

**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 2019 comprising the statement of financial position as at 31 December 2019 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 Section 20 of the University of Colombo Act No. 01 of 1980 enacted under Section 18, and Section 12 of the National Audit Act, No. 19 of 2019. 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 2019 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 Financial Statements

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### 1.5.1 Accounting Deficiencies

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The following observations are made.

	<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
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(a)	Even though works in 05 projects total valued for Rs. 19,627,090 had been completed before 05 months to 11 months as on 31st December 2019, had been accounted under work in progress. The total sum of Rs. 13,554,963 payable for 04 projects had not been accounted for.	The completion certificate had not been received by the Accounts Division stating that the project was completed by 31 December 2019 and, hence, kept in the work in progress account. Disagreed to consider the difference in between the contract value and the cost incurred as on 31 December 2019 as unaccounted payable balance.	The completed projects and the values due by 31 December should be accurately identified and accounted for.
(b)	Due to the total amount of Rs. 10,310,841 had been accounted under recurrent expenditure instead of capitalized under buildings, the deficit of the year and building value was over stated and under stated from that amount respectively in the financial statements.	The cost of these two projects is not a capital expenditure in nature but in nature of recurrent expenditure.	Expenditure in the form of recurrent and capital should be accurately identified and accounted for.

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| (c) | Due to incorrect classification of assets, depreciation of the year and the deficit of the year were under stated by Rs. 1,344,012 each in the financial statements.  | Will be corrected in the year 2020.  | Fixed assets should be accounted under correct classification.                                       |
| (d) | A discrepancy of 14,565,700 was observed in the reconciliation of the differed course income and the relevant schedules, but the difference was not clarified to the audit.   | Accepted that the income was over accounted by Rs. 14,565,700  | Accurate values should be included in financial statements, comparing ledger accounts and schedules. |
| (e) | According to the audit calculations, the investment interest income was Rs. 237,168,553 as at 31 December 2019, but according to the financial performance statement that balance was Rs. 237,943,303 and interest income for the year and receivable interest income was over stated by Rs. 774,750 in the financial statements. | Agreed that interest income and receivable interest income were over-accounted for. Relevant corrections will be made in the preparation of 2020 accounts. | Interest income for the year should be correctly accounted for.                                      |

## 1.6 Account Receivables and Payables

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### 1.6.1 Accounts Receivables

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Audit Observation	Management Comment	Recommendation
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The old loan balances amounted to Rs. 931,255 given to 33 officers had not been recovered from year 01 to 32 years.	Measures have been taken such as sending reminders to each person, sending letters to recover from the provident funds etc.	Action should be taken to recover loan balances soon.

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

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 The following observations are made.

	<b>Reference to Laws, Rules Regulations etc.</b>	<b>Non-compliance</b>	<b>Management Comment</b>	<b>Recommendation</b>
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(a)	Financial Regulation 104 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Even though the 2018 Board of Survey Report has revealed that the items in 52 units belonging to 14 varieties in 5 units including university offices were displaced, action had not been taken in terms of the Financial Regulations.	Investigation is in progress in connection with the theft of 26 items in the Horticulture Division and necessary action have been taken to write off.	Should be complied with financial regulations.
(b)	Section 26 of the Universities Act No. 16 of 1978	Although a campus called Sripali Mandapaya was established affiliated to the University of Colombo, the regulations in accordance with the said clause had not been prepared and tabled in Parliament.	Although there is no separate regulation for the Sripali campus, the composition of the council in the campus has been obtained by a special regulation from a special gazette notification issued on 07.11.1995.	According to the Act, a regulation should be prepared and tabled in Parliament.
(c)	Establishment Code of University Collages			
(i)	Section 2.1.3 of paragraph XII	When a university lecturer or official is an undergraduate, a university officer or lecturer should not be appointed as an examiner for that examination, 10 lecturers of the same faculty were participated in the full time post graduate courses conducted by the Faculty of Education without any study leave during the period 2016-2019.	Due to the shortage of staff in the Faculty, the Faculty Staff was allowed by the Advanced Degree Committee and the Faculty Board to pursue the course while serving in the University. The purpose of this permission was to get their services to the faculty.	Act in accordance with the provisions of the Establishment Code of the University.

- (ii) 11.1 section of paragraph XXII of Although the disciplinary inquiries should be held continuously as far as possible until a final decision is reached and the inquiry should be completed within 03 months, due to the fact that it took more than three and half years for two disciplinary inquiries of two officers and a sum of Rs. 8,688,863 had been paid as half salary without obtaining service during that period. It was also observed that a sum of Rs. 5,325,750 had been paid for the lawyers and the investigating officers to conduct the relevant investigations. Disciplinary inquiries were delayed due to various reasons, including a significant delay in obtaining the approval of the Governing Body. University has made all arrangements to complete the disciplinary inquiries as soon as possible and that the inquiries have been carried out soon and without prejudice to any party as stated in the Establishments Code. Should be Act in accordance with the provisions of the establishment Code of the University.
- (iii) 33 Paragraph of the II section Even though 16 lecturers including a registrar had taken study leave with salary for a period of 06 months to 03 years to pursue academic, doctoral and postgraduate courses, relevant courses had not been completed. The total bond value due from them on breach of contract amounted to Rs. 39,991,773 had not been recovered. Although a total financial assistance of Rs. 3,923,588 had been given to above 05 lecturers by various projects and departments, that money also had not been recovered. Out of these, 09 lecturers have completed their doctoral degree during the year 2020 and Doctoral dissertations of 06 lecturers are in progress. The Governing Body has decided that it is not effective for the University to take legal action against Rs. 788,008 to be recovered from a one person and necessary action had been taken to recover money by installments from other lecturers. Should be Act in accordance with the provisions of the establishment Code of the University

