

University of Moratuwa - 2021

1. Financial Statements

1.1 Opinion

The audit of financial statements of the University of Moratuwa 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 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 2021, 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 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 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 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 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 -----
As per the agreements entered with the private institutions, a sum of Rs. 8,255,000 to be received by the University from two private institutions for the period from the year 2016 to year 2018 due to non-enrollment of the minimum number of students to be enrolled by each institution for the BIT course coordinated by the Open and Distance Education Center of the University, had not been recovered even by 31 December 2021.	Letters have already been sent by the University of Moratuwa to those institutions and action is being taken by the University to collect them as per the agreement.	Prompt action should be taken to recover the dues.

1.5.2 Accounts Payables

Audit Observation	Comments of the Management	Recommendation
Action had not been taken to settle the creditor balances total amounting to Rs. 2,398,749 as on 31 December 2021 remained for a period from 02 years to 07 years.	These creditor balances will be checked in detail and necessary action will be taken to settle them.	Necessary action should be taken to settle the creditor 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) Financial Regulations of the Democratic Socialist Republic of Sri Lanka (i) Financial Regulation 760 (a)	The cost of the misplaced items of the maintenance department amounted to Rs. 793,088 had been removed from the closing stock without proceeding according to the Financial Regulation.	Since the unit prices mentioned in obtaining the value of Rs.793,088 were not agreed with the existing prices, it was also seen that the disagreeable value of these unit prices affects the total value quantitatively.	Costs should be accurately identified and action should be taken in accordance with the Financial Regulations.
(b) (ii) Financial Regulation 571 (2)	Deposits with a total value of Rs. 10,249,876 as on 31 December of the year under review, over 02 years from the date of deposits had not been dealt in accordance with the Financial Regulations.	Action will be taken to inform the relevant parties and carry out the necessary activities in the future. After recognize the unidentified deposits, recorded in the sundry deposit accounts action will be taken to credit to the respective	Financial Regulations should be complied.

- accounts and unreleased library and laboratory deposits within 05 years, will be transferred to this account.
- (c) (iii) Financial Regulation 1646 The original copy of the monthly summary of 24 vehicles using by the University and also the original copies of the daily running charts for the year under review were not submitted to the Auditor General before the 15th of the following month. All the drivers have been informed to hand over the daily driving charts related to their assigned vehicles to the subject clerk within the first week of the following month in the future. Financial Regulations should be complied.
- (b) Section 3.1 of Chapter XX of the Establishments Code for University Grants Commission and Institutes of Higher Education A sum of Rs. 1,874,019,805 had been paid as salaries and allowances until 31 December of the year under review, without confirming of the arrival and departure of the academic staff. Kindly inform that this methodology is practiced in the entire university system as well as in the University of Moratuwa. The relevant rules and regulations should be followed.
- (c) State Accounts Circular No.842 of 19 December 1978 An updated fixed asset register was not maintained in respect of fixed assets amounting to Rs.13,245,551,250 as on 31 December of the year under review. A computerized fixed asset register is maintained by the university. The computerized fixed assets register maintains by the Finance Department can be accessed and the relevant checks can be done as it costs a lot to get a printed copy. Should act in accordance with the relevant circular and permission to access to the computerized fixed assets register had not been allowed to the audit.
- (d) Paragraphs 4.2.1 (a) and 4.2.1 (c) of the Public The University had not prepared a major procurement plan. The procurement plan for the year 2022 had been Public procurement guidelines should be followed.

Procurement Guidelines including the year under review and the procurement plan for the year 2022 had also not prepared and submitted to the audit.

2. Financial Review

2.1 Financial Results

The operating result of the year under review had been a surplus of Rs. 165,349,451 as compared with the corresponding deficit of Rs. 388,530,483 in the preceding year, thus observing an improvement of Rs. 553,879,934 in the financial result. Increase in receipt of government recurrent grants by Rs.310,000,000, increase in the government capital grants (spent) by RS. 66,516,203, decrease in contractual service expenditure by Rs. 36,529,828 and decrease in other operational expenditure by Rs.58,423,981 had mainly attributed to the said improvement.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation -----	Comments of the Management -----	Recommendation -----
(a) A branch of a government bank and automatic teller machines (ATMs) were installed in the premises of Moratuwa University Since 1992 without any agreement, and no rent was collected from them until May 2022.	The lease agreement is being prepared in this regard.	Formal agreements should be entered into and action should be taken to generate revenue to the university.
(b) A total sum of Rs.55,348,324 should be received as on 31 December 2021 from 33 academic and non-academic staff who had gone overseas on study leave due to breach of contracts and bonds, and out of that, a total sum of Rs. 27,874,725 due from 21 staff members who breached the bonds relation to the period	Actions are being taken to recover a sum of Rs. 34,597.77 from one of the 09 lecturers who had exceeded 25 years from his university provident fund and the amount of Rs. 703,311.12 due from one of the other eight lecturers is being ignored	Action should be taken to settle relevant amount.

from the year 1981 to the year 2014 was unable to recover any amount by 31 December 2021.

as per the decision of the Governing Council in accordance with Finance Regulation 109 (01). The balance due from the other 07 lecturers will be recovered through legal proceedings.

