

1. Financial Statements

1.1 Opinion

The audit of financial statements of the University of Moratuwa for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended and notes to the financial statements and a summary of significant accounting policies was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with the provisions in 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, the financial statements give a true and fair view of the financial position of the University as at 31 December 2022, 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 Scope of the Audit

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 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 Accounts Receivables and Payables

1.5.1 Accounts Payables

Audit Observation	Comments of the Management	Recommendation
(a) Action had not been taken to settle the amount of Rs.2,155,052 retained in the procurement of capital goods before the year 2020 and the retention money of Rs.2,429,936 related to the 03 contracts completed in 2012 and 2014 even by 31 December 2022.	Action will be taken as per the recommendation soon after receiving the recommendations of the consulting firm and the engineer.	An efficient system should be established to clear the retention money without delay.
(b) A sum of Rs.10,584,513 payable to the participants in the aptitude tests for the enrolment of students for self-financing courses in 03 departments had not been settled even by the end of the year under review.	It will be further checked and transferred to the relevant expenditure head / development funds.	Those involved in the aptitude tests should be identified correctly and payment should be made without delay.

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Paragraph 3.1 of Public Administration Circular No. 30/2016	After each fuel check, either after a period of 12 months or after running of 25,000 km whichever occurs first a fuel re-check should be done, but	Due to the corona epidemic and the current vacancies, shortage, fuel	Action should be taken as per the circular. driver fuel quota

regarding maintenance of government vehicles	this was not done for 34 vehicles out of the 37 vehicles owned by the university.	system in the years 2020, 2021 and 2022, the fuel inspection could not be done properly.	
(b) Paragraph 8.9.1(b) of the Government Procurement Guidelines Code	A formal contract agreement was not entered into with the successful bidder for the procurement of supply and installation of auditorium chairs valued for Rs.1,407,600.	Moratuwa University, as a policy, Performance bonds are obtained and agreements are signed only for supplies above Rs. 02 million.	Action should be taken as per the provisions of the Procurement Guidelines.
(c) University Grants Commission Circulars			
(i) Paragraph 5.1.6 of Commission Circular No. 04/2016 dated 01 March 2016	Although 0.01 per cent of the income earned from self-financing activities of the University should be credited to the University Grants Commission, a sum of Rs.333,238 from the income earned from self-financing activities from the year 2017 to the year 2022 was not credited to the Commission.	As the University Grants Commission does not contribute to this, allocation has not been made in the budgets approved by the University Governing Council.	Action should be taken as per the circular of the Commission.
(ii) Para 4 (ii) of University Grants Commission Circular No. 01/2022 dated 03 January 2022	Although the division wise annual verification of libraries having more than 100,001 books should be completed in 03 years, verification on books has not been conducted annually since 2013 regarding the 114,758 books available as per the accession register.	That verification is being conducted in the year 2023.	As per University Grants Commission circular, verification of library books should be done.
(iii) Paragraph 01 of University Grants Commission Circular No.	Although the results of the internal examination of higher education institutions should be released within a period of three months from the date of	That all the necessary actions have been taken to inform the relevant parties and streamline the	As per the circular, action should be taken to release the results without delay.

15/2015 dated 17 November 2015	the examination, the results of the 26 examinations conducted by the University of Moratuwa in the year 2022 were delayed for a period of 01 months to 01 year and 05 months, beyond 03 months.	procedure of uploading the results to prevent such problems occurring again.	
(iv) Section 3.1 of Chapter XX of the Establishment Code for University Grants Commission and Institutes of Higher Education	A sum of Rs.2,017,672,383 had been paid as salaries and allowances of the year under review, without confirming of the arrival and departure of the academic staff.	That this methodology is practiced in the entire university system as well as in the University of Moratuwa.	The provisions of the Establishment Code for University Grants Commission and for Higher Education Institutions should be followed.
(d) Section II of the Finance Act No. 38 of 1971 and University Grants Commission Internal Audit Circular Letter No. 04/2019 dated 29 July 2019	A sum of Rs.902,200,000 had been invested during the year under review as per the recommendation of the Finance Committee without obtaining the approval of the Minister of Finance and the concerned Minister.	Investments were made on the basis of surplus cash balances in the current accounts of the University and as it is difficult to obtain the approval of the Minister of Finance and it takes time in the case of investments made in time to time, as such, investments have been made on the recommendation of the Finance Committee and the approval of the Governing Council.	Action should be taken as per Section II of the Finance Act No. 38 of 1971.

