

1.1 Qualified Opinion

The audit of the financial statements of the University of Colombo for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 2020 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

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

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 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

1.5.1 Non – Compliance with the Sri Lanka Public Sector Accounting Standards

The following observations are made.

Non-compliance with reference to the respective Standards	Comments of the Management	Recommendation
(a) In accordance with paragraph 54 of Sri Lanka Public Sector Accounting Standards 07, revaluation increases and decreases relating to individual assets within a class of property, plant and equipment should not be offset in respect of assets in different classes but the revaluation deficit of Rs. 5,437,395 of office equipment in Sripali Mandapaya had been offset against the surplus of laboratory and teaching equipment. As such, the revaluation reserve and the annual surplus were under stated and over stated by that amount in the financial statements.	Action will be taken to correct.	Should be accounted for in accordance with the Sri Lanka Public Sector Accounting Standards.
(b) Contrary to the paragraph 55 of Sri Lanka Public Sector Accounting Standards 07, a sum of Rs.	The over depreciation amount of the total depreciated assets has	Should be accounted for in accordance with the Sri Lanka

42,248,667 had been adjusted to the income in the Financial Performance Statement under Amortization of Capital Grant from assets revaluation reserves. As such, annual surplus and revaluation reserve were over stated and under stated by that amount in the financial statements.

been credited to the Public Sector Assets Revaluation Reserve and, therefore, transfer had been made from the Assets Revaluation Reserve.

- (c) In accordance with the Sri Lanka Public Sector Accounting Standards-3, action had not been taken to review and state in the financial statements regarding property, plant and equipment and intangible assets worth of Rs.80,706,090 which were completely depreciated but still in use.
- It is impractical to evaluate the life time of intangible assets each year. These accounts will be fully analysed in 2021.
- Should be accounted for in accordance with the Sri Lanka Public Sector Accounting Standards.

1.5.2 Accounting Deficiencies

----- Audit Observation -----	----- Management Comment -----	----- Recommendation -----
According to the depreciation Policy of Property, Plant and Equipment, the depreciation rate of sports equipment was 25 percent but due to the depreciation was calculated outside that policy in 17 instances the depreciation for the year under review had been under provided by Rs. 1,299,182. Accordingly, the surplus for the year and the net value of sports equipment were over stated by that amount in the financial statements.	The asset identification format had been incorrectly entered into the accounting software with regards to the 17 assets listed here. Therefore, the annual depreciation calculation had varied. Action will be taken to correct it.	Accounts should be kept accurately.

2 Financial Review

2.1 Financial Result

The operation result of the University of Colombo for the year under review had been a surplus of Rs. 16,639,832 as compared with the corresponding deficit of Rs. 696,404,210 for the preceding year, thus indicating an improvement of Rs.713,044,042 in the financial result. Increase in government grants for recurrent expenditure and project allowance by Rs. 240,814,933 and decrease in provision for gratuity by Rs. 645,403,392 had been the mainly attributed for this improvement.

3. Operational Review

3.1 Operational Inefficiencies

The following observations are made.

Audit Observation	Management Comment	Recommendation
(a) Although a total sum of Rs. 96,941,682 was available at the end of the year under review in 35 funds initiated by various faculties of the University, those funds had not been used for the intended purposes. Further, a sum of Rs. 1,162,177 had in 11 funds as at 31 December of the year under review which was started to provide scholarships by Science faculty had not been utilized period from 02 to 25 years to provide scholarships.	272 million has been spent through these ledger accounts in the year 2020. In 2020, those expenditure were relatively low because there were no student sports activities. Although these scholarships have been advertised, applications have not been received for some scholarships and factors such as a lack of funds was affected to the Department of Chemistry. Further, would also like to inform that if there is any delay in the scholarship process, appropriate action will be taken to rectify in the future.	Funds should be spent in a timely manner for established purposes / objectives and the scholarship providing process should be streamlined.
(b) Action had not been taken to recover a total old loan balances of Rs. 1,351,164 from 61 officers ranged from 01 to 32 years even by the end of the year under review.	Action will be taken to recover the loans of the employees who have left the service and who have died, at the time of release of the Provident Fund. Also, action will be taken to recover the loan balances of the interdicted employees after the	Necessary actions should be taken to recover the relevant loans expeditiously.

completion of the inquiry. Reminding letters have been sent to the relevant institutions to recover the loans of the transferred employees.

- (c) The recoverable balance of the bonds was Rs. 78,241,772 due to the return of 18 lecturers who had been with paid study leave to complete their postgraduate studies but had returned to work without completing the relevant qualifications. Also, the management had not taken action to recover the total balance of Rs. 20,212,040 from 12 lecturers who had not reported back for duty due from 02 years to 18 years even as at 31 December of the year under review.
- Out of these lecturers, 07 lecturers have completed their PhD while in service and actions have been taken to present the relevant degree certificates. 08 lecturers have informed the university that they are still pursuing their doctoral degrees. As there is no clause in the agreement of 03 lecturers that the course should be completed successfully, on the recommendation of the Legal Committee, the Governing Body has decided to exempt the contract from payment. Also, would like to inform that action is being taken to recover the values due from lecturers who have gone abroad and have not reported for duty.
- Necessary action should be taken to recover the relevant values as per the agreement.
- (b) Action had not been taken to fill the 33 long-standing vacancies in 12 categories of approved cadre in the University. Further, 11 officers were recruited on contract basis for 08 posts which were not in the approved cadre and their service was ranged from 05 months to 04 years.
- Out of these, 22 vacancies in 06 posts have not been filled due to lack of recruitment procedure or delay in approval. The Chief Medical Officer has informed that it is not necessary to fill the two Attendance posts in the Health Service at this time. The government's suspension of non-academic staff recruitment also caused delays in filling vacancies.
- Action should be taken to amend the cadre regarding the essential staff requirements and to streamline the process of filling vacancies.
- These appointments have been made on contract basis with the approval of the Governing Board for essential activities of the University.