(c) While the University of Moratuwa generated an income of Rs. 292,585,898 during the year under review by providing engineering consultancy services to parties outside the University, an amount of Rs.7,359,395 had been spent for obtaining consultancy services from external parties for the construction projects being carried out within the university premises during the year under review.

In providing consulting services to external parties, the relevant staff provides these services outside of working hours in addition to university duties.

The knowledge of the lecturers of the university should be utilized for the activities of the university to obtain more advantaged decisions.

Government funds cannot be used to pay in-house staff for university consultancy services, hence, they cannot be engaged in university consultancy services outside to their assigned duties.

(d) Although it was the policy of the university to close the accounts of projects and courses which have been inactive for about 03 years after obtaining the recommendation of the relevant coordinators, no action had been taken to close 04 inactive accounts total amounted to Rs.3,270,874 and accounted as deferred income.

Out of these 04 accounts, one account has already been closed and the other 03 accounts will be closed soon.

Necessary action should be taken to close inactive accounts.

3.2 Operational Inefficiencies

----- Audit Observation -----	Comments of the Management -----	Recommendation -----
(a) Although a sum of Rs. 17,135,136 had been spent on 14 researches	The research period had been extended for 09	Action should be taken to complete the

which had been started in the years 2017 and 2018 and which had to be completed by 31 December 2021, those researches had not been completed even by 31 December 2021.

researches and 12 researches within the stipulated period. researches have been completed. 14 researches which had been spent amounting to Rs.17,135,136 have not yet been completed as of 31 December 2021.

- (b) Toner and cartridges stock total costed to Rs. 2,775,690 procured during the period from 2018 to 2020 were underutilized as of 31 December 2021. Necessary action had been taken to procure toner and cartridges required quantity only by the university, so that there is no excess. Procurement should be made according to the requirement to reduce waste.

3.3 Underutilization of Funds

----- Audit Observation -----	Comments of the Management -----	Recommendation -----
(a) A total amount of Rs.9,624,111 remains in 22 scholarship funds as on 31 December 2021, had not been utilized for the award of any scholarship for a period from 03 to 11 years. Further, a new account was opened as "Awards and Scholarships" using inactive 22 scholarship funds having a total amount of Rs.3,356,683 as on 31 December 2020, and while the criteria for awarding scholarships had not been prepared, another sum of Rs. 10,000,000 had been transferred from the University Development Fund to that account during the year under review.	The welfare department and the examination department have been instructed to look into this dormant scholarship fund in detail. Also, a committee has been appointed to set up the necessary criteria to award the scholarships from the Awards and Scholarship Fund, and presently, the works are in progress.	Action should be taken to utilize those funds for the purpose of establishment of funds.
(b) Twenty nine university courses and department development funds having a total amounted to Rs.9,097,939 as on December 31 of the year under review were not	The funds for these departmental development funds are received through various courses / research and consultancy services	Action should be taken to utilize those funds for the purpose of establishment of funds.

utilized for the purpose of establishing those funds during the period from 03 years to 04 years.

conducted by the respective departments on self-earning basis. Since these funds are not funds provided by an external party which should be spent within a specific period of time, it appears that there is no issue in keeping them as a reserve without spending them for several years.

The course development funds are maintained as a reserve, utilizing a part of the income earned from the respective courses, for the improvement of the courses and for the future requirements.

3.4 Human Resource Management

Audit Observation

The approved academic and non-academic cadre of the University were 1066 and 888 respectively and the actual academic and non-academic cadre were 636 and 662 respectively as on 31 December 2021, thus the vacancies were 430 and 226 respectively. External lecturers were recruited for the 228 vacancies of lecturers in the academic staff and a sum of Rs.30,996,109 was paid as allowance during the year under review.

Comments of the Management

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.

Recommendation

Action should be taken immediately to fill the vacancies in the most required posts.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Comments of the Management	Recommendation
A copy of the annual action plan and the budget approved by the University Grants Commission for the year 2022, in accordance with Circular No. 12 dated 02 June 2003, was not submitted for audit until 31 August 2022.	The action plan for the year 2022 has already been submitted to the government audit branch. The budget for the year 2022 has been prepared and can be submitted for audit.	The circular should be followed.