

## University of Colombo School of Computing - 2022

---

### **1. Financial Statements**

#### **1.1 Opinion**

The audit of the financial statements of University of Colombo School of Computing for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 Section 12 of the National Audit Act No. 19 of 2018 read in conjunction with provisions of the Section 23 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, the financial statements give a true and fair view of the financial position of the Institute as at 31 December 2022 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 (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 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;
- 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 Accounts Receivables and Payables

### 1.5.1 Accounts Receivables

Audit Observation	Comments of the Management	Recommendation
(a) It was unable to recover a total due as end of the year under review amounting to Rs. 5,386,649 from three lecturers who breached their bond agreements related to the period from 01 year to 18 years.	The amount due from one lecturer is expected to be settled in the next court session and in respect of another lecturer to be recovered through court proceedings. The documents related to the recovery of due amount from the Provident Fund of another lecturer have been handed over to the University Grants Commission.	Action should be taken to recover the money immediately.
(b) Six debtor balances total amounting to Rs.564,390 from 02 years to 08 years old had not been recovered as on 31 December of the year under review.	Necessary action is being taken to recover immediately.	Necessary action should be taken to recover immediately.

### 1.5.2 Accounts Payable

Audit Observation	Comments of the Management	Recommendation
It was unable to settle the creditor balance of Rs.5,612,400 old for the period of 02 years to 06 years and a sum of Rs.1,342,332 allocated	Action will be taken to check and settle in the year 2023. The allocation for electricity was made for the electricity supply obtained through the University of Colombo and since the	Necessary action should be taken to settle immediately.

for electricity from the year 2020. payments have been completed, this allocation will be removed from the ledger in the year 2023.

## 1.6 Non-compliance to Laws, Rules, Regulations and Management Decisions

	<b>Reference to laws, rules, regulations</b>	<b>Non compliance</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a)	Section 99(1) of the Universities Act No. 16 of 1978	Since a fund has not been established in the name of the institute, a sum of Rs. 73,528,706 contributed to the institute from the course and project income had been spent for the institute's activities without being credited to a fund.	As sufficient provisions were not received during the year, it had been fully spent for the recurrent expenditure and capital expenditure of the institution and since there is no institutional fund at present, it is expected to establish such a fund in the future and spend through it.	Act should be followed.
(b)	State Accounts Circular No. 30/94 dated 20 April 1994 and Director General, Department of External Resources letter No. SC&PMU/Grant/19 dated 25 July 2019	Foreign grants of Rs. 47,383,610 had been directly received by the institute during the period from 2014 to 31 December 2022 without the knowledge and concurrence of the Department of External Resources.	It was noted to mandatory inform the Department of External Resources in receiving foreign grants for future projects and the staff of the institution has also been informed about this.	Circular provisions should be followed.

## 2. Financial review

### 2.1 Financial results

The operating result of the year under review had been a surplus of Rs.228,129,845 as compared with the corresponding surplus of Rs. 183,370,199 for the preceding year, thus observing an improvement of Rs. 44,759,646 in the financial result of the year under review. Increase in self-earning revenue and increase in interest on fixed deposits had mainly attributed to the said improvement.

## **2.2 Trend Analysis of Major Income and Expenditure items**

- (a) 51 percent of the total income of the institution consisted of government grants in the year under review and government grants had increased by 0.4 percent compared to the previous year.
- (b) The interest income on investments had increased by 125 percent and other internal income had increased by 111 percent in the year under review compared to the previous year.

## **2.3 Ratio Analysis**

- (a) **Current Ratio**  
The current ratio in the previous year was 10:1 and in the current year was 12:1.
- (b) **Profitability Ratio**  
The surplus and the total income in the year under review were Rs.228,129,845 and Rs.903,641,278 respectively. Accordingly, the profitability ratio was 25 percent, while the same ratio was 23.5 percent in the previous year.