

University College of Matara - 2021

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the University College of Matara 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 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 Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with the provisions of the National Audit Act No. 19 of 2018 and the Finance Act No. 38 of 1971. Comments and observations, which I consider should be submitted to Parliament, appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the University College of Matara 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 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 ability of the University College of Matara 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 University College of Matara or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the University College of Matara.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the University College of Matara 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 Scope of the Audit (Auditor's Responsibility on 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 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 ability of the University Collage of Matara 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 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 of Matara, 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 governing board of the University College;
- Whether performed according to its powers, functions and duties; and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observation on Preparation of Financial Statements

Internal Control over the Preparation of Financial Statements

The University College 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.

1.6 Non-compliance to 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	An internal audit unit was not established in the university college and an internal audit was not conducted during the year under review.	The university college was unable to establish an internal audit unit as it doesn't have an internal auditor. Therefore, it has become difficult to	Financial Regulations should be complied.
(i) Financial Regulation 133			

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| | | conduct internal audits. | |
| (ii) Financial Regulation 757 (2) | Action had not been taken in term of the Financial Regulation, regarding discrepancies and shortages of 24 types of goods worth of Rs. 1,118,813 which was identified in the board of survey conducted as on 31 December 2021 even as on 01 April 2022. | A committee with technical knowledge will be appointed to review the deficiencies, damages and unusable items mentioned in the 2021 board of survey reports, get a formal report and then further action will be taken. | Financial Regulations should be complied. |
| (b) Paragraph 15 of Public Enterprises Circular No. PED 55 dated 14 December 2010 | Although Audit and Management Committees should be conducted at least once in three months, no Audit and Management Committee was conducted in relation to the year under review. | Since there is no Audit and Management Committee in our University College, the Audit and Management Committee for the year 2020 was conducted at Vocational Technology College on 11.03.2021. | Circular provisions should be followed. |

2. Financial Review

Financial results

The operating result of the year under review amounted to a deficit of Rs. 1,475,761 and the corresponding surplus in the preceding year amounted to Rs. 2,488,772, thus observing a deterioration of Rs.3,964,533 in the financial result. The major reasons for this deterioration were the increase in the academic activities expenditure by Rs. 646,554 and increase in the Employee cost by Rs.3,453,285.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The resources of the university college were allocated for the enrollment of 35 students per course, although 41, 71, 24 and 71 applications were received for the four courses namely Cosmetology, Hospitality Management, Refrigeration and Air-Conditioning and Tourism Management respectively during the year under review, the number of students enrolled for the above 04 courses were at very low, i.e. 11, 22, 14 and 23 respectively. Also, the institute had incurred an advertising cost of Rs.674,100 for the recruitment of students. As such, the opportunities to utilize the allocated resources efficiently for those courses were avoided.	Registration of students in the 2019 batch was relatively low. Compared to other courses, the number of applications received for these courses was also low. But it shows a relative growth in the groups of students recruited after that. Presently, arrangements are being made to complete the required number of students in the recruited student groups. If the students who are not qualified for other courses but meet the qualifications for these courses, they will be recruited through several rounds of interviews.	Action should be taken to efficiently utilize the resources allocated for the courses.
(b) Although the numbers of hours planned for conducting lectures in 33 subjects in 06 courses conducted by the university college in the year under review by employing external lecturers were 3464, only 756 lecture hours were delivered. Accordingly, the planned 2708 hours of lectures were not conducted.	Lectures were conducted through the online method due to Covid 19 situation. Students were unable to retain in online lectures as in a regular classroom. Usually, online lectures are faster than classroom lectures. Therefore, the relevant curriculum has been completed and the planned lecture hours in a regular classroom have not been completed through the online method.	Lectures should be delivered in relation to the scheduled lecture hours.

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| (c) | The 0.5854 Hectare land and buildings, on which the institute is located, could not be acquired in the name of the university college even by 30 June 2022. | The 0.5854 Hectare land on which the university college was established had been handed over to the Ministry of Skill Development by the Matara Divisional Secretary. The Ministry had informed that there was no obstacle in maintaining and developing the Matara University College as the ownership of the land was under the Ministry. | Arrangements should be made to transfer the land in the name of the college. |
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3.2 Ideal or Under-Utilization of Property, Plant and Equipment

Audit observation	Comment of the Management	Recommendation
The Vehicle Hoist and Wheel Alignment equipment, which was procured at a cost of Rs.1,250,000 in December 2014 for the practical activities of the students, had been kept unused and idle even on 24 March 2022.	There are practical problems with the installation space of the wheel alignment device with the car hoist equipment of the self-propelled course. Installation of this equipment requires a spacious building approximately 38 feet long, 20 feet high and 15 feet wide. A sufficient enough land plot to install the relevant equipment was not available in the institution. Requests had been made from UNIVOTEC and the Ministry to provide an alternative land, but no land had been provided yet. Installation of the relevant equipment will be done upon receiving an alternative land according to the proper standard.	A proper feasibility study should be done before procurement and, also, the procured equipment should be utilized for the respective purpose.