

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the University of Visual performing Arts 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 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 sub section 107 (5) of the University Act No 16 of 1978 and Section 12 of the National Audit Act No. 19 of 2018. 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 Visual performing Arts 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 University'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 intends 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 University's financial reporting process.

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

1.4 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 University'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 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, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the University has complied with applicable written law, or other general