

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of University of Colombo School of Computing for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance, statement of changes 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 and National Audit Act No. 19 of 2018 read in conjunction with provisions of the Section 17 of the University of Colombo School of Computing Ordinance No. 1 of 2002 enacted under sub section 107(5) and Section 18 of the University Act No. 16 of 1978 and Section 108(1) of the University Act.. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Institute as at 31 December 2021 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 Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). 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 qualified 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 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 intend 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 financial reporting process.

As per 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 Responsibility of the Auditor on Audit 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 Institutes' 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 Institutes' 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 Audit Observations on the Preparation of Financial statements

1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

The following observations are made.

Non Compliance with the Reference to Particular Standard	Comment of the Management	Recommendation
(a) Although income and expenditure should not offset each other according to paragraph 48 of Sri Lanka Public Sector Accounting Standard 1, a total expenditure of Rs. 165,031,257 had been offset against the total income of Rs. 293,954,234, earned from external courses and projects of the institute, and the net income of Rs. 128,922,977 had been stated in the financial performance statement.	Although the net income had been shown in the financial performance statement, the detailed information on income and expenditure had been presented in terms of the respective revenue earning unit under the note No. 20.	Sri Lanka Public Sector Accounting Standards should be followed.
(b) Since the failure to review the residual value and the useful lifetime of an asset at least at the end of each annual reporting period in terms of Paragraph 65 of the Sri Lanka Public Sector Accounting Standard 07, Library books and publications costed Rs.6,913,358 were further in use despite being fully depreciated. As such, action had not been taken to revise the said estimated	The revaluation was started but considering the number of books available (over 9000) the revaluation works could not be completed by the time of preparation of the accounts as it	Sri Lanka Public Sector Accounting Standards should be followed.

error in terms of Sri Lanka Public Sector Accounting Standard 03. would take a considerable period of time to revalue of each book.

- (c) The project grants received during the year under review amounted to Rs. 8,788,468 had not been recognized and measured in the financial statements in accordance with Sri Lanka Public Sector Accounting 11. No reply was made. Sri Lanka Public Sector Accounting Standards should be followed.

1.6 Accounts Receivables

Audit Observation	Comments of the Management	Recommendation
Action had not been taken to recover a total debtor balance of Rs.1,229,330 to be received from 01 year to 07 years, stated under current assets, even by 31 December of the year under review.	Out of total debtor balance, a sum of Rs. 709,390.00 to be received for the charges of supply of services related to court proceedings. Action had been taken by the CDF staff to recover outstanding balances from government authorities and relevant courts in 2021.	Action should be taken to recover the money.

1.7 Non-compliance to Laws, Rules, Regulations and Management Decisions

Reference to laws, rules, regulations	Non compliance	Comment of the Management	Recommendation
(a) Public Accounts Circular No. 30/94 dated 20 April 1994	Although all transactions related to foreign aid should be done through the Director General of the Department of External Resources of the General Treasury, action had been taken to receive foreign grants amounted to Rs.	The institute and its academic staff are committed to submit research proposals and obtain research grants internationally. After the research proposals submit to such institutions are approved, the	Action should be taken to comply with the circulars.

26,399,881 directly research grants for 04 projects allocated by the implemented by the relevant institute in the years institutions will be 2018, 2019 and given directly to 2021. our institution and the work cannot be done through the Treasury.

- (b) University Grants Commission Circular No. 2009/2 dated 05 February 2009
- A total sum of Rs.11,305,700 was overpaid as distress loans to 41 officers exceeding the maximum limit of distress loans contrary to the circular.
- The institution implemented a special distress loan scheme with the approval of the management board of the institution using 100% of the funds earned by the institution. However, the audit query included in the 2020 Auditor General's report on this loan system has been discussed in the audit committee and management board of the institution, and has been temporarily suspended until proper approval is obtained for this special distress loan system.
- Action should be taken to comply with the circulars.

2. Financial review

2.1 Financial results

The operating result of the year under review had been a surplus of Rs.183,370,199 as compared with the corresponding surplus of Rs. 82,562,613 for the preceding year, thus observing an improvement of Rs. 100,807,586 in the financial result of the year under review. Increase in self-earning revenue and increase in government grants for recurrent and capital expenditure had mainly attributed to the said deterioration.

3. Operational review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
Even though a period of 01 year to 17 years had elapsed, a sum of Rs.19,488,865 could not be recovered due from five lecturers who breached their contracts and bonds as at end of the year under review.	Legal action had been taken in the Colombo District Court to recover the amount due from one person and the audit committee recommendations will be taken and act accordingly for the recovery of the amount due from another person. The remaining three officers have agreed to pay the dues from pension and cash.	Immediate action should be taken to recover the relevant money