the fixed assets owned by the University	A computerized fixed asset register is maintained by the institute including details of fixed assets owned by the institute and auditors can visit the finance division at any time to check it.	Should act in accordance with the relevant circulars.
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2. Financial Review

2.1 Financial Results

The operating result of the year under review had been a deficit of Rs. 258,401,205 as compared with the corresponding deficit of Rs. 740,367,945 in the preceding year, thus indicating an improvement of Rs. 481,966,740 in the financial result. Compared to the previous year, increase in government grants for recurrent expenditure by Rs.118,080,000, decrease in annual gratuity expenditure by Rs. 334,841,215 and contractual service expenditure by Rs. 60,616,375 had mainly attributed to the said improvement.

3. Operational Review

3.1 Transactions of Contentious Nature

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) The Committee on Public Enterprises has directed the University to get a Cabinet approval to establish a legal framework for Uni Consultancy Company, but had not taken action to obtain Cabinet approval until the date of the report.	Action is being taken by the University Grants Commission in this regard. Accordingly, the Cabinet Memorandum will be submitted to the Ministry for approval by September 2020.	Getting the Cabinet approval should be expedited.
(b) The management fee of Rs. 35,186,922 for the Bachelor of Information Technology (BIT) course for the period from 2009 to 2019 to be received by the university was paid to UNI Consultancy, which is not a party to the agreement.	The CODL Center was initially set up in several temporary locations outside the University and was later relocated to its current location. It is understood that office equipment and files were missing between these temporary locations.	There should be transparency in entering into and executing agreements.

3.2 Under -utilization of Funds

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) A total of 16 scholarship funds amounting to Rs. 2,676,340 as at 31 December 2020 had been underutilized without any scholarship being offered over 03 years to 10 years.	Action will be taken to look into the details of these underutilized scholarship funds and to take necessary action to make them operational.	Funds should be spent to achieve the intended objectives.
(b) A total of 34 University Courses and Departmental Development	Departmental Development Funds had	Funds should be spent to achieve the intended

Funds amounting to not been utilized as the objectives. Rs.13,921,449 were inactive University had been during the year and the total of completely closed for 21 funds amounting Rs. several months due to the 6,074,585 had been underutilized Covid epidemic in the over 4 years as at 31 December country in the year 2020 2020. and these funds were inactive in the year 2020 due to the non-operation of the departments at full capacity in other months as well.

3.3 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
<p>While comparing the approved academic and non-academic cadre and the actual cadre of the University as at 31 December 2020 the vacancies existed 321 and 232 respectively. Due to non-filling of vacancies in the academic staff, external lecturers were recruited and an allowance of Rs. 30,962,883 was paid during the year under review.</p>	<p>Applications were invited through newspaper advertisements to fill the vacancies of non-academic cadre, but the validity period has expired due to close of the university for various reasons. Action had been taken to re-advertise.</p> <p>The recruitment process has been commenced for posts which the lists have been received.</p> <p>Action will be taken to fill the vacancies as per the requirements of the relevant divisions and at the request of the Division Head and some vacancies cannot be filled due to non-application of qualified applicants for the relevant post. Then the services of external lecturers will be taken to continue the academic activities</p>	<p>Action should be taken immediately to fill the vacancies in the required posts.</p>