

University of Colombo School of Computing - 2014

The audit of financial statements of the University of Colombo School of Computing for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014 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 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 23 of University of Colombo School of Computing Ordinance No. 01 of 2002 enacted in terms of Section 18 and Sub-section 107(5) of the Universities Act, No. 16 of 1978. 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 Auditing 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 2014 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 Sri Lanka Public Sector Accounting Standards

Even though fully depreciated assets costing Rs.1,235,809 were being further used by the Institute, it had not been revalued by showing its fair value and brought to account.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) According to the statement of financial position prepared as at 31 December 2014, accrued expenses amounting to Rs. 50,077 had omitted from accounts.
- (b) The total course fees received for the year 2015/2016 from Postgraduate Courses as at the end of the year under review amounted to Rs.51,060,000. Nevertheless, the course fees received in advance had been shown as Rs.51,082,500 in the financial statements, thus the current liabilities had been understated by a sum of Rs.22,500 in the accounts.

2.2.3 Un-reconciled Control Accounts

According to the statement of financial position for the year under review, a difference of Rs.1,867,934 was observed between the income from Bachelor of Information Technology (BIT) Course conducted by External Examination Centers and the income shown in the information made available to audit by the external examination center.

2.3 Transactions not Supported by Adequate Authority

In terms of Section 99(I) of Universities Act, No.16 of 1978, all income earned by the Institute should be a part of the Institute's Fund. However, a Medical Insurance Fund had been established by the Institute on the approval of Finance Committee contrary to the provisions of Public Finance Circular No.PF/423 of 22 December 2006, while a balance of Rs.4,739,294 existed as at 31 December of the year under review.

2.4 Accounts Receivable and Payable

The following observations are made.

- (a) Action had not been taken for over 03 years to settle the balances of funds totalling Rs.11,559,430 pertaining to 05 foreign aid projects of which the work was completed. Instead, it had been shown under accounts payable in the financial statements.
- (b) Loan balances totalling Rs.234,874 receivable to the Institute from 07 officers and employees whose service had been terminated due to various reasons as at 31 December of the year under review, remained unsettled for over 05 years. However, action had not been taken to recover these dues even from the Employees Provident Fund.
- (c) Action had not been taken even by 31 August 2015 to recover a sum of Rs.30,000 receivable prior to the year 2013 relating to the Master of Science in Information Security (MSc in IS) course conducted by the Institute.

2.5 Non – compliance with Laws , Rules , Regulations and Management Decisions

The following non compliances were observed.

Reference to Laws, Rules, Regulations etc.	Non – compliance
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 371	In granting advances, a sufficient amount for the relevant purpose should be granted according to the Estimates. Nevertheless, it was observed that excess advances amounting to Rs.230,245 had been granted to 08 officers in 18 instances.
(b) University of Colombo School of Computing Ordinance No. 01 of 2002 Section 3(c) and (d)	Even though approval of the University Grants Commission should be obtained for the degrees and other courses conducted by the Institute, the relevant approval had not been obtained in respect of 06 courses being conducted by the Institute.
(c) Public Finance Circular No.PF/423 of 22 December 2006	Even though the Treasury approval should be obtained in the establishment of Funds, the relevant approval had not been obtained in respect of four Fund Accounts totalling Rs.9,960,290 as at 31 December 2014.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the working of the Institute for the year ended 31 December 2014 had resulted in a surplus of Rs.30,988,222 as compared with the

corresponding surplus of Rs. 75,145,030 for the preceding year, thus resulting in a deterioration of Rs. 44,156,808 in the financial result of the year under review as compared with the preceding year. The increase of personnel administration expenses by a sum of Rs.20,408,301 and contractual services expenditure by a sum of Rs.3,885,343 and decrease of programme income by a sum of Rs.16,337,813 had mainly attributed to the deterioration.

4. Operating Review

4.1 Breach of Agreements and Bonds

The following observations are made.

- (a) A sum of Rs.11,011,710 was recoverable as at 31 December of the year under review due to the breach of agreements and bonds signed by the academic and non-academic staff with the Institute while action had not been taken to disclose that value in the financial statements.
- (b) The recovery of a value of agreements and bonds amounting to Rs.3,440,575 due from a lecturer was doubtful due to non-availability of information of the lecturer while adequate measures had not been taken to recover it.

4.2 Underutilization of Funds

A sum of Rs.3,103,213 granted to the Institute as capital grants by the University Grants Commission had been retained in accounts without being spent for over three years while Action Plans had not been prepared for the utilization of said funds effectively.

4.3 Operating Inefficiencies

The following observations are made.

- (a) Balances totalling Rs.4,843,802 existed in two Funds established by the Institute with the intention of acquiring assets and those funds had not been utilized for the purchase of assets during the year under review.
- (b) The expenditure incurred by the Infrastructure Development Fund had exceeded the receipts, thus a negative balance of Rs.6,137,408 was observed as at 31 December of the year under review.

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) Assets Control
- (b) Agreements and Bonds
- (c) Financial Control