

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the University of Colombo for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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 material accounting policy information 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 report to Parliament appear in this report.

The accompanying financial statements give a true and fair view of the financial position of the University as at 31 December 2024 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 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.

1.4 Audit Scope

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 the University on 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. However, future events or conditions may cause 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 it has performed according to its powers, functions and duties .
- 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 Accounts Receivable and Payable

1.5.1 Receivables

Audit Observation	Comments of the Management	Recommendation
It had failed to recover 14 receivable balances totalling to Rs. 36,894,139 remaining from 01 to 05 years even by the end of the year under review.	Actions will be taken to recover during this year.	Actions should be taken to collect money on time.

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

	Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a)	Section (c) regarding the provision of any nature of service under the turnover of Social Security Tax Act No. 25 of 2022	Although social security taxes should be calculated and paid on the amount received or not received from the provision of any service, taxes had been underpaid by Rs. 15,828,466 due to the calculation on a cash basis.	This tax (SSCL) has been paid not based on income received and receivable and if SSCL is payable based on the course fees received in each year and the income received, it will have to be paid for using university funds since it is a payment for income that has not been received.	Actions should be taken according to the provisions of the Act.
(b)	Paragraph 03 (viii) of National Budget Circular No. 03/2022 dated 26 April 2022	Despite the fact that it has been stated that welfare programs, development assistance or subsidies that have not been approved by the Cabinet of Ministers should be stopped, a sum of Rs. 46,133,315 had been	It is a welfare system that has been in operation since 2008 with the approval of the Governing Council and it is necessary to establish and regulate a welfare scheme for the welfare of the staff according to Section 08 of Part 1 of	Actions should be taken in terms of the Circular.

allocated from the year the Universities Act.
2022 to the year under
review for 02 employee
welfare funds.

- (c) Paragraph 5 of The funds of Payment for air tickets -do-
Treasury Circular Rs. 200,966,093 related to sabbatical leave
No. recovered during the and postgraduate studies
BD/HRD/126/214 year under review from is done by this as per
/19/2023 dated 18 lecturers who breached University Grants
January 2023 the bonds had been Commission Finance
invested in the fixed Circular 05/2023.
deposits without taking
steps to send it to the
Treasury in accordance
with the provisions of
the Circular.

2. Financial Review

2.1 Financial Result

The operating result for the year under review was a surplus of Rs. 488,025,578 and the corresponding surplus of the preceding year was Rs. 576,936,961. Accordingly, a decrease of Rs. 88,911,383 in the financial result was observed. Decrease of other grants for capital expenditure by Rs. 299,534,131 had mainly caused to this.

2.2 Trend Analysis of Major Income and Expenditure Items

The total income of the University represents an increase of Rs. 728,987,854 that is 7 per cent, over the previous year and the total expenditure had increased by Rs. 817,899,237 that is by 8.5 per cent.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	Although 06 motorcycles, 01 lorry and a Mitsubishi car were registered in the name of the University according to information received from the Department of Motor Traffic as at 24 March 2025, they were not physically available and although it had reported that those vehicles had been disposed before the year 2013,	It has been reported that the persons who purchased these vehicles, which were sold before 2013, have not taken them over in their names, and the Office of the Commissioner, Motor Traffic has been instructed to blacklist	Actions should be taken to ensure the legal transfer of motor vehicles as well as to carry out the disposal process properly

	no relevant written evidence whatsoever was submitted to the audit.	02 vehicles.	
(b)	Seven plots of land with an area of 19.23 hectares valued at Rs. 25,268,200,000 included in the financial statements had not been legally taken over to the University even by the end of the year under review.	Actions are being taken to acquire these lands legally.	Actions should be taken to expedite land acquisition activities.
(c)	Awarding the contract on 20 August 2019 at an estimated cost of Rs. 17,235,347 (excluding VAT) to renovate and upgrade the building located behind the hostel of Bloemfontein University and contracted to complete it on 20 August 2020 and the mobilization advance of Rs. 3,237,069 for this had been provided on 22 October 2019. Nevertheless, the contractor had been painting another building and renovating the bathrooms on the advice of the then Deputy Registrar (Medical) and the validity period of the advance guarantee provided for the contract had expired on 23 July 2020.	The Registrar has been given instructions to study the facts and conduct an investigation into this matter and to recover the losses incurred by the institution.	Actions should be taken to conduct investigations and implement its recommendations.

