

1.1 Qualified Opinion

The audit of the financial statements of the University College of Matara for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of changes in equity and statement of changes in net assets 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 and Finance Act No. 38 of 1971. My comments and observations which I consider should be reported 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 accompanying financial statements give a true and fair view of the financial position of the University College of Matara as at 31 December 2019, 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 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 University College'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 University College or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the University College's financial reporting process.

As per Sub Section 16 (1) of the National Audit Act No. 19 of 2018, the University College 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 University College.

1.4 Scope of Audit

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 great 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 Company'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 Company'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 Company 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 University College and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the University College has complied with applicable written law, or other general or special directions issued by the Board of Governors of the University College;
- Whether the University College has performed according to its powers, functions and duties; and
- Whether the resources of the University College 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.

Entities are 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 this heading.

1.5.2 Non-Compliance with Sri Lanka Public Sector Accounting Standards.

Audit Issue	Management Comment	Recommendation
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The depreciation policy followed by the University College had been amended for 03 types of assets from the year under review and in	Even though depreciation should be done relevant to the computer books and other assets to the year 2015 , relevant difference occurred	Adjustments should be done accurately according to the Accounting Standards .

adjusting in compliance with Paragraph 27 of Standard 03 of Sri Lanka Public Sector Accounting Standards , the balance of the Capital Grants Account had been overstated by Rs.364,632 and the balance of the Property ,Plant and Equipment Account had been understated by the same amount due to a computing error.

due to the depreciation done based on the date purchased.

1.5.3 Accounting Deficiencies

----- Audit Issue -----	----- Management Comment -----	----- Recommendation -----
(a) Even though according to the items of accounts introduced by the University of Vocational Technology , the expenses incurred for the capacity development should be shown as capital expenditure in financial statement , an expenditure amounted to Rs.450,000 incurred for the doctorate of a permanent officer in the year under review had been brought to accounts by considering as a recurrent expenditure.	All the expenses incurred for capacity development subject to the approval of the Board of Governors of the University College are stated as recurrent expenditure and funds in financial statements .	The expenses incurred for the capacity development should be made capitalized.
(b) A sum amounted to Rs.286,000 reimbursed by the University of Vocational Technology relevant to the preceding year , had been brought to accounts under the income of the year under review instead of adjusting to the profit of the preceding year.	Even though request made to reimburse the expenditure amounted to Rs.286,000 incurred in the year 2018 , it had not been brought to account as an amount receivable in the year 2018 due to any response had not been made from the Vocational Development Fund thereon.	It should be brought to accounts by following the accrual basis.

- (c) A sum of Rs.43,103 of the monthly gross pay recovered from an officer employed at the University College who resigned from the service without giving one month notice prior to resignation, had been credited to the Salary Account instead of crediting to other Revenue Account.
- When payment of salaries brought to account, salaries and other expenses relating to that were recorded in accounts and the total amount recovered from the employee who resigned from the service had been recorded in the relevant accounts by separating salaries and other expenses relating to that.
- Only the expenses incurred under salaries and wages should be shown under the same account.

1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulation 110.	Every department should maintain a Register of Losses and Damage to record losses under FR 102. However, the University College of Matara had not been maintained such a Register.	A Register of Losses and Damage has not been maintained up to date and action will be taken on that matter by going through on the matters.	A Register of Losses and damage should be maintained in terms of Financial Regulations.
(ii) Financial Regulations 880 and 881	Action had not been taken to obtain security from the officers who are required to give security in terms of financial Regulations.	Expect to take action after inform the officers who are required to furnish security and the amount to be kept as securities by the Ministry.	Action should be taken to obtain securities from the officers who are required to furnish security.
(iii) Financial Regulations 1645	Even though Log Entry Books should be maintained in terms of Form General 267	Action will be taken to maintain it properly in the future.	Log Entry Books should be properly maintained in terms of Financial Regulations.

relating to the vehicles belonging to the University College, the Log Books maintained by the University College had not been maintained properly.

