

1. Financial statements

1.1 Opinion

The audit of the financial statements of the University of Colombo 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 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 Section 12 of 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 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

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 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

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 Accounts Receivables and Payables

1.5.1 Accounts Receivables

Audit Observation	Comments of the Management	Recommendation
(a) The university was unable to recover a sum of Rs. 138,919,322 from 34 lecturers who breached the bond contracts between 01 year to 35 years. Out of this, the amount of Rs.72, 294,305 was due from 12 officers who had vacated their post in the year 2022 while abroad for study leave.	The University had recovered a sum of Rs.51,039,160.67 from 13 lecturers who breached their bonds in 2022 and a sum of Rs.106,015,716.56 from 26 lecturers who breached their bonds before 2022 with interest on 31.05.2023. Even though five lecturers who had broken the contract had paid the full bond amount, arrangements have been made to recover the interest due from them. Also, legal action has been initiated against 06 lecturers who broke their bonds.	Action should be taken to recover promptly.
(b) A sum of Rs.2,237,312 due for the electricity expenditure incurred for the years 2019, 2020 and 2021 for the National Institute of Library and Information Sciences (NILIS) had not been recovered even by the end of the year under review.	An amount of Rs.1,059,350.85 has been reimbursed by NILIS to the University of Colombo in the year 2023.	Recoveries should be updated.
(c) The loan amount of Rs. 5,000,000 given to the Institute of Agro-Technology and Rural Sciences from the University Development Fund in the year 2018 had not been recovered even by 31 December of the year under review.	Action will be taken to recover in the year 2023.	Recoveries should be updated.

1.5.2 Accounts Payable

Audit Observation	Comments of the Management	Recommendation
The total payable balances amounting to Rs.20,663,677 from 01 year to 03 years old were not settled even by the end of the year under review.	Action will be taken to settle a sum of Rs.17,757,289 in the year 2023 and a sum of Rs.626,368 will be taken into the income.	Action should be taken to settle the relevant balances.

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) State Accounts Circular No. 30/94 dated 20 April 1994 and Director General of External Resources Department's letter No. SC & PMU/Grant/19, dated 25 July 2019	Foreign grants total amounting to Rs.97,310,017 in the year 2022 had been directly received by the university without the knowledge and consent of the Department of External Resources.	Two projects had been started before 2019 and the approval for the grant received for dengue project amounting to Rs.1,512,000 had not been taken. Documents have been handed over to the International Division of the University regarding 2 grants and that the CONTESSA project is not a foreign aided research project but a capacity building programme.	The circular should be followed.
(b) Section 3.1 of Chapter XX of the Establishment Code for University Grants Commission and Institutions of Higher Education	A total sum of Rs.3,280,088,379 had been paid as salaries and allowances during the year under review without confirming the arrival and departure of the academic staff.	Since this is a policy decision to be taken by the University Grants Commission, it is outside the administration of the University.	Action should be taken as per the provisions of the Establishment Code.
(c) National Library and Documentation Services Board Circular No. 2004/१११ /1 (2016-Revised) dated 22 December 2016	Annual board of surveys were not conducted regarding the library books and other materials of the university after the year 2017.	According to the Commission circular 01/2022 dated 01.03.2022, the board of survey has already been planned for the year 2023 and requests have been made from the university administration to appoint	The circular should be followed.

committee members for the same.

2 Financial Review

2.1 Financial Result

The operation result for the year under review had been a surplus of Rs.3,330,270,379 as compared with the corresponding surplus of Rs.3,539,741,375 for the preceding year, thus observing a deterioration of Rs.209,470,996 in the financial result. Decrease in government capital grants and increase in other recurrent expenditure had mainly attributed for this deterioration.

2.2 Trend Analysis of major Income and Expenditure items

- (a) About 25 percent of the total income university consisted of government grants, and compared to the previous year, government grants had decreased by 19 percent in the year under review. In addition, internal Income had increased by 92 percent and other recurrent grants increased by 72 percent.
- (b) Compared to the previous year, other recurrent expenditure had increased by 54 percent, while the Rehabilitation Recurrent Expenditure had decreased by 49 percent in the year under review.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
Six lands valued for Rs.25,230,500,000 and 03 lands the value was not shown in the financial statements had existing as of 31 December 2022, and was unable to legally transferred those lands to the University even in the year under review.	Out of these, 6 lands are owned by the government and the ownership of 3 lands was unable to trace out and actions are being taken to transfer these lands to the university. That the lands not mentioned in the financial statements will be disclosed in the year 2023.	Assets should be properly disclosed and acquisitions should be completed expeditiously.

3.2 Transactions of Contentious Nature

Audit Observation	Comments of the Management	Recommendation
A company limited by guarantee had been established under the name of Colombo Science and Technology Cell using the staff of the science faculty of the university without legal approval in the year 2013. About 5 years after the formation of the company, a	Approval was obtained from the University Grants Commission for the establishment of the company and a document was submitted to the University Grants Commission in 2015 to obtain Cabinet approval and then a memorandum of understanding was signed.	When the Act does not provide for the formation of the company, the relevant approvals should be obtained.

memorandum of understanding was signed with the university on 02 April 2018. The contribution to be given to the university from the income earned by the company had not mentioned in the memorandum of understanding and only a sum of Rs.1,885,690 was contributed to the university in the last 9 years period.

3.3 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation
The auditorium of the Faculty of Law had been developed at a cost of Rs.16,930,946 in the years 2020 and 2021 but the required chairs had not been procured for the auditorium, as such, it was not utilized at the end of the year under review.	Due to the allocated funds for the year 2022 was not released and the State Budget Circular No. 03/2022 issued on 06.04.2022, was instructed to control all public expenditure and to suspend the procurement activities of works and goods, so it had been adapted accordingly.	Action should be taken to utilize promptly.