3.2 Idle and Underutilization

	Audit Observation	Comments of the Management	Recommendation
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(a)	Chemicals purchased for 04 departments of the Faculty of Science and the Faculty of Medicine before 2018 without identifying the need 1556 items valued at Rs. 6,859,643 and 226 items valued at Rs. 1,006,612 respectively had remained idle without being utilized.	Since these chemicals have not expired, that it is kept as stock for use and can be used for various purposes related to testing though it has expired.	Actions should be taken to introduce proper procedures for ordering, receiving and issuing chemical stocks and to implement.
(b)	Funds totalling to Rs. 134,671,074 remained in 47	Although there were various ledger accounts	Actions should be taken to utilize the

	accounts as at 31 December of the year under review had not been utilized for determined tasks.	established for various purposes at the University, there is only one fund and that recurrent and capital expenditures have been made in the year 2024 .	funds in the 47 accounts recorded.
(c)	Due to three lecturers who went abroad to pursue doctoral degrees in the years 2018 and 2019 with a grant of Rs. 12,128,005 from the Accelerating Higher Education Expansion and Development (AHEAD) Project were not report back to university service, the expenses incurred had been in vain and also it had a negative impact on the objective of improving the quality of educational courses that was expected through this project, which was received as a foreign loan.	Even though the three lecturers had resigned during the contract period, the money given for scholarships will also be recovered with their bond money.	Actions should be taken to streamline regulatory activities in providing scholarships in a manner that enhances project objectives

3.3 Deficiencies in Contract Administration

	Audit Observation	Comments of the Management	Recommendation
	The following matters are observed regarding the construction of the Help Zone of the University.		
(a)	Even though the contract valued at Rs.520,120,959 (excluding VAT) had been awarded on a Design and Build basis within 24 months, commencing on 26 September 2019, the Mutual Termination had been ended on 11 September 2023, at a level of 82 per cent physical progress. The approval of the Governing Council should be obtained to terminate the agreement and completion regarding what work needs	The agreements have been updated or the Memorandum of Understanding has been terminated in accordance with the observation “3.4(ii)” contained in the Decision of Cabinet of Ministers held on 07 February 2023 and the contractor has been instructed to carry out the essential works by letter dated 29 August 2023 as per the approval of the	Actions should be taken according to the proper procedure for completing a contract.

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| | <p>to be completed during completion and what parts of the work need to be completed by other methods had not been confirmed by a formal agreement.</p> | <p>Departmental Procurement Committee, which is the relevant procurement entity of the University in accordance with the Decisions of the Cabinet of Ministers and the building has been handed over after completing the required works as per the letter.</p> | |
| <p>(b) The Bill of Quantities for the tile works of the building had been paid outside of the specifications and a sum of Rs. 13,255,800 had been paid outside the specifications for door, window and partition works.</p> | <p>The tile samples recommended by the Project Architect as per the Employer Requirement, have been carried out after having the approval by the Project Engineer of the University and Doors, Windows, Partitions have been made using Powder Coated Aluminium as per the Material Specification and there are relevant invoices and bills.</p> | | <p>Construction works should be carried out according to the specifications stated in the agreement.</p> |
| <p>(c) When paying advances at the work site, a total of Rs. 25,351,005 had been paid for 2 elevators and a VRF AC Machine based on the advance bills paid by the contractor to those institutions. Although the AC Machine installation and completion work valued at Rs.19,496,340 took place from 16 December 2021 to 16 August 2025 (nearly 819 days), the work had not been completed as per the agreement. Accordingly, the advance payment made on the work site for bills Nos. 09 to 21 had allowed the money to flow to the contractor in vain.</p> | <p>The relevant approval has been granted after the physical and quality inspection of the MEP consultant regarding the installation of two elevators and the installation of the air conditioning system and the contractor has billed the material at site after paying the advance (tax invoice) and since it is possible to make such payments in accordance with the provisions of Section 14.03 e of SBD/04, there has not been an excessive flow of money. Several more devices and pipelines need</p> | | <p>Material advances should not be given on site for advance bills and actions should be taken to get settled any outstanding advances exists furthermore, without delay.</p> |

