

1. Financial statements

1.1 Opinion

The audit of the financial statements of the University of Colombo for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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, the financial statements give a true and fair view of the financial position of the University as at 31 December 2023 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 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 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 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

	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. 339,691,267 had been directly received by the university in the year under review without the knowledge and consent of the Department of External Resources.	That these funds were not grants but funds received for projects/researches of the University.	The circular provisions should be followed.
(b)	Paragraph 02 (v) of Management Services Circular No. 02/2020 dated 26 October 2020	A sum of Rs.19,577,232 was over paid to 03 officers in 02 approved positions as salaries decided by the University during the period from 2020 to 31 December 2023 in excess of the salary amounts of the salary codes given to the positions by the Management Services Department.	According to service requirement and the market value, high salaries had been given.	The circular provisions should be followed.
(c)	Paragraph 7 of the Chapter V of the Establishment Code for University Grants Commission and Institutions of Higher Education	Although between 01 to 34 years had passed, a total sum of Rs.159,907,138 was unable to recover due from 35 lecturers who breached bond agreements.	Necessary actions are being taken in this regard.	Actions should be taken to recover the amount due from the lecturers due to breach of the bond agreements.
(d)	Paragraph 5 of the circular letter No. BD/HRD/126/214/19/2023 dated 18 January 2023 of	An amount of Rs. 135,987,614 recovered from lecturers who had breached bonds during	That these funds have not been transferred to the Treasury as	The Treasury instructions should be followed.

the Secretary to the Treasury addressed to the Secretary, Ministry of Education the year under review had not been credited to the state revenue. they have been properly utilized for the authorized purposes.

2 Financial Review

2.1 Financial Result

The operation result for the year under review had been a surplus of Rs. 977,902,106 as compared with the corresponding surplus of Rs. 3,330,270,379 for the preceding year, thus observing a deterioration of Rs. 2,352,368,273 in the financial result. Decrease in government capital grants had mainly attributed for this deterioration.

3. Operational Review

3.1 Management Inefficiencies

The following observations are made.

	Audit Observation	Comments of the Management	Recommendation
(a)	A company limited by guarantee had been formed in the year 2013 by employing the staff of the Faculty of Science of the University without formal approval and after 5 years a Memorandum of Understanding had been signed with the University. According to that agreement, the audited financial statements of the company should be submitted to the Governing Council of the university annually, but even a single financial statement of the company had not been submitted to the Governing Council as on 31 December of the year under review. Further, the contribution to the University from the income of the company was not mentioned in the memorandum of understanding. As such, only Rs.1,885,690 had been given in the period of 9 years and no royalty income had been given to the University during the year under review. Furthermore, according to the intellectual property policy of the university, there was no system in place to ensure the protection of the company's inventions, patents, and intellectual property by including them in the intellectual property portfolio of the university.	That the royalty revenue has been included in other income.	As per the agreement, the audited financial statements of the company should be submitted annually to the Governing Council of the university and action should be taken to collect income to the university and protect the intellectual property.
(b)	Although 1 to 4 years had passed beyond the scheduled completion date to complete for 13 researches worth of Rs.8,194,808 given to the academic staff in the period from year 2018 to year 2020, but had not been completed even by 31	That the approved provisions will be utilized for other research activities.	Necessary action should be taken to complete the approved research within the

December of the year under review. Furthermore, 17 research projects worth of Rs.8,821,000 were abandoned and cancelled due to various reasons during the period from 2018 to 2020.

stipulated time.

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| (c) | Action had not been taken to take over the legal right of 8 lands and 4 unassessed lands worth of Rs. 25,518,200,000 even at the end of the year under review. | Necessary actions to confirm the ownership of land have been continuously carried out by the University and the delays were from other government institutions such as Divisional Secretariats etc. | Action should be taken to take over the legal right of the lands. |
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3.2 Underutilization of Funds

Audit Observation	Comments of the Management	Recommendation
A total sum of Rs. 117,946,258 in 44 Designated Funds had not been utilized for the relevant purposeful activities during the year under review.	An amount of Rs. 441 million for recurrent expenses and Rs. 392 million for capital expenditure had been spent in the year 2023.	The relevant funds should be effectively utilized for the purposeful activities.