

## University of Colombo - 2021

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### 1. Financial statements

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#### 1.1 Qualified Opinion

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The audit of the financial statements of the University of Colombo for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 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 reported 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 financial statements give a true and fair view of the financial position of the University as at 31 December 2021 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 Qualified Opinion

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My opinion is qualified based on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### 1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

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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 Auditor's Responsibility for the Audit of the Financial Statements

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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 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 Audit Observations on the Preparation of Financial Statements

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### 1.5.1 Non – Compliance with the Sri Lanka Public Sector Accounting Standards

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The following observations are made.

Non-compliance with reference to the respective Standard	Comments of the Management	Recommendation
(a) Although an entity shall correct prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by restating the comparative amounts for prior period presented in which the error occurred, in terms of paragraph 47 of the Sri Lanka Public Sector Accounting Standards 03, to correct the errors in the previous periods without proceeding accordingly, adjustments of total amounting to Rs.52,289,239 and total amounting to Rs.154,222,233 were made to the cost of property, plant and equipment and to the accumulated depreciation on that date respectively during the year under review.	The reasons for apply the adjustment notes were the adjustments were recommended in the previous year audit report and the assets included as a total item in the previous year should be included in the accounting system as separate items in this year. Further, these adjustment notes were also used to correct the errors that occurred during the make entries of assets.	Sri Lanka Public Sector Accounting Standards should be followed.
(b) Since the residual value and the useful life time of assets had not been reviewed annually in terms of Paragraph 65 of the Sri Lanka Public Sector Accounting Standard 07, property, plant and equipment costed for Rs. 372,651,424 were further in use	There were about 250,000 library books and periodicals and it was so difficult to review the useful life time of the books based on the content of those, like other	Sri Lanka Public Sector Accounting Standards should be followed.

despite being fully depreciated. As such, action had not been taken to revise the said estimated error in the financial statements in terms of Sri Lanka Public Sector Accounting Standard 03. Further, no disclosures were made regarding such assets as per paragraph 92 of the standard.

assets.  
The special committee appointed to evaluate the useful life time have not recommended a useful life time due to various reasons and adjustments related to other assets will be made in the year 2022 as recommended.

- (c) Capital grants amounted to Rs.891,715,586 and gifts and donations amounted to Rs.25,307,476 received during the year under review had not been identified and measured in the financial statements in accordance with Sri Lanka Public Sector Accounting Standard 11.

Regarding the capital grants, gifts and donations had been dealt in accordance with paragraph 80 of Sri Lanka Public Accounts Standard 11. This standard was effective from 01.01.2018 and had been implemented accordingly in every year since that date. As per this standard, to consider as a grant a grant agreement should be available. If the audit shows that the university had not followed this standard, it is agreed to disclose that the above standard has not been followed, as a note to the accounts.

Sri Lanka Public Sector Accounting Standards should be followed.

### 1.5.2 Accounting Deficiencies

----- <b>Audit Observation</b> -----	<b>Comments of the Management</b> -----	<b>Recommendation</b> -----
A course income of Rs. 58,551,241 related to 39 courses which were started in the period from the year 2016 to the year 2020 and completed by 31 December 2021 had not correctly been recognized as income	Arrangements are being made, with the agreement of the course coordinator, in respect of accounts of 26 courses to be closed in the year 2022 and 6 courses to be maintained in an	The income related to the year should be correctly identified and accounted for.

of the relevant year. As such, the income related to each year was understated and deferred income as of 31 December 2021 was overstated by Rs.58,551,241 in the financial statements.

active status. The confirmation of the coordinator had not been received in respect of 7 courses.

## 1.6 Accounts Receivables and Payables

### 1.6.1 Accounts Receivables

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) The university was unable to collect a sum of Rs. 7,640,438 due from two institutions affiliated to the university for more than 03 years even by 31 December 2021.	It was informed to pay the given loan amount and the institution had requested to extend the loan payment period.	Prompt action should be taken to recover the dues.
(b) The university was unable to collect a sum of Rs. 85,640,251 as on 31 December 2021 due to breach of contracts and bonds entered with the university by 24 lecturers of the academic staff who had gone overseas for academic activities.	Various measures are being taken to recover the relevant money such as, proceeding with legal action, informing by letters, taking action to recover from the guarantors, recovering from the provident fund and recovering in installments etc.	Action should be taken to collect the relevant amount as per the agreement.

