

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the University of Colombo School of Computing for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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 material accounting policy 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 provisions of the Section 23 of the University of Colombo School of Computing Ordinance No. 1 of 2002 enacted under Section 18 of the **University** Act No. 16 of 1978 and the section 107(5) and section 108(1) of the Universities Act and the National Audit Act No, 19 of 2018. My comments and observations which I consider should be **submitted** to Parliament appear in this report.

The accompanying financial statements give a true and fair view of the financial position of the Institute as at 31 December 2024 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'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 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's 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.

1.4 Audit Scope

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 skepticism 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 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. 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 and as far as possible, 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 board 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 Payable

1.5.1 Receivables

Audit Observation	Management Comment	Recommendation
A sum of Rs.1,881,302 due from a lecturer who breached his bond had not been recovered from the guarantors even after a period of 07 years had passed as at the end of the year under review.	The Colombo University Governing Council had been informed and approval had been received for the recovery, and the University of Colombo is taking action to inform the lawyer to initiate legal proceedings.	Action should be taken to recover the money.

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

	Reference to Laws, Rules, Regulations	Non compliance	Comment of the Management	Recommendation
(a)	Paragraph 03(viii) of National Budget Circular No. 03/2022 dated 26 April 2022	Despite the fact that welfare programs, development assistance or subsidies that had not been approved by the Cabinet of Ministers should be stopped, Rs.46,133,315 had been allocated for 02 Employee Welfare Funds from the year 2022 to the year under review.	Only Rs.18,878,453 had been allocated from self-course income during the year for medical benefit scheme and employee welfare allocation for welfare funds. A certain percentage of the employee's salary contributes to employee medical benefits, and the remainder is allocated from UCSC's earned funds.	Should be complied with Circular.

(b)	Paragraph 5 of Treasury Circular No. BD/HRD/126/214/19/2023 dated 18 January 2023	Although the funds recovered from lecturers who breached the bond should be credited to the state revenue without being used for other purposes, the amount of Rs.2,440,110 recovered from a lecturer who breached the bond during the year under review, had not been remitted to the Treasury.	According to University Grants Commission Circular 737 and University Grants Commission Finance Circular Letter No. 05/2023, a University can retain the money collected from the Persons who breached the bond. Accordingly, The fund can be used to pay up to the value of Rs.750,000 from the air ticket fees obtained for postgraduate studies or sabbatical leave of the academic staff as per the recently issued University Grants Commission circular letter 05/2023, with the approval of the Cabinet. Accordingly these funds had been retained by the Institute as per the said circular	Action should be taken as per the circular letter.
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2. Financial review

2.1 Financial results

The operating result of the year under review was a surplus of Rs.226,451,039 and the corresponding surplus in the preceding year was of Rs.274,041,105. Therefore, a deterioration amounting to Rs.47,590,066 of the financial result was observed. The decrease in government grant for capital expenditure by Rs.25,000,000 had mainly caused for this deterioration.