

University of Colombo School of Computing – 2018

1.1 Opinion

The audit of the financial statements of the University of Colombo School of Computing for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be tabled in Parliament appear in this report.

In my opinion, the financial statements of the Institute give a true and fair view of the financial position of the Institute as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAS). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute's financial reporting process.

As per Sub-section 16 (1) of the National Audit Act No. 19 of 2018, the Institute is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Institute.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Institute to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Institute, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Institute has complied with applicable written law, or other general or special directions issued by the governing body of the Institute;
- Whether the Institute has performed according to its powers, functions and duties; and
- Whether the resources of the Institute had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Internal Control over the preparation of financial statements

The Institute is required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Issues with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under the following headings.

1.5.2 Unreconciled Control Accounts or Reports

Item	Value as per Financial Statements	Value as per Corresponding Reports	Difference	Comments of the Management	Recommendation
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	Rs.	Rs.	Rs.		
Register of Fixed Assets- Buildings.	381,536,572		381,536,572	Action will be taken to include the fixed assets into the Register of Fixed Assets in the year 2019.	All of the assets should be included in to the Register of Fixed Assets.

1.6 Accounts Receivable and Payable

1.6.1 Funds Receivable

The following observations are made.

Audit Observation -----	Comments of the Management -----	Recommendation -----
a) Action had not been taken to recover the debtor balances totalling Rs. 4,985,367 continued to exist at the Computer Services Division over periods of 2-7 years.	Those loan balances remained recoverable from various Government institutions relating to the supply of computing or software services. Although reminders have been sent, many of the Government institutions have not responded.	Action should be taken to recover the funds receivable.
b) The balance of Rs. 2,465,330 recoverable from 2 lecturers who had violated bonds, was not recovered in the year under review.	Action will be taken to recover this amount from Mr. R. Senanayake in the year 2019. Legal action has been taken to recover the remaining balance from Mr. S. J. Pahitharan.	Action should be taken to recover the monies receivable.

1.6.2 Funds Payable

Audit Observation -----	Comments of the Management -----	Recommendation -----
Balances of accrual and other payments totalling Rs. 848,235 continued to exist over 02 years, had not been settled.	The sum of Rs. 389,911 included therein and belonging to Prof. Athula Ginige now residing in Australia, has been retained with a view to incurring expenses once he returns to Sri Lanka. Action will be taken to settle the remaining balance of Rs. 458,324.00 in the year 2019.	The funds payable should be settled.

2. Financial Review

2.1 Financial Results

The operating result of the year under review had been a surplus of Rs. 19,511,337 as compared with the corresponding surplus of Rs. 28,844,440 in the preceding year, thus observing a deterioration of Rs. 9,333,103 in the financial result. The said deterioration had mainly been attributed by the increase in operating expenses as compared with the operating income.

3. Operating Review

3.1 Uneconomic Transactions

Audit Observation	Comments of the Management	Recommendation
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<p>A sum of Rs. 27,264,245 had been spent in the years 2017 & 2018 for supplying electricity to the Institute using a new transformer. However, electricity had not been received even up to the end of the year under review.</p>	<p>Due to delay of the institutions supplying electricity, the supply of electricity has also been delayed.</p>	<p>Follow up action should be taken thus obtaining the service promptly.</p>

3.2 Matters of Contentious Nature

Audit Observation	Comments of the Management	Recommendation
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<p>Contrary to the Universities Act, No. 16 of 1978 and without approval of the Cabinet, the Theekshana Company Ltd had been established within the purview of School of Computing as a company limited by guarantee under recommendations of the University Grants Commission and the Minister of Higher Education on 29 December 2006, and the said Company had been registered under the Companies Act, No. 17 of 1982. The same had again been registered on 02 March 2009 under the Companies Act, No. 07 of 2007. This Company is maintained within the premises of the UCSC by making use of its resources. According to Article 32 of the Memorandum of Articles, the officers of the University of Colombo School of Computing should be appointed <i>ex officio</i> to the Board of Management of the said Company. As such, it is observed that this is a subsidy company with 100 per cent of the administration done by the UCSC. Despite being informed to the Audit that the staff of the UCSC had left the Board of Management, the Memorandum of Articles of the Theekshana Company has not been revised so far.</p>	<p>The officers of the University of Colombo School of Computing have resigned from the posts of the Theekshana Company. The present management of the said Company has legally been informed through the board of management of our institution that the Memorandum of Articles thereof be revised. Accordingly, the Secretary of that Company has sent an email to us informing that necessary measures have been taken to make the required revisions.</p>	<p>The Company should either be legalized or removed from the scope of UCSC.</p>

