

University of Colombo School of Computing.

1. Financial Statements

1.1 Opinion

So far appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the University of Colombo School of Computing had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of matters referred to in paragraph 1.2 of this report, the financial statements have been prepared in accordance with Sri Lanka Accounting Standards and give a true and fair view of the state of affairs of the University of Colombo School of Computing as at 31 December 2010 and the financial results of its operation and cash flows for the year then ended.

1.2 Comments on Financial Statements

1.2.1 Presentation of Financial Statements

An observation report including the matters revealed at the audit test check carried out on the financial statements presented was forwarded to the Director of the Institution. The relevant corrections and explanations had been submitted to audit.

1.2.2. Overstatement in the Accounts

Although educational allowances should not be taken into consideration in the computation of gratuity to the educational staff recruited to the service after 01 April 2005 in accordance with the University Grants Commission Circular No. UGC/HR/3/9/8 dated 21 April 2005, a sum of Rs.25,729 had been excessively allocated due to the educational allowances paid to seven members of the staff during the year under review had been taken into consideration in the computation of gratuity.

1.2.3. Accounts Receivable and Payable

The following observations are made.

- (a) Loans amounting to Rs.270,586 remaining recoverable for more than five years from the persons not in the service at present due to various reasons, could not be recovered up to date.
- (b) The value of receivables by the Institution from 07 academic and non academic staff who had breached the agreements for not reporting to the service on the basis of proceeding abroad or other reasons in terms of Section 33 of Chapter 10 of the Establishments Code for University Grants Commission and other Higher Educational Institutions, amounted to Rs.15,909,040.

1.2.4 Lack of Evidence for Audit

- (a) Boards of Survey in respect of fixed assets at the cost of Rs.451,108,034 and fixed assets at the written down value of Rs.106,018,108 had not been carried out during the year under review and report not presented. As a result, those assets could not be satisfactorily verified in audit.

- (b) A sum of Rs.527,845 had been transferred to the PAN Localization Project from the funds of the Learning Technology Research Lab (LTRL) Project. The approval thereon obtained from the Funding Agency had not been submitted for audit.

1.2.5 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non-compliances were observed.

Reference to Laws, Rules, Regulations etc.	Particulars
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(a) Financial Regulations 835 (2)(e)	Although the period of the rental agreements for buildings obtained on rent should not exceed three years, two buildings had been obtained on rent by the Institution for a period of five years and the value of the relevant rental agreements amounted to Rs.9,300,000.
(b) Paragraph 27.3 of the Establishments Code of the Universities	Study leave had been granted to two lecturers who had not completed the minimum probation period of one year to proceed abroad for post graduate studies from the year 2004 to the year under review and a sum of Rs.6,626,294 had been spent for the above educational activities.

- (c) Finance and Planning Circular No. 431 dated 24 April 2008
- Although it was reported that all the officers proceeding abroad on official travel at the expense of any Funds should purchase their air tickets from the Sri Lankan Air Lines Company or Mihin Lanka (Private) Company, the Institution had paid a sum of Rs.93,000 to purchase air tickets from a private institution.
- (d) Public Enterprises Circular No. PED 25 dated 29 July 2004
- Although prior approval of the Ministry of Finance should be obtained for investment of surplus funds, a sum of Rs.207,782,066 had been invested on fixed deposits in several state banks up to 30 June 2010 without such approval.
- (e) Letter No. UGC/TUA/2/PGS dated 08 June 2009 of the University Grants Commission
- Although according to the order made by the University Grants Commission in terms of instruction of Section 15(ii) of Part II of the Universities Act, fees for visiting lecturers who are delivering lectures for post graduate courses should be limited to maximum of Rs.2,500 per hour of lecture, a sum of Rs.324,875 had been overpaid thereon during the year under review due to the payment made at the rate of Rs.3,000 per hour based on the approval of the Board of Management.

- (f) Paragraph 7.4.1 of the Circular No. PED 12 dated 02 June 2003
- Although a representative of the Treasury should participate at the meeting of the Audit and Management Committee, a representative of the Treasury had not been participated for the meeting of the Audit and Management Committee.

1.2.6 Transactions of Contentious Nature

A sum of Rs.82,171 had been paid during the year 2010 as salaries and incentive allowances for proficiency in second and third languages in accordance with Circular issued by the Universities Grants Commission contrary to the Public Enterprises Circular No. 95 of 14 June 1994. Although the Director General of Public Enterprises and the Director General of Budget had informed to the University Grants Commission that the payment of these allowances are contrary to the Government rules and regulations, such payments are being made continuously.

2. Financial and Operating Review

2.1 Financial Review

2.1.1 Financial Results

According to the financial statements presented, the working of the Institution for the year ended 31 December 2010 had resulted in a deficit of Rs.76,739,145 before taking into account the Government Grant as compared with the corresponding deficit of Rs.82,084,310 for the preceding year. The deficit for the year under review had reduced to Rs.11,357,570 due to the Government Grant of Rs.65,381,575 received for recurrent expenditure. The deficit for the preceding year had reduced to a sum of Rs.13,474,310 due to the Government Grant of Rs.68,610,000 received for recurrent expenditure of that year.

2.2 Operating Review

2.2.1 Performance

- (a) Two hundred and thirty new students had been recruited for 04 internal courses belong to 02 main fields conducted by the Institution during the year under review whereas degrees had been awarded for 229 students.
- (b) External courses on Communication Technology had been conducted by the Institution in three main stages such as Diploma, Higher Diploma and Degree. 6366 students had registered for three academic years and 361 Diplomas, 199 Higher National Diplomas and 140 Degrees had been awarded during the year under review.
- (c) Three Postgraduate Diploma Courses had been conducted by the Institution and the educational facilities for 443 students had been provided under these courses.
- (d) Seventeen lecturers of the permanent staff of the Institution had delivered 3660 hours and 4015 hours of lectures during the year under review in respect of academic years 2009/2010 and 2010/2011 respectively. Number of lecture hours delivered by 17 visiting lecturers was 360.

2.2.2 Budgetary Control

Significant variances were observed between the budgeted value and the actual expenditure in respect of capital expenditure thus, the budget had not been made use of as an effective instrument of management control.

2.2.3 Management Inefficiencies

Although according to Paragraph 5.4.1 (b) (iv) of the Procurement Guidelines, authorities and duties of the Engineer or the Consultant should be clearly mentioned in the contract agreement if the services of an Engineer or a Consultant for supervision and administration activities of the contract were expected, contrary to the above instruction a sum of Rs.893,030 had been paid as consultancy fees by the Institution for obtaining consultancy services from a private institution in respect of supervision and administration activities of a contract for renovation of a building at a cost of Rs.14,462,016.

2.2.4. Uneconomic Transactions

Even though it was able to carry out the activities of internal audit by the Internal Audit Unit of the University of Colombo without incurring additional expenditure, the internal audit activities had been assigned to a private audit institution violating the Finance Act, Establishment Codes of the Universities and the Financial Regulations. Amount paid thereon during the year under review was Rs.248,623.

3. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were informed to the Director of the Institution from time to time. Special attention is needed in respect of management of assets.