

University of Colombo School of Computing – 2012

1. Financial statements

1:1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the financial position of the School of Computing affiliated to the University of Colombo as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Comments on Financial Statements

1:2:1 Preparation of Consolidated Accounts

The School of Computing had established a company limited by guarantee, namely Theekshana and 80 per cent of the Board of Management of the company is the Board of Management of the School of Computing and financial statements of the company limited by guarantee had not been presented together with the financial statements of the School of Computing. Further, no disclosure in respect of Theekshana Company had been made in the financial statements.

1.2.2. Accounting Deficiencies

The following observations are made.

- (a) The van still in use was fully depreciated and had a zero book value at a cost of Rs.2, 775,000 had not been revalued.
- (b) A surplus amounting to Rs.41, 336,035 had been brought forward as current liabilities for several years in respect of 09 projects of which agreements had been entered into with other institutes by the School of Computing instead of taking as income.
- (c) Although according to the Accounting Policies mentioned in financial statements presented, it had been shown that the accounts had been prepared on accrual basis, the hostel rent income had been understated by Rs.35, 933 in financial statements due to accounting of hostel rent income on cash basis.

(d) As per Section 37(2) (b) of the Inland Revenue Act No.10 of 2006 dated 31 March 2006, abatement of withholding tax aggregating Rs.3, 568,155 had been made in each year from the fixed deposit interest and shown in the financial statements as current assets without taking into account as expenditure.

1.2.3. Balances Receivable and Payable

According to the financial statements presented, balances receivable aggregating Rs.471, 048 and balances payable aggregating Rs.4, 800,790 had not been settled within a period from 01 to 08 years.

1.2.4. Non – compliance with Laws , Rules , Regulations and Management Decisions.

Following non compliances were observed.

<u>Reference to Laws, Rules, Regulations etc.</u>	<u>Non – compliance</u>
(a) <u>Financial Regulations of the Government of Sri Lanka</u>	
(i) Financial Regulation 394 (a)	No action had been taken in terms of financial regulations in respect of cancelled cheques, valued at Rs.75, 878 shown as current liabilities from the year 2010.
(ii) Financial Regulation 756 and 2.1 of Sub section 2 of Chapter xxvi of the Universities Establishments Code	Although all non- current assets existing in the institute should be surveyed annually, non-current assets valued at a cost of Rs.465,902,538 had not been surveyed and Boards of Survey report had not been presented to audit even by 23 August 2013.

- (b) Sub section 4(a) of the Management Services Circular No.45 of 4 April 2011 and Circular No.2011/01 of 20 January 2011 of the Ministry of Higher Education
- Although approval should be sought for research proposal from the Committee for Research Management accepted by the Senate of the University to obtain entitlement for research allowance, recommendation of the Management Academic Committee had been obtained instead. Allowances amounting to Rs.2,060,529 had been paid to 25 members of the academic staff during the period from January to October in the year under review.
- (c) 2(1) (b) of Section 13 of the Computer Education Institute Ordinance No.01 of 2002.
- Although the committee should be satisfied with regard to the progress of research to obtain the research allowance continuously, the committee was not satisfied with regard to research allowance amounting to Rs.557,175 paid to 07 lecturers.
- (d) University Grants Commission Letter No. UGC/JUA/2/PGS/6 dated 03 June 2009
- Although Rs.2, 500 should be paid per hour for lecturers who hold lectures for post graduate courses of the University, an amount aggregating Rs.2,840,250 at the rate of Rs.3000 and Rs.4000 per lecture hour had been paid from January to September in 2012.

2 **Financial Review**

2.1 **Financial Results**

According to the financial statements presented, the working of the Institute for the year ended 31 December 2012, before taking into account the Government grant for recurrent expenditure, had resulted in a surplus of Rs.5,650,218 as against the deficit of Rs. 9,569,010 for the preceding year. The surplus for the year under review had been increased to Rs. 97,452,218 due to the Government grant of Rs. 91,802,000 received for

recurrent expenditure. Due to the Government grant of Rs.83, 102,728 received for recurrent expenditure for the preceding year, the deficit had been converted to a surplus of Rs. 73,533,724. The increase of Rs. 8,699,272 in the Government grant for recurrent expenditure and the increase of Rs.31,579,250 in the revenue had affected the improvement of Rs. 23,918,500 in the year under review.