2. Financial Review

2.1 Financial Results

The operating result of the year under review had been a surplus of Rs.89,099,282 as compared with the corresponding surplus of Rs.170,489,623 in the preceding year, thus observing a deterioration of Rs.81,390,341 in the financial result. Increase in personal emoluments and other operational expenditure had mainly attributed to the said deterioration.

2.2 Trend Analysis of major Income and Expenditure items

The total income of the university had increased by Rs.470,329,265 or 10.67 percent over previous year and the total expenses had increased by Rs.551,719,606 or 13 percent.

2.3 Ratio Analysis

- **Current Ratio**

The Current ratio in the year under review was 2.123 : 1 and the previous year ratio was 2.017 : 1, compared to the previous year, the current ratio had improved in to favourable condition in the year under review.

- **Quick Ratio**

The Quick ratio in the year under review was 2.096 : 1 and in the previous year the ratio was 1.99 : 1.

3. Operational Review
3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) A total sum of Rs.62,969,142 should be received as on 31 December 2022 from 29 lecturers due to breach of contracts and bonds. In that, a sum of Rs.5,074,425 should be collected from 06 officers from 21 years to 30 years and a sum of Rs.1,908,708 should be collected from 05 officers from 31 years to 41 years were remained.	A certain amount of the money to be recovered from the lecturers who have passed more than 20 years has been recovered from the Provident Fund of the university and it is possible for some of them to recover the money from the Provident Fund. At present, the university does not have any method to contact the lecturers and get a written consent for their willingness to recover the money from the provident fund.	A formal system should be established to collect the receivables due to the breach of contracts and bonds, to speed up the recovery and timely follow-up of those recovery.
(b) Due to the non enrolment of the minimum number of students required to enrol by each institution as per the agreements signed with the private institutions for the BIT course coordinated by the Open and Distance Education Center of the University, a sum of Rs.8,255,000 receivables from the two private institutions to the university had not been recovered even by 31 July 2023.	That legal action is being taken to recover the money.	Necessary actions should be taken to speed up the recovery.
(c) Uniconsultancy company, which consists of members of the academic and administrative staff of the University of Moratuwa, was registered as a limited liability company under the Companies Act No. 07 of 2007 and running its activities in the University, but the approval of the Cabinet of Ministers had not been obtained even by 31 July 2023.	That the information has been sent to the University Grants Commission.	Obtaining the relevant approvals should be expedited.

3.2 Transactions of Contentious Nature

Audit Observation	Comments of the Management	Recommendation
<p>A senior lecturer in the Department of Geology was granted no pay leave from 21 November 2017 on the approval of the Governing Council to take over the position of Chairman of the National Gems and Jewellery Authority and the approval of the Cabinet of Ministers was also obtained to pay him the university salary.</p> <p>However, the Governing Council met on 14 February 2018 had approved the sabbatical leave with effect from 01 December 2017 on the officer's request, but due to attention was not focused for the approval of the Cabinet for the payment of high salary or the no pay leave period, the officer could receive the university salary from both institutions.</p>	<p>Since sabbatical leave for Dr. Dissanayake had been approved by the 379th Leave Grant Committee from 01.12.2017 to 30.11.2019, the salary had been paid for the relevant period.</p>	<p>The leave grant committee and the governing council should be more investigative in approving the sabbatical leave to avoid any loss to the government.</p>