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| (d) | Paragraph 2 of the University Grants Commission Circular No. 04/2016 dated 01 March 2016 | Even though all self-financing activities of an organization should be cost recovery and non-profit basis, a total sum of Rs. 2,427,377 had been spent on 08 projects and courses which were exceeded the income. Also, it was observed that the total surplus fund amounted Rs. 15,337,834 of 15 courses which were completed was remained idle from 01 year to 07 years. | The value of Rs.947,565 mentioned under English courses has been corrected in the year 2020 and the total balance valued for Rs. 15,337,834 relevant to other courses will be correctly accounted by the year 2020.                                  | Should be complied with the circular.   |
| (e) | Gazette Notification No. 928/1 dated 20 June 1996  | Undergraduates were recruited for two departments without establishing two faculties in the Sripali campus.  | The proposal for the establishment of faculties had been prepared and submitted to the Senate and the Governing Council for approval. However, due to lack of human resources and physical resources, the Senate had not recommended the resolution. | 24 years had lapsed since the gazette notification was issued, necessary action should be taken to establish the faculties expeditiously. |

## 2 Financial Review

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### 2.1 Financial Result

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The operations for the year under review had been a deficit of Rs. 696,404,210 as compared with the corresponding surplus of Rs. 283,376,914 for the preceding year, thus indicating an deterioration of Rs.979,781,124 in the financial result. Increase in the provision for gratuity expenditure had been the main reasons for the said deterioration.

### 3. Operational Review

#### 3.1 Operational Inefficiencies

The following observations are made.

Audit Observation	Management Comment	Recommendation
(a) 77 books taken out by the lecturers from the libraries maintained under the Departments of Sinhala and Sociology of the Faculty of Arts had not been returned within a period ranged from 02 years to 05 years and necessary action had not been taken regarding 186 missing books.	The heads of departments of the Department of Community Science had informed that the results of the investigation into 186 books will be released soon.	The existing system of books taking out should be improved and Financial regulations should be followed on missing books.
(b) It was observed that the existing lecture halls for the students studying in the Sripali campus are not in a suitable condition for use, lack of essential physical facilities for the theater, dilapidated of internal road system, insufficient studios, film studios, audio-visual studios, pre-training halls and student hostels required for quality educational practices etc.	The old buildings in the campus require regular maintenance and a proposal is being made to construct buildings for student use. A monthly scholarship of Rs. 3,500 had been paid for male students who are eligible for hostel facilities.	Necessary action should be taken to develop the necessary infrastructure facilities and obtain physical resources.

#### 3.2 Management Inefficiencies

The following observations are made.

Audit Observation	Management Comment	Recommendation
(a) In terms of the agreement, the completion report was given in the West Wing Building Expansion Project of the Faculty of Management and Financial Studies with a contract value of Rs. 272,915,895 on 22 August	Relevant officials have been instructed to take action in this regard.	Demurrage should be charged as per the agreement.

2019, according to the project management committee report on that day, three major items included in the initial contract had not been completed. Accordingly, the completion of the project was delayed by 130 days until 29 January 2020 but action had not been taken to recover the demurrage charges of Rs. 15,425,670 to be charged on that.

- (b) While there was a majority of students seeking admission to universities, 31 students had lost their university admissions due to the enrollment of 01 to 12 students less than the enrollment capacity of 06 faculties of the university for the year 2019. Students are selected for all courses in the University by the University Grants Commission. Those all students do not registered and the University Grants Commission had been informed in this regard. Necessary coordination and follow-up action should be done in a timely manner and recruitment should be made to the existing student capacity.
- (c) Even though total balance of Rs. 91,410,534 was remained in 33 funds as at 31 December 2019, the relevant funds had not been utilized during the year under review to achieve the expected objectives. The balance of Rs. 112,410,534 in 33 funds will be utilized in the future years. Action should be taken to achieve objectives of establishment of funds.
- (d) It was observed that due to the lack of financial independence for the Sripali campus, the operational efficiency had decreased due to the need of obtaining the approval of the Finance Committee of the University of Colombo for its functions. Although the provisions were received from the Treasury ranged from 89 percent to 96 percent of the estimated recurrent expenditure incurred by the Even though the Treasury provided 100 percent provisions for the salaries and wages, 100 percent provision for other recurrent and capital expenditure were not released. Necessary action should be taken to improve financial efficiency.

University on behalf of the Sripali Campus for the period 2015-2018, only provisions ranged from 66 percent to 83 percent were released.

### 3.3 Human Resources Management

----- <b>Audit Observation</b> -----	<b>Management Comment</b> -----	<b>Recommendation</b> -----
The Sripali campus had 163 approved cadre and 128 actual cadre as of 31 December 2019, as such, there were 35 vacancies. It was observed that the administrative activities were not streamlined due to non-completion of key management posts in those vacancies.	There were 31 vacancies in the cadre including 01 post of Professor, 04 posts of Temporary Assistant Lecturers and 02 posts of Temporary Lecturer positions as at 20 October 2020. The University Commission had temporally suspended all non-academic staff recruitments by letter No. HE / EST / 01/0 / UGC III dated 26 November 2019.	Necessary action should be taken to expedite the recruitments and improve the efficiency.