3. **Operating Review**

3.1 **Management Inefficiencies**

Following observations are made.

- (a) A probationary lecturer had vacated the post on 31 December 2005 and a bond to the value of Rs.798, 589 was recoverable to the institute. Although the Attorney-General had inquired in this regard at 03 instances from 16 November 2006, legal procedure had been weakened due to failure in providing the said information. Action had not been taken to recover this amount even from the Employees' Provident Fund.
- (b) A lecturer had vacated the post on 01 October 2004 and the bond recoverable was Rs.1, 311,691. Although the lecturer had been notified on 10 October 2006 to pay the value of this bond, the relevant payment had not been made even at the date of audit and the institute had not taken steps to take legal actions against the lecturer.
- (c) A Probationary lecturer had vacated the post on 01 November 2004 and the bond recoverable was Rs.3, 440,576. Due to failure in tracing the present address of the lecturer, although it had been forwarded to the Attorney-General to take legal actions against the lecturer on 31 August 2005, the institute had not consulted the Attorney-General even 8 years had lapsed.

(d) A lecturer had vacated the post on 01 January 2004 and the bond recoverable was Rs 3, 373, 722. Although the lecturer was notified of the payment of the bond recoverable to the institute on 22 May 2006 which was after 2 ½ years of breaching the bond, it was not recovered. After settling the case filed at the District Court of Colombo, the Director of the institute had notified that it had been agreed to pay the amount to be recovered from the lecturer, Rs.2,000,000 on 22 September 2013 and Rs.1,370,772 on 22 March 2014.

3.2 **Underutilization of Funds**

Funds amounting to Rs.4, 197,538 granted to Advance Digital Media Technology Centre and International Development Research Project from Japan Cooperation Funds by the Government to acquire fixed assets had remained idle without being utilized for over a period of three years.

4. **Accountability and Good Governance**

4.1 **Corporate Plan**

In terms of Sub Paragraph 5.1.2 of Chapter 5 of the Guidelines on Good Governance of Public Enterprises, a statement on current position of assets of the institute, a statement prepared in respect of identifying strengths, weaknesses, opportunities and threats of the institute analytically (SWOT Analysis) and a review on operating results for the nearest three years had not been shown in the Corporate Plan prepared for the period of 2011-2015.

4.2 **Action Plan**

Following observations are made.

(a) Frame Work for each function had not been included to enable individual identification of intended purposes and persons responsible in the Action Plan prepared by the institute.

(b) Procurement activities valued at Rs.5, 500,000 included in the Procurement Plan had not been included in the Action Plan.

4.3 **Tabling of Annual Reports**

Annual Report of the institute for the year 2011 had not been tabled even by 23 July 2013. It had been notified by the Director of the institute that the said Annual Report had been presented to the Ministry of Higher Education on 14 February 2013.

4.4 **Establishment of a limited company in the School of Computing**

Powers had been vested to establish Computer Centres in terms of Section 18(iv) of the University of Colombo School of Computing Ordinance No.01 of 2002, under which the School of Computing has been established. Contrary to Section 24 of the Universities Act No.16 of 1978, even though approval of the University Grants Commission and Ministry of Higher Education and the Cabinet of Ministers should be obtained to establish a company which is capable of competing directly with the Computer Centre to fulfill objectives and functions similar to the objectives and functions mentioned in the University of Colombo School of Computing Ordinance, it was observed that according to the decision of the Board of Management, establishment of Theekshana, company limited by guarantee under Companies Act is against the law.

5. **Systems and Controls**

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Director of the institute from time to time. Special attention is needed in respect of the following areas of control.

- (a) Fixed Assets
- (b) Accounting
- (c) Project Funds
- (d) Purchasing