3.3 Underutilization of Funds

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
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a) The Institution had maintained 30 Funds for miscellaneous activities, and 05 Funds therefrom worth Rs. 2,886,372 had not been utilized on the intended purposes in the years 2017 & 2018.	Action has been taken to inform the parties authorized to use each Fund that those Funds be utilized. As such, the said Funds will be made use of from the year 2019.	The funds should be utilized on the purposes for which the Fund had been established.
b) Of the Fund valued at Rs. 18,522,348 as at 31 December 2015 that had been maintained at the institution for project administration and general purposes, a sum of Rs. 9,131,505 had been allocated on the improvement of infrastructure of the UCSC following the approval obtained in the year 2016. However, the said Fund had remained unutilized for a period of over 02 years.	Action will be taken to utilize this Fund on the activities planned for the year 2019 in regard to improving the common facilities of the internal students of the institution.	The funds should be utilized on the purposes for which the Fund had been established.
c) Provision amounting to Rs. 5,940,314 had been made during the year under review on the Bachelor of Information Technology Fund of the external degrees unit. As the funds had not been made use of on the intended purposes, a balance of Rs. 16,714,952 existed in the said Fund at the end of the year.	It is kindly informed that this Fund was established to face the challenges faced by the BIT course at present. The funds will be used to purchase a building to house the external degrees unit in a location external to the UCSC.	The funds should be utilized on the purposes for which the Fund had been established.

3.4 Management of Procurements

The following observations are made.

Audit Observation -----	Comments of the Management -----	Recommendation -----
a) Five activities of services and supplies valued at Rs. 39 million that should have been procured by 31 December of the year under review in accordance with the Procurement Plan, had not been completed.	The Board of Management of the institution had properly evaluated the requests made by the contractors relating to practical issues faced by them while the contracts were in progress, and extensions were allowed for the completion of contracts.	Procurements should be made according to the Procurement Plan as long as possible.
b) Commencement and completion of 04 services and supplies worth Rs. 25 million as per the Procurement Plan had been delayed for periods of 1 ½ - 07 months.	All of those procurements had been completed by the first quarter of the year 2019. Furthermore, that procurements had been affected by the strike launched by the non-academic staff of the University at the beginning of the year 2018.	Procurements should be made according to the Procurement Plan as long as possible.

3.5 Human Resources Management

Audit Observation -----	Comments of the Management -----	Recommendation -----
Due to the existence of 47 vacancies in the academic staff, service of 57 visiting lecturers including the essential visiting lecturers, had been obtained in the year under review, and a sum of Rs. 3,037,975 had been paid. As for the vacancies in the non-academic staff, 49 employees had been employed on assignment and contract bases after providing them with service extensions.	Due to non-availability of qualified persons, filling the vacancies in the academic staff has become difficult. The service of 57 visiting lecturers had not been obtained continuously; instead, their service had been obtained when necessary from time to time. The University Grants Commission is responsible for making recruitments to many of the posts in the non-academic administrative staff. The institution is allowed to recruit only for a limited number of posts.	Recruitments should be made for the vacant posts without delay.

4. **Accountability and Good Governance**

4.1 **Annual Action Plan**

Audit Observation	Comments of the Management	Recommendation
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<p>The examination on the actual progress of 88 strategies planned for the achievement of objectives under 07 targets mentioned in the Action Plan revealed that the progress of 16 strategies ranged between 31 per cent and 100 per cent.</p>	<p>Some of those activities could not be completed due to reasons such as, inadequacy of staff, non-receipt of the expected funds, difficulty in obtaining the human resources, and other practical issues.</p>	<p>Activities should be carried out within the specified duration in accordance with the Action Plan.</p>