to be installed to operate the air conditioning system and the preliminary works related to those installations is being discussed with Abans and accordingly, this system is not yet at a level that can be operated (Testing and commissioning) .

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| <p>(d) Although the amount of Rs. 6,120,000 for project management should be paid in instalments considering the amount of work done by the contractor, as per 1.16 of the Price Proposal of the agreement, an overpayment of Rs. 1,106,600 had been made due to the payment of the entire amount before the project progress was completed.</p> | <p>The relevant adjustments will be made in the final bills, considering the amount of work done by the contractor as per Section 14.4 of SBD/04.</p> | <p>All payments should not be made before completing the relevant work and actions should be taken to recover overpaid money.</p> |
| <p>(e) Due to the fact that the inclusion of bill of quantities as work done in relation to 08 expenditure items and paid for it and deduction of that amount later from subsequent bills, actions had not been taken to settle the sum of Rs. 1,220,345 overpaid for works not completed for more than 02 years.</p> | <p>Since this amount has been adjusted and revised by the final bill, arrangements have been made to make the payment according to Section SBD/04, there has been no overpayment.</p> | <p>Actions should be taken to recover the money overpaid without completing the work.</p> |
| <p>(f) The proposed 1500 square meter first floor to provide 10 support services, and 25 rooms on the proposed second floor designed to accommodate local and foreign guests and employ students from the hospitality program as interns had not been utilized for the purposes stated in the main objective.</p> | <p>The sewage system of this building was connected to the main pipe system on 31 March 2025 and the second floor cannot be used for the relevant purpose until the completion of the project and the procurement of goods/equipment for the rooms on the second</p> | <p>Prompt actions should be taken to achieve the proposed objectives on all floors of the building premises.</p> |

- floor is currently being carried out and this floor can be used immediately upon completion of those activities.
- (g) Before the construction of the auditorium, 1025 auditorium chairs valued at Rs. 28,060,000 had been acquired with assistance from the Asian Development Bank and they had remained unused until the end of September 2025.
- Since this chair was a donation received under the project and the project was scheduled to be completed on 30 June 2025, the procurement of these chairs did not require the University to incur any additional financial costs.
- Prompt actions should be taken to utilize the equipment.
- (h) Since the agreement states that the payment of Rs. 27,044,620 made within the amount of Rs. 416,727,401 from inter-bills 1 to 19, all of this should be included into the agreed contract value in a contract with a design and build basis (SBD 4). Accordingly, although it should be recognized as extra works and paid for, it was an overpayment since that had not been done.
- These variations have been made based on the need to properly utilize the building and the requirements to be met to obtain building approval from the Colombo Municipal Council and this is not included in the Design and Technical/Price Proposal provided by the contractor and the relevant provisions are set out in the contract conditions, SBD/4, Section 13.0 and, the essentials for using the building and things not included in the agreement as per CMC requirement have been done on necessity.
- Everything should be included in the Technical Proposal in a contract with a design-build basis and the work that is not done in this manner should be considered as extra-line works.
- (i) Although landscaping and grass laying works on the lower ground of the building in order to achieve an aesthetic eco-friendly structure had been carried out, the completion of grass
- The contractor had completed the grass laying works and the damages had occurred by the contractor related to the project to connect to the main pipe system
- Actions should be taken according to priorities when completing the works.

laying activities had not been finished yet. Similarly, a sum of Rs. 3,451,120 had been spent for paving stones in the front yard of the building and it had not been performed to the proper standard.

while carrying out the relevant works and instructions have been given to get it repaired by the relevant contractor.