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Gazette Notification	Degrees were awarded for languages and	According to the gazette notification dated 20 June	Action should be taken as per the

No. 928/16 dated 20 June 1996	computer courses by recruiting undergraduate candidates for 02 departments without setting up 02 academic faculties for Sripali campus.	1996, the necessary activities for the establishment of 02 academic faculties for SriPali Campus have been done in the year 2014, but since the physical and human resources required for the establishment of academic faculties were not sufficient, the faculties have not been established. Since the requirements have been met presently, the necessary arrangements for the establishment of academic faculties have been made and the recommendation of the Senate held on 23.03.2022 has been approved by the 595th Governing Council held on 24.05.2022. The relevant documents will be submitted to the University Grants Commission.	gazette notification.
(b) Public Administration Circular No. 03/2018 dated 20 February 2018	Contrary to the provisions mentioned in the circular, 05 retired officers were re-employed during the period from September 2015 to November 2021 and a total sum of Rs.8,605,909 had been paid as allowances only for the years 2020 and 2021.	Since the University does not have the powers to make recruitments related to the vacancies, the services of these officers have been obtained on assignment basis to continue the activities of the University without interruptions until the relevant appointments are made by the University Grants Commission.	The provisions of the circulars should be followed.
(c) State Accounts Circular No.	Foreign grants of Rs. 15,458,330 received directly from the	Corrected. Approval of the Department of External	The circulars should be followed.

30/94 dated Japanese government to Resources will be taken  
 20 April 1994 the university had been for all grants from the  
 and Director utilized without year 2020.  
 General of complying with the  
 External circular instructions.  
 Resources  
 Department  
 letter No.  
 SC&PMU/Gr  
 ant/19 dated  
 25 July 2019

**2 Financial Review**  
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**2.1 Financial Result**  
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The operation result for the year under review had been a surplus of Rs. 327,921,830 as compared with the corresponding surplus of Rs. 7,790,506 for the preceding year, thus indicating an improvement of Rs.320,131,324 in the financial result. Increase in government grants for recurrent expenditure by Rs. 269,500,000 and decrease in provision for gratuity by Rs. 128,382,475 had mainly attributed for this improvement.

**3. Operational Review**  
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**3.1 Un-economical Transactions**  
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<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
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<p>A rent of Rs. 2,407,512 was under charged for the period from September 2019 to October 2021 due from 03 external institutions which were established in the university premises as the rent was not calculated according to the valuation reports. Also, without signing an agreement and charging rent facilities were provided to establish a branch of a government bank and 02 ATM machines of 02 government banks in the university premises from the</p>	<p>The concerned parties have been informed to pay the dues in respect of the 3 external institutions soon. Also, inform that although a plot of land had been allocated in the university for the supply of services of the People's Bank and for the supply of the ATM machine facility of the National Savings Bank, it was difficult to find any information about a signed lease agreement or rent payment in connection with it. Requests have already been made to obtain new valuation reports from the valuation department for</p>	<p>Action should be taken to sign agreements with relevant parties and collect rent as per the agreement.</p>

year 2006.

these banks and other service stations and after receiving the new valuation reports, new rent agreements will be prepared for these banks and properly maintained.

### 3.2 Management Inefficiencies

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Ten officers were recruited on contract and assignment basis for a period of 06 months to 06 years for 08 positions which were not approved by the Management Services Department and a sum of Rs.21,869,071 were paid as salaries for the period from January 2020 to November 2021 from university funds.	These appointments have been made on contract and assignments basis with the approval of the governing council for the continuation of the affairs of the university efficiently. These appointments were paid from funds earned by the University.	Only essential staff should be recruited.

### 3.3 Human Resources Management

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
In the recruitment of an officer for Work Engineer (Civil) – Grade III for the Sripali campus, two qualified applicants were given low marks in the interview and a less qualified applicant was recruited in the year 2019.	Marks were given in this recruitment interview as per the approved mark sheet. The appointment had been made in 2019 by the University Grants Commission on the recommendation of the Selection Committee.	The marks sheets should be prepared and approved in a transparent manner and the most suitable candidate should be recruited.