

## **University of Colombo School of Computing – 2017**

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The audit of financial statements of the University of Colombo School of Computing for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 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 Sub-section 107(5) and Section 18 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**

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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**

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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. Section 111 of the Universities Act, No. 16 of 1978 gives 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**

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

## **2. Financial Statements**

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### **2.1 Qualified Opinion**

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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 2017 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**

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#### **2.2.1 Consolidated Financial Statements**

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In contrary to the Universities Act No. 16 of 1978, Theekshana Company Limited had been established as a Guarantee Company in the School of Computing on 29 December 2006 and registered under the Companies Act No.17 of 1982 with the recommendation of University Grant Commission and the Minister of Higher Education and without the approval of the Cabinet of Ministers. It had been re-registered under the Companies Act No.07 of 2007 on 02 March 2009.

Even though Theekshana Company Limited had been established as a separate legal entity, it is carried on the Institute's premises by using the resources of the Institute. According to the section 32 of the Article of the Company, it is stated that officers of the University of Colombo School of Computing should be appointed ex-officio to the Board of Management of that company and accordingly Theekshana Company Limited is a subsidiary company with the full controlling power of the School of Computing. Accordingly, even though consolidated financial statements should be presented by consolidating the financial statements of the School of Computing with the financial statements of Theekshana Company Limited, it had not been so done. However, financial statements of the School of Computing for the year ended 31 December 2015 had been presented by consolidating the financial statements of the School of Computing with the financial statements of Theekshana Company.

#### **2.2.2 Unexplained Differences**

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Even though, totaled cost relating to 07 asset items included in the fixed asset register amounted to Rs.1,025,723,966, there was an unexplained difference of amounting to Rs.1,545,266 due to the cost of those assets being amounted to Rs.1,024,178,700 as per the financial statements as at 31 December in the year under review.

### **2.3 Accounts Receivable and Payable**

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41 Loan balances of services rendered totaling Rs.1,457,792 coming from over two years and 09 festival advance balances of amounting to Rs.11,200 from 03 years to 10 years, were outstanding and adequate actions had not been taken to recover those loan balances.

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

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The following non-compliances were observed.

### Reference to Laws, Rules, Regulations and Management Decisions

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### Non – compliance

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(a) University Grant Commission Circular No.01/2016 of 01 January 2016.

Even though maximum limits payable for the examinations activities conducted for the external courses had been stated in the circular, amounting to Rs.166,375 had been paid to the officers by exceeding those limits in the year under review and it was observed in audit that payments exceeding the limits of the circular are continuously occurred .

(b) Section (b) of the Public Finance Circular No.03/2015 of 14 July 2015.

Even though advances should be settled immediately after completing the advanced activity, delays were observed in settling advances of totalled value of Rs.347,000 given in 11 instances and the delay was from 33 days to 169 days.

## 3. Financial Review

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### 3.1 Financial Results

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According to the financial statements presented, the financial result for the year ended 31 December 2017 had been a surplus of Rs.28,844,440 as compared with the corresponding surplus of Rs.24,205,857 for the preceding year, thus resulting an increase of Rs.4,638,583 in the financial result of the year under review as compared with the preceding year. Even though a deficit of Rs.25,378,916 had been received from degree courses, obtaining a surplus of Rs.34,436,009 from external courses had been the main reason for the improvement of the above financial result.

In analyzing the financial results of the year under review and the four preceding years, the surplus of Rs.75,145,031 in the year 2013 had been decreased up to Rs.28,844,440 by 2017 and considerable variation in the financial result was observed during this period. However, after re-adjusting the employees' remuneration, the depreciation and the government tax paid to this financial result, even though it had been decreased the contribution of Rs.180,507,872 of the year 2013 up to Rs.155,717,099 in the year 2014, it had been amounted to Rs.247,737,952 in the year under review by continuously increasing from year 2015.

#### **4. Operating Review**

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##### **4.1 Performance**

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###### **4.1.1 Planning**

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In preparing the Annual Action Plan, even though it had been prepared based on the main objectives, expenditure only for the activities expected to be fulfilled in the year under review had been shown. Further, it was unable to compare the financial or performance progress due to the performance indicators had not been shown by the progress report prepared at the end of the year under review.

###### **4.1.2 Operation and Review**

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26 activities planned to implement in the year under review as per the action plan, had been failed to perform.