3.3 Underutilization of Funds

Audit Observation	Comments of the Management	Recommendation
<p>(a) There was a balance of Rs.10,504,569 in the research fund account as on 31 December 2022, and no expenditure had been incurred from it since 2016.</p>	<p>That this account will be utilized according to the criteria applicable in the future.</p>	<p>The funds should be utilized according to the relevant criteria.</p>

- (b) Even though a sum of Rs.13,602,546 of the scholarship funds, maintains for awarding scholarships which have been inactive for a long time, have been credited to a new fund called Awards & Scholarship Account in the years 2020 and 2021, the fund could not be utilized even during the year under review due to non-formulation of eligibility criteria for awarding scholarships.
- The policy of Awards & Scholarship Account has been submitted to the Finance Committee held on 01.02.2023 by the committee appointed for it and the recommendation of the Finance Committee has been received and approved by the governing council held on 01.04.2023. Accordingly, this fund will be used to provide scholarships and awards in the future.
- According to the relevant criteria, arrangements should be made to provide these awards and scholarships on time without delay.
- (c) According to the financial statements of the year under review, a sum of Rs.179,311,051 in 53 accounts under the Departmental Development Fund and a sum of Rs.72,548,888 in 36 accounts under the Program Development Fund remained underutilized. Out of that, the total amount of Rs.6,040,365 in 18 accounts for 06 years and the total amount of Rs.9,267,103 in 13 accounts had not been unutilized even during the year under review.
- These are self-earned funds and are used for staff and student activities, procurements of labs and departmental equipment identifying by the relevant department heads. Since these funds are not provided by an external institute which should be spent within a certain period of time, no any issue in keeping these funds as a reserve without spending.
- Development funds should be used to improve the infrastructure facilities of the university.
- (d) A total sum Rs.25,248,414 in 30 scholarship funds remained idle without awarding any scholarship from 03 years to 12 years as on 31 December 2022.
- Funds have not been utilized due to the lack of students who have met the criteria of the respective scholarship fund or insufficient funds to award scholarship funds to students. However, necessary action will be taken to inquire and settle this matter in the future.
- The main factors affecting the inactivity should be reviewed and arrangements should be made for the award of scholarships.

3.4 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation
<p>(a) 12 perches of land belonged to the Urban Development Authority had been leased on 14 October 2009 for a period of 50 years at a cost of Rs.1,400,000. According to the lease agreement, the development works of the land should be started within 06 months from the date of the agreement and completed within 02 years, otherwise the lease agreement will be automatically canceled and the ownership of the land will be transferred to the lessor. Accordingly, the Urban Development Authority informed in a letter dated 27 February 2018 that the lease agreement had automatically canceled, on the ground that the university had violated the condition of the agreement. As such, the amount of Rs. 1,400,000 incurred to rent of the land was an uneconomic expenditure.</p>	<p>Since the University of Moratuwa has not been informed to give consent about the cancellation of this land, no cancellation had been mentioned in this regard in the Land Registration Office. Therefore, action will be taken to reach an agreement with the Urban Development Authority for further implementation of lease agreement of the land, and if not, the Finance Committees and Governing Councils have decided to conduct inquiries regarding the recovery of the expenses paid. Accordingly, as per the response of the Urban Development Authority, action will be taken in the future.</p>	<p>The management should take decisions that are most advantageable to the government.</p>
<p>(b) The possession of the 20 acres land in Pitipana was transferred by the Urban Development Authority on 31 August 2016 to expand the existing faculties of the university and establish the new business faculty. But since no any development work has been carried out of the land, it had been informed that in the Urban Development Authority Letter No. 10/8/3289 dated 08 February 2021, this land had been identified to be given for another development purpose and it cannot be given to the university.</p>	<p>This land had also not been handed over to the Urban Development Authority and the University enjoys the possession of the land and gets income from the coconut crop. This land will be used for a project in the future.</p>	<p>The legal ownership of the land should be taken over and the relevant development works should be implemented promptly.</p>
<p>(c) 60 auditorium chairs worth of Rs.1,407,600 and 02 voice tracking cameras worth of Rs.4,948,020 procured for the auditorium of the faculty of</p>	<p>Although the construction of the auditorium had been delayed and the chairs had not been installed so far, the library</p>	<p>The construction of the planned auditorium should be completed</p>