- (iv) Financial Regulations 1646
- The original copy of the monthly summary of travelling recorded in the Form General 208(4) in terms of Financial Regulations and the details of daily running charts had not been presented to the Auditor General.
- Action will be taken to present the details of the daily running charts to the Auditor General in the future.
- The Daily Running Charts should be presented to the Auditor General in terms of Financial regulations.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs. 825,352 as against the deficit in the preceding year amounted to Rs. 627,212. Therefore, an improvement amounting to Rs. 1,452,564 of the financial result was observed. The major reason for the improvement is the increase of recurrent grants and other income.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation -----	Comments of the Management -----	Recommendation -----
(a)	Even though according to the recruitment procedure of the students intake to the courses conducted by the University College ,a batch of 35 students with similar qualifications should be enrolled , the number of students who followed the cosmetology course in the previous 04 years had been ranged between 02 to 19 or 06 to 54 per cent .	Promotion activities are carried out by our University College through news papers and internet and promotion programmes has been carried out by the Tertiary and Vocational Training Authority also. Expect to widen the students awareness programmes further more in the future.	Attention should be drawn to conduct promotion programmes for the enrollment of students for the course.

- (b) According to the notes of the meetings, it was not revealed that although the University College conducted meetings of Boards of Management and Boards of Academics once in a month, attention of those Boards had not been drawn to the number of hours covered for the syllabus which is one of the main problem in the University College.
- As solutions obtained and implemented through the Heads of Departments and Course Coordinators relating to covering of hours to be covered as per the syllabus, it was not necessary to discuss this problem in the Board of Management and Board of Academics of the University College.
- Attention should be drawn to cover the subjects which could not be covered, by utilizing the human resources of the University college efficiently.
- (c) A tendency of dropped out from the courses is ranged between 26 per cent to 100 per cent and a tendency of failing examinations ranged between 29 per cent to 100 per cent out of the students enrolled relating to 05 courses commenced in the years 2015 and 2016 and completed in the year under review. The attention of the Management had not been drawn to look into the reasons of the registered students' dropping out from courses and failing examinations and take necessary actions.
- Even though awareness programmes and lectures had been conducted relating to the importance of the Higher Technical Diploma and the training given, to minimize this condition, it is visible a condition of such limited number of students dropped out from the course due to practical reasons. Failing of examinations occurred due to the weaknesses of the students and action will be taken to uplift the percentage of passing examinations through giving more knowledge to the weak students in the future.
- Action should be taken for the remaining of students enrolled for the courses and more attention should be paid for the students who failed examinations.

3.2 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>(a) Even though it had been planned to cover 1,238 hours of theory and 451 hours of practical training for 09 courses for the first semester starting from February 2019 to July by outsourcing 13 visiting lecturers , only 579.5 theory hours and 79 practical hours could be covered. Out of 231.5 practical hours scheduled to be conducted by 11 outsourcing visiting lecturers , none had been covered. Accordingly, theory hours and practical hours scheduled to be conducted had not been covered by 53 per cent and 82 per cent respectively.</p>	<p>This condition arisen due to the scarcity of qualified visiting lecturers. At the end of the semester, fundamental theories and all practical activities has been covered through tutorials so as to un damage the quality of the academic activities of the students</p>	<p>Lectures and practical activities should be implemented so as to cover all subject matters.</p>
<p>(b) Even though it had been planned to cover 12,706 hours of theory for 14 subjects and 239 hours of practical training for 11 subjects for the first semester of NVQ-V and second semester of NVQ-VI which are the courses implemented in the year under review , 5,889 lecture hours and no any practical training hours could be covered respectively.</p>		

3.3 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation
<p>(a) It was observed at audit that the quality of the course declined due to unable to conduct the practical training activities of the students as a result of the equipment which are directly connected with the practical training activities</p>	<p>An adequate space for the installation of the relevant equipment is not available in this University College. Action will be taken to install the relevant equipment according to proper standards after receiving an alternate land parcel.</p>	<p>Action should be taken to conduct the practical activities of the students in a maximum level as the quality of such courses depends on the</p>

conducted by the Self Motion Technological Division valued at Rs.3,425,000 purchased in the year 2015 , had not been established even at the end of the year under review.

practical activities.