##### **4.2 Management Activities**

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The following observations are made.

- (a) Hostels had been obtained on rent in the year 2010 and 2014 for providing the hostel facilities for the students admitted to the internal degree courses of the institute. Amounting to Rs.1,912,800 had been paid for this as the rent in the year under review and it was observed in audit that attention of the Management should be paid for arranging a suitable programme for obtaining permanent hostel facilities.
- (b) Even though, the probation period of a lecturer had been finished on 03 August 2014, Course on Certificate for Teaching in Higher Education which is required to be completed during the probation period had not been completed until 27 April 2018. However, Leave and Awards Committee of the University of Colombo had decided on 30 October 2017 to grant no pay study leave to that lecturer without extending the probation period.
- (c) Amount recoverable from three lecturers who breached the agreements amounted to Rs.2,032,948 by the end of the year under review and any amount had not been recovered from two lecturers thereof in the year under review.

##### **4.3 Staff Administration**

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There were 127 vacancies in the approved cadre of the institute and 25 employees on contract basis and 43 employees on daily paid basis and assignment basis had been employed by granting extension of service. Thus, there were vacancies even in the year 2015 and 2016 and the delays in the activity of recruiting employees.

## **5. Sustainable Development**

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### **5.1 Achieving Sustainable Development Goals and Targets**

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Even though it is required to take actions by all public institutions as per the Letter No.NP/SP/SDG/17 dated 24 August 2017 issued by the Secretary to the Minister of the Ministry of National Policies and Economic Affairs and United Nations 2030 “Agenda” on Sustainable Development, institute had not been aware on how should be implemented regarding the activities which comes under own scope relating to the year under review.

Hence, actions had not been taken to identify the Sustainable Development Goals, Targets, Road maps for achieving the targets and Indicators for measuring the achievement of the targets, regarding the activities which comes under own scope.

## **6. Accountability and Good Governance**

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### **6.1 Budgetary Control**

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Even it had been guided on making payments regarding the external degree courses, external courses and activities related to external examinations by circular No.01/2016 of 01 January 2016, in contrary to that budgets had been prepared for the new courses and the approval of the Financial Committee and the Board of Management had been given for that.

### **6.2 Internal Audit**

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The following observations are made.

- (a) Even though Internal Audit of the institute had been assigned to the Internal Audit Unit of the University of Colombo, audit activities of the institute had been assigned to a private company on 01 April 2011 due to adequate audit had not been occurred. Audit only for the first half of the year had been done by 31 December 2017 and the audit required to be done for the second half of the year as per the audit programme had not been done even by the date of this report.
- (b) In terms of Financial Regulation 134(3) of the Democratic Socialist Republic of Sri Lanka, copies of the internal audit reports had not been submitted to the Auditor General.

### **6.3 Procurements**

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02 procurements included in the Procurement Plan for the year 2017 and valued at Rs.18 million had not been fulfilled in the year under review and amounting to Rs.3,538,574 had been expensed exceeding the estimated cost of 04 procurements.

#### **6.4 Unresolved Audit Paragraphs**

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The following observations are made.

- (a) Staff Loan balances totalling Rs.344,006 given to 05 employees and two lecturers by the institute had been remained unsettled from 05 years to 24 years.
- (b) In terms of Universities Act, No. 16 of 1978, Orders of the Universities, Campuses and Open Universities should be published in the gazette and therein it should be tabled in the Parliament as soon as possible while it is operating. Even though the order No.01 of 2002 of the University of Colombo School of Computing had been published in the Special Gazette No.1262/32 of 15 November 2002, it had not been tabled in the Parliament even by the date of this report.
- (c) Land with 05 storey building complex constructed for the administrative and study activities of the School of Computing, is belong to University of Colombo and action had not been taken to take over the legal ownership of that land even by the date of this report.

#### **7. Systems and Controls**

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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.

<b>Areas of Systems and Controls</b>	<b>Observations</b>
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(a) Fixed Assets Control	Assets register had not been maintained updated manner.
(b) Staff Administration	Action had not been taken to revise the approved cadre as per the staff requirement and to fill the vacancies.
(c) Procurement Process	Procurements had not been done as per the Procurement Plant.
(d) Internal Audit	Internal Audit had been delayed.