

University of Colombo, School of Computing - 2013

The audit of financial statements of the University of Colombo School of Computing for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes 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 13(1) of the Finance Act, No. 38 of 1971 and Section 23 of University of Colombo, School of Computing Ordinance No. 01 of 2002 enacted in terms of Section 18 of the Universities Act, No. 16 of 1978 and Sub-section 107(5) of the Universities Act. My comments and observations which I consider should be published with the Annual Report of the Institute in terms of Section 108(1) of the Universities Act appear in this report.

1.2 Management's Responsibility for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgements, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and the extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2:2 of this report, the financial statements give a true and fair view of the financial position of the University of Colombo School of Computing as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Accounting Deficiencies

The following observations are made.

- (a) Action had not been taken to rectify the faults of the computer software system used for accounting by the institute and as a result an un- identified debit balance of Rs.3,257,163 had been debited to the general reserve.
- (b) According to the Fixed Assets Schedule presented with the financial statement of the year under review, a difference of Rs.574,785 was observed between the amount actually purchased and the amount purchased as per cash flow statement in the year.

2.3 Accounts Receivable and Payable

According to the financial statements of the year under review , employee loan balances of Rs.751,961 had not been recovered from several years.

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

Following non compliances were observed.

Reference to Laws, Rules, Regulations etc.	Non – compliance
(a) University Grants Commission Letter No. UGC/IUA/2/PGS/6 dated 06 June 2009 and letter No.UGC/HR/6/1/13(1)	Even though the maximum lecturer fees of the visiting lecturers for Postgraduate Courses of the University should be at the rate of Rs.2,500 per hour and the maximum limit should have been decided by the Senate of the University, an amount of Rs.1,134,594 at the rate of Rs.4,000 per lecture hour had been paid as the visiting lecture fees in the year under review without approval of the Senate of the University.

- (b) Public Finance Circular No.PE/423 dated 31 December 2013 .
- (i) Funds amounting to Rs.5,782,431 had been maintained without execution of by-laws for the management of the Fund.
- (ii) Even though expenditure should not be incurred from the Funds without presenting to the Director General of Public Finance by getting the required approval and prepare the Annual Budget as per the Paragraph 4.1 of the Circular, an expenditure amounting to Rs.6,036,754 had been incurred from the Research Fund without following those regulations in the year under review.
- (c) Treasury Circular No.842 dated 19 December 1978
- The Fixed Assets Register had Not been updated in respect of assets in respect of net value amounting to Rs. 152,125,608 in financial statement during the year under review.
- (d) Circular No.01/2011 of 20 January 2011 of the Ministry of Higher Education.
- The necessary information to confirm whether the payment of research allowances amounting to Rs.5,620,750 for the academic staff in accordance with the provisions of the Circular had not been presented to audit.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the working of the Institute for the year ended 31 December 2013 had resulted in a surplus of Rs.75,145,031 as compared with the surplus of Rs. 98,289,177 for the preceding year. The main reason for the decline of the surplus by Rs.23,144,146 had been the increase of expenditure of the Fund by Rs.21,725,145 than the increase of income .

4 Operating Review

4.1 Performance

Information of the actual performance reports of the Institute for the year under review had not been presented to audit.

4.2 **Management Inefficiencies**

Following observations are made.

- (a) The tender for the Board of Survey of the year 2012 and updating the existing software system had been awarded to an abnormal unrealistic minimum bid under the procurement No.UCSC/QUA/ADM 2012/ 134 without rectifying the performance ability as per 7.9.11 of the Procurement Guideline and without preparing the original cost estimate as per the Procurement Guidelines. Even though in terms of the Agreement, the final reports should have been presented to the institute by 31 January 2013, a sum of Rs.112,500 had been paid on 30 October 2013 to that institute without doing so. However, this task had not been fulfilled by the relevant institute and was being fulfilled by using the staff of the institution.
- (b) A sum of Rs.13,214,866 was due from 06 lecturers who breached the agreements and the following matters were observed in this connection.
 - (i) Action had not been taken for the recovery of the sum of Rs.1,277,930 from a lecturer who breached the Agreement despite the lecturer had given his consent to recover the amount from the Lecturer's Provident Fund on 15 October 2012.
 - (ii) Even though a sum of Rs.3,440,576 recoverable from a lecturer who vacated the post on 01 November 2004, the permanent address of the lecturer could not be traced due to the delay of initiating legal action. Action had not been taken to recover this amount from the University Employees' Provident Fund.
- (c) Even though the balance of the Fund had been increased as action had not been taken a sum of Rs.4,583,131 from the University Provident Fund of the lecturer who breached the Agreements, the value of the bonds had not been changed.
- (d) The possibility of recovering to recovery of the money had been at a risk due to take legal action for period from 1 year to 4 years for the recovery of values to the Institution due to breach of Agreements and bonds by the academic staff.

4.3 **Transactions of Contentious Nature**

Assets Amounting to Rs.10,922,096 belonging to the Institute had been disposed in the year under review without a definite identification of the assets disposable and based on the recommendation of a special Board of Survey.

4.4 **Idled Funds**

Funds amounting to Rs.47,964,739 not used but received to the institute during the past 08 years under various Projects had been brought forwarded under the accounts payable.

4.5 Theekshana Company Limited

The following observations are made.

- (a) The Teekshana Company Limited had been established under the Companies Act as per the decision of the Board of management without approval of the University Grants Commission, Higher Educational Institute and the Cabinet of Ministers contrary to the Section 18 of the Ordinance No.01 of 2002 as which is capable of competing directly fulfill objectives and functions similar to the objectives and functions mentioned in the University of Colombo School of Computing Ordinance in accordance with the Section 24 of the Universities Act No.16 of 1978.

- (b) Income of Rs.10,327,760 had been earned by the Theekshana Company Limited in the year under review and a sum of Rs.7,129,852 (70 per cent) had been distributed among the staff as advisory allowances .The value of the fixed assets in the Company amounted to Rs.134,405 . According to the assets of the day to day performances of the Theekshana Company, it could not be ruled out audit that the resources of the Company are not used for the operating activities of the Company.

05. 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) Assets Control
- (b) Agreements and Bonds
- (c) Procurement Activities
- (d) Funds Control