

University Grants Commission - 2023

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the University Grants Commission for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of income, 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 provisions of the Finance Act No. 38 of 1971 and the National Audit Act No. 19 of 2018. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Commission as at 31 December 2023, and of 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 Commission'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 Commission or to cease operations, or has no realistic alternative but to do so

Those charged with governance are responsible for overseeing the Commission's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Commission 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 Commission.

1.4 Auditor's Responsibilities 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 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 Commission'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 Commission 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 Commission, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Commission has complied with applicable written law, or other general or special directions issued by the governing body of the Commission;
- Whether the Commission 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) | Section 11 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. 1,459,690 has been invested in fixed deposits as on 31 December 2023 without the approval of the concerned Minister and the Finance Minister. | That the funds of the Employees Development Fund established under Section 8(1) (d) of the University Act are maintained as fixed deposits. | Circulars provisions should be followed. |
| (b) | Section 07 of Paragraph 05 of the Establishment Code of Institutions for Higher Education and Circular No. 2/2018 dated 17 December 2018 of the University Grants Commission | An amount of Rs.2,262 million should have been collected from 551 academic and non-academic staff of 22 higher education institutions due to breach of bonds as on 31 December 2023. | Actions have been taken to recover the money from 347 persons who have been identified as violated the bonds, and presently, out of them 139 persons have started payment process. As the recovery of the money of the remaining 204 cannot be done under the existing rules and regulations, a cabinet paper has been submitted to get the necessary recommendations for the same. | As per the circular instructions, necessary actions should be taken to recover the money due from the officers who breached the bond immediately. |

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs. 49.88 million and the corresponding deficit of the preceding year amounted to Rs. 282.6 million. As such, an improvement of Rs. 232.72 million of the financial result was observed. The increase in recurrent grants was the main reason for this improvement.

3. Operational Review

3.1 Management Inefficiencies

| Audit Observation | Comment of the Management | Recommendation |
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| ----- | ----- | ----- |
| (a) Various stocks with a total value of Rs.2,647,969 remained idle in the stores for a period of 2 to 5 years. | Due to the spread of COVID, the institute had been closed for a long period of time and was trend to conduct of most of works through electronic means, arrangements have been made to use these remaining stock items by distributing them to as many universities as possible. | Procurements should be made by identifying the requirements accurately. |
| (b) The progress in finalizing complaints received by the Center for Gender Equality/Equity in the years 2020 to 2022 was in the low range of 23.5 percent to 36.6 percent. Further, out of the 68 complaints received up to 31 October of the year under review, the progress in resolving complaints was as low as 14.7 percent. | The Vice-Chancellors of the relevant universities are informed to investigate the complaints received and report within 14 days. Nevertheless, the role of the University Grants Commission in this regard is limited and the final authority to investigate and take disciplinary action regarding complaints about students and staff is the Governing Council of the respective universities. | An efficient system should be established to investigate complaints received and expedite final action. |
| (c) The commission had received the approval of the Director General, National Budget on 09 November 2020 to cancel the lease agreement of renting of the 3,337 square feet building due to the lack of space and transportation difficulties | The facilities of the new building were not sufficient to accommodate the Internal Audit Division, Quality Accreditation Council and University Appeal Service Board, which were | Economical decisions should be taken which are most beneficial to the government. |

which had been rented for Rs.350,000 per month in the year 2017 and obtain 7,000 square feet building for a monthly rent of Rs.950,000. However, contrary to that approval, the new building was acquired on a rental basis without cancelling the agreement of monthly rent of Rs.350,000, and a total of Rs.12,600,000 was paid as building rent from the year 2021 until March 2024.

established in the building acquired on rental basis in 2017 as expected by the University Grants Commission. This matter was discussed for a long time and the approval of the General Treasury has been requested to continue the building acquired on rental basis in 2017.

3.2 Operational Inefficiencies

| Audit Observation | Comment of the Management | Recommendation |
|--|---|---|
| ----- | ----- | ----- |
| (a) After enrolment of students to the universities for the two academic years 2020/2021 and 2021/2022, there were 1857 and 1084 vacancies respectively and action was not taken to re-admit of students for those vacancies. As such, 2941 students had lost their admission to the university in those two academic years alone. | Even though the University Grants Commission assigns students to vacancies, vacancies will arise if those students do not accept admission. | Efforts should be taken to minimize the number of vacancies and provide university admission opportunities to students as much as possible. |
| (b) 22 grantees who received postgraduate grants from the year 2009 to 2017 had not completed the course till 31 December 2023 and an amount of Rs.17,498,461 should have been recovered from 11 of them till 31 December 2023. No postgraduate grants were awarded to any applicant in the year 2022 and 2023. | Out of the 22 grantees who received postgraduate grants, 11 have been recovered and 03 have been partially recovered. In respect of the others, reminding letters have been sent to the respective universities. According to the prevailing government Finance rules and regulations, Postgraduate Grants had not been awarded in the years 2022 and 2023. | Arrangements should be made to recover the money of the grantees who have not completed the course. |

3.3 Deficiencies in Contract Management

| Audit Observation | Comment of the Management | Recommendation |
|---|--|---|
| ----- Although a sum of Rs. 1,148,000 had been spent for the development of software in the year 2019, the relevant work had not been completed. | ----- Due to the spread of the Covid epidemic in the years 2020 and 2021, the development of the software system for collecting basic management information was delayed. Currently, the development works of the software is in the final stage. | ----- The relevant works should be completed promptly. |