

1.1 Opinion

The audit of the financial statements of the University of Colombo School of Computing affiliated to 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, and other explanatory 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 Section 18 of University of Colombo School of Computing Ordinance No. 01 of 2003 enacted under Sub- section 107(5) and Section 18 of the Universities Act, No. 16 of 1978 and sub section 108 (1) of the Universities Act and provisions of 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 Institute as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified 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 Institute’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 intends to liquidate the Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute’s financial reporting process.

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the Institute 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 Institute.

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 audit 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 Institute'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 Institute's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit 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 audit report. However, future events or conditions may cause the Institute 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 Institute and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Institute has complied with applicable written law, or other general or special directions issued by the governing body of the Institute;
- Whether the Institute has performed according to its powers, functions and duties; and
- Whether the resources of the Institute had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Receivable and Payable Accounts

1.5.1 Receivables

Audit Observation	Comment of the Management	Recommendation
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Action had not been taken even at the end of the year under review to recover the balances amounting to Rs.3,359,805 dues from third parties for over the period ranging from 01 year to 08 years.	Actions are being taken continuously to recover the dues on supply of computer aided services by the Institute to various state sector organizations	Prompt action to be taken to recover the balances.

2. Financial Review

2.1 Financial Results

The operating result for the year under review was a surplus of Rs. 69,954,870 and corresponding surplus amounted to Rs. 19,511,337 in the previous year, thus observed that an improvement of Rs.50,443,533 of the financial results. The increase of government grants and revenue generated amounting to Rs 152,824,745 made during the year under review against the increase staff salaries and emoluments and retirement benefits amounting to Rs.101,340,805 had influenced mainly for the abovementioned improvement.

3. Operating Review

3.1 Management Inefficiencies

The following observation is made.

Audit Observation	Comment of the Management	Recommendation
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Receivables aggregating Rs. 5,887,828 at the end of the	Legal and internal action had been initiated to recover a sum	It is required to finalize the action taken to

year under review from 03 of Rs 5,887,828 on recover the respective lecturers on violating of the breaking of requirements dues. guarantee bonds had remained stipulated in the guarantee unrecovered over a period bonds. ranging from 02 to 15 years.

3.2 Operational Inefficiencies

Audit Observation	Comment of the Management	Recommendation
It was observed that 02 Funds for the purposes of Staff Development and Medical Fees with balances aggregating Rs.20,632,794 remained in the respective Funds had been maintained without the approval of the General Treasury.	The Account for the staff development is maintained to promote the skills of the staff members under the allocation made to a foreign funded project implemented by the Institute. Further, the Account established under the approval of the board of management of the Institute to meet the costs of medical benefits of the staff members is comprised with the funds generated by the Institute.	It is required to obtain at the approvals from respective parties.

3.3 Human Resources Management

Audit Observation	Comment of the Management	Recommendation
It was observed that a former Deputy Registrar had been deployed under the approval of the board of management of the Institute, without being taken action to fill the vacancy of the post of Works Engineer of the Engineering and Maintenance Unit, with a suitable officer. Further, an allowance of Rs 1,200,000 had been paid even in 2019 to the respective employee.	There was no Works Engineer in the Institute to complete the projects implemented in 2018 and 2019 successfully. Therefore, a former Deputy Registrar with adequate administrative experiences had been recruited on an assignment basis to cover up administrative duties under the approval of the board of management up to the recruitment of suitable officer for the post .	Prompt action needs to be taken to recruit a person for the permanent post.