

University of Colombo School of Computing affiliated to the University of Colombo and its affairs - 2020

1.1 Qualified 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 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, 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 17 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, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the institute as at 31 December 2020, 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 Qualified Opinion

My opinion is qualified 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 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 Statement

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 Financial Statements

1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Audit Observation	Management Comment	Recommendation
Action had not been taken to review and show the effective life time relating to software and property, plant and equipment amounting to Rs. 166,356,155 that are completely depreciated but already in use in the financial statements as per the Sri Lanka Public sector Accounting Standard 03.	Agree with the audit observation. According to paragraph 103 of Public Sector Accounts Standards No. 20 on Intangible Assets of the Institution within year 2021, it had been planned to review the period of writing off of an intangible asset with limited useful life time and depreciation methodology and to mark in accounts if there are any changes in the relevant period as per the Public Sector Accounting Standard no. 03.	Actions should be taken in terms of the accounting standards.

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

Reference to Laws, Rules Regulations etc.	Non Compliance	Comment of Management	Recommendation
University Grants Commission circular no. 2009/2 dated 05 February 2009.	A total amount of Rs. 11,364,433 had been paid for 44 officers by payment of ten times of basic salary as disaster loan which exceeds the maximum limit of Rs. 250,000 allowed to pay as disaster loan.	It has been decided at the 195 th meeting of the board of management of the institute to pay ten times of basic salary of the board of management as per the University Grants commission circular no. 17/2016 and to obtain all necessary provisions from the income earned by the institute.	Action should be taken in terms of the circular.

2. Financial Review

Financial Result

The operating result of the year under review amounted to a surplus of Rs. 104,152,312 and the corresponding surplus in the preceding year amounted to Rs. 70,079,870. Therefore an improvement amounting to Rs. 34,072,442 of the financial result was observed. The main reasons for the improvement are increase in generated income and government grant for recurrent expenditure.

3. Operational Review

3.1 Management Inefficiencies

The following observations are made.

Audit Observation	Comment of the Management	Recommendation
(a) No action had been taken to recover the old total debt balance of Rs. 853,500 for the period from year 03 to year 06 of the computer services unit and the total debt balance of Rs. 663,433 relevant to year 2018 and 2019.	Money due for providing computer services to various public sector institutions. Even though verbal and written reminders are sent for recovery, payments are delayed due to financial constraints of the relevant institutes. It had been discussed regarding these due amounts at the management meeting of the institute and it had	Action should be taken to recover the relevant debt balances immediately.

been decided by the administrative officers of the relevant unit to recover the said amount within year 2021.

- (b) A total amount of Rs. 6,569,834 that should be recovered from three lecturers, who violated bonds as at the final date of the year under review, were recovered even though a period of from 03 years to 16 years had been elapsed. Actions have been taken to recover the amount need to be recovered from three lecturers who violated bonds. Necessary recovery action should be taken expeditiously.

- (c) The balance of the 2 funds being maintained as staff development and staff medical fee without obtaining treasury approval was Rs. 21,677,085 as at 31 December of the year under review. **Staff Development Account** This balance consists of funds allocated for staff development under foreign project provisions and money earned by investing such funds and it is being implemented under a set of policies for training and improving staff of the institute, approved by the board of management. Funds should be maintained with a formal approval.

Staff Medical Fee Account.

This balance of this account consists of funds earned by the institute under the approval of board of management of the institute, provisions from budget, and contributions of staff members ,and I is used for payment of medical benefits of staff members.