3.4 Procurement Management

Audit Observation	Comment of the Management	Recommendation
Liability of Rs.1,334,794 had been committed on 31 December in the year under review exceeding the provisions provided for acquisition of capital assets.	Money for several capital goods purchased in the year 2019 could not be paid as the General Treasury had not released adequate money for capital expenditure in the year 2019. A sum of Rs.1,334,794 reported as debtors.	Procurement should be done considering the provisions received.

3.5 Human Resources Management

Audit Observation	Comment of the Management	Recommendation
Total of 09 vacancies existed at the end of the year under review including 03 posts of Lecturers ,02 posts of Demonstrators, 01 post of English Instructor, 01 post of Assistant Librarian , 01 post of Management Assistant and 01 post of Security Officer .Action had not been taken to fill those vacancies even by 30 May 2020.	Action will be taken to fill all the vacancies by conducting interviews as soon as possible.	Immediate action should be taken to fill the vacancies by identifying the required human resources.

4 Accountability and Good Governance

4.1 Corporate Plan

Audit Observation	Comment of the Management	Recommendation
The Corporate Plan had not been prepared so as to included into the suggested actions to achieve the set targets by identifying the strengths, weaknesses, opportunities and threats of the institution.	A Corporate Plan has been prepared in the year 2019 and action is taken to update it annually.	A Corporate Plan should be prepared based on the vision, mission ,objective and goals of the institution and it should be updated based on the annual performance.

4.2 Annual Action Plan

Audit Observation	Comment of the Management	Recommendation
(a) The University College had not prepared the Action Plan as per the Public Finance Circular No.2014/1 dated 17 February 2014. The progress review had not been done by the management due to progress reports on 18 operational activities in the Action Plan prepared for the year under review had not been prepared.	Action will be taken to give necessary instructions for the relevant sections to achieve the progress by doing progress review in the future.	The management of the institution should take actions to review the progress timely and give instructions and take actions to achieve the progress in the sections which the targets not achieved .
(b) When considering the above conditions ,whether the activities fulfilled in the year has been done in compliance with the Action Plan and the targets of the plan expected by the management had not been followed up.	Action will be taken to carry out progress review by maintaining files properly.	No any report or document presented to audit so as to carry out follow up to the date of audit , if it is wish to do such review , a report thereon should be prepared.

4.3 Internal Audit

Audit Observation	Comment of the Management	Recommendation
An Internal Audit Unit had not been established in the University College in terms of FR 133 and an audit had not been carried out by the Internal Audit Unit of the University of Vocational Technology also .	It is unable to establish an Internal Audit Unit as an internal audit examiner is not available in our institute. Therefore ,internal audit also could not be carried out.	Audit should be done by establishing Internal Audit unit in terms of the Financial Regulations.

4.4 Audit Committees

Audit Observation	Comment of the Management	Recommendation
The Board of Management of the University College had not take actions to establish Audit and Management Committees in terms of Public Enterprises Circular No. PED 55 of 14 December 2010 and attention was drawn in this connection in the Audit Report of the previous year also.	As an Audit and Management Committee is not established in our institution, Audit and Management Committees had been conducted in affiliation with the Audit and Management Committees conducted in the Vocational Technical College in the year 2017.	Even though Audit and Management Committees existed in affiliation with the Vocational Technical College , the top level management of the institution should participate for that Committees and discussions should be done relating to the activities of the institution.

4.5 Sustainable Development Goals

Audit Observation	Comment of the Management	Recommendation
It was observed that the identification of targets and objectives to be achieved by the University College of Matara and identification of indicators for the measurement of said	As it was not clearly stated that the relationship with the Sustainable Development Goals in the Action Plan of the year 2018, a document mentioning the relationship with the Sustainable Development Goals with the activities included in the	Action should be taken to take necessary actions to achieve the Sustainable Development Goals

Development Goals and targets in terms of Sustainable Development Goals of the United Nations 2030 had not been taken place even by the end of the year under review.

Action Plan of the year 2018 is submitted herewith.

with the objectives of the institution by including the Sustainable Development Goals into the Action Plan.