postgraduate studies in the years 2016 and 2017 were packed and lying idle in the library due to the construction of the auditorium had not been completed even by 22 January 2023, as planned. The one year warranty period of the auditorium chairs and the three year warranty period of the cameras had expired before being used.

had used for meetings and other programs as per the necessity. Repairs of the auditorium should be completed to install camera equipment. Until then, cameras have not been installed in the respective places. Although the camera equipment was not installed, the items are used separately for programs conducted in the library and the Faculty of Post Graduate Studies.

promptly and arrangements should be made to utilize the procured equipment.

(d) Although the audit was informed in the previous year that, 346 toners and cartridges worth of Rs.2,894,247 which were procured before the year 2019 and unused in the stores will be checked for usability and issued to the necessary departments in the future, and also, the unusable stocks will be removed and adjustments will be made in the accounts, no action had been taken in this regard till the month of April 2023.

That further inquiries will be carried out on whether the necessary sections of these toners and cartridges are available and measures will be taken to take prompt actions regarding the remaining stock by retaining the necessary quantities for that purpose.

The procurement should be done upon identifying the requirement and the available stock should be utilized effectively.

(e) Although a pilot project to produce biogas through the management of food waste from the student canteen and use that gas for cooking in canteens was established on 22 February 2017 at a cost of Rs.1,434,319, since the amount of biogas produced there was not enough to light the stoves of the restaurant, it was suggested to improve the system. The amount of Rs. 1,434,319 incurred by the University was an uneconomical expenditure as it was not being used after improvement even by 30 July 2023.

The main reactor was inoperable due to mechanical failure and it is expected that this defect will be rectified and the pilot plant will be brought back to normal operating conditions as soon as an alternative source of funding is secured due to the lack of allocated capital funds in the past.

Construction defects should be rectified promptly and action should be taken to utilize them.

3.5 Delays in Projects or Capital works

Audit Observation	Comments of the Management	Recommendation
<p>It was planned to construct a multi-purpose building in the Faculty of Engineering to provide the necessary facilities for enrolment of additional students to the university, and a contract worth of Rs.159,790,000 was awarded on 11 August 2014, to complete the construction within a period of 06 months and a new contract worth of Rs.153,141,553 was also awarded on 14 October 2020 to complete the balance works of the above contract. Although a sum of Rs.310,740,961 had been spent for this construction, 08 years and 03 months had been spent, the construction could not be completed and utilized.</p>	<p>No reply was made.</p>	<p>The construction works of the contractor should be closely monitored and action should be completed promptly.</p>

3.6 Defects of the Contract Administration

Audit Observation	Comments of the Management	Recommendation
<p>The university had to bear an additional cost of Rs.14,056,253 for the two buildings to remove all the sheets and re-sheet them before use because the sheets of the roof of the multi-purpose building of the Faculty of Engineering and the roof of the Faculty of Architecture were not up to the standard. This amount was not recovered from the State Engineering Corporation which provided the consultancy service.</p>	<p>No reply was made.</p>	<p>Action should be taken to closely monitor the works of the contractors and complete according to the standards and the amount should be recovered from the State Engineering Corporation which provided the consultancy service here.</p>

3.7 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
Due to action had not been taken to fill of the 190 vacancies in the academic cadre of the University as of 31 December 2022, external lecturers were recruited and a sum of Rs.38,730,873 had been paid as lecture fees in the year under review.	Vacancies in the relevant post could not be filled due to non-availability of qualified applicants and then the services of external lecturers had been taken to continue the academic activities.	Prompt action should be taken to fill the existing vacancies in the academic cadre.