

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the University College of Matara 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 in funds and reserves, 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 report to Parliament appear in this report.

In my opinion, except for the effect 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 University College of Matara as at 31 December 2022, and of its financial performance and 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 based 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 this 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 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.

## 1.4 Auditor's Responsibility for Auditing 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:

- Appropriate audit procedures were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained 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 University College'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 University College 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 management 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 Audit Observations on the Preparation of 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.

### **1.5.2 Non-compliance with Sri Lanka Public Sector Accounting Standards**

<b>Non-compliance with Reference to the Standard</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
Even though the Learning Management System valued at Rs. 1,353,320 purchased during the year under review should be identified and posted to account as an intangible assets as per the Sri Lanka Public Sector Accounting Standard 20, it had been accounted for under the property, plant and equipment.	Action will be taken to state this as an intangible asset in the financial statements from the ensuing year.	Action should be taken in accordance with Sri Lanka Public Sector Accounting Standards.

### **1.5.3 Accounting Deficiencies**

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) No action has been taken to assess the land of 0.5854 hectares on which the University College is maintained since the year 2015 and state in the financial statements up to the end of the year under review.	Since the Divisional Secretary, Matara has handed over this land to the Ministry of Skills Development, there are no obstacles in maintaining and developing the University College.	The land on which the University College is maintained should be assessed and stated in the financial statements.

- (b) Since the shortfall of Rs. 191,000 in the allocation of audit fees as at 31 December of the preceding year was not adjusted to the accumulated fund, the payable audit fees carried forward for the year under review were understated by that amount in the financial statements.
- Since the relevant expenditure is posted to account as an allocation due to the uncertainty of the actual audit fee of the relevant year, the deficit or excess in the allocation will be adjusted in the ensuing year.
- In adjusting the deficit or excess allocations of provisions relating to the preceding year, action should be taken to adjust it to the profit of the preceding year.

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

Reference to Laws, Rules, and Regulations -----	Non-compliance -----	Comment of the Management -----	Recommendation -----
F.R.396 (d) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	No action has been taken according to the Financial Regulations regarding 08 cheques worth Rs.44,545 that were issued but not presented for payments as at 31 December of the year under review.	It was decided at the meeting of the Council held on 31.03.2023 to cancel the relevant cheques and include them in the revenue of the University College and the other necessary action regarding those cheques will be taken according to the Financial Regulations.	Action should be taken in accordance with Financial Regulations

## 2. Financial Review Financial Result

The operations of the University College for the year under review was a deficit of Rs. 27,189,925 as compared with the corresponding deficit for the preceding year amounting to Rs. 27,561,656. Accordingly, an improvement of Rs. 371,731 was observed in the financial result.

## 3. Operating Review

### 3.1 Idle or Underutilized Property, Plant and Equipment

Audit Observation -----	Comment of the Management -----	Recommendation -----
(a) Out of the equipment provided by the Ministry of Youth Affairs and Human Resources Development to the cosmetology laboratory in the year 2015, equipment worth Rs. 312,728 remained idle even by 31 December of the year under review without being used for	All the items of equipment mentioned are used for the practical training purposes. Following their use, these items are sterilized and stored in the cupboards, having been properly packaged. They are then used whenever necessary for the practical training of the relevant	Purchases should be made after a proper study and the purchased equipment should be used for the

the relevant purpose.

module.

relevant  
purpose.

(b) An item of equipment purchased at a cost of Rs. 1,250,000 in the year 2014 for practical training related to the auto mobile course remained idle even by 31 December of the year under review without being used for the relevant purpose.

There are practical issues regarding space for the installation of wheel alignment integrated with the vehicle lift of the auto mobile Course. A spacious building of approximately 38 feet in length, 20 feet in height and 15 feet in width is required for installation of this equipment. There is no adequate land area in this institution to install relevant equipment. Although requests were made to the University of Vocational Technology and the Ministry to provide an alternative land for this purpose, it has not been successful as yet. Following an alternative land is received by our institution, action will be taken to install the relevant machine according to the proper standard.

After recognizing the officers who were involved in this purchase without conducting a proper feasibility study, necessary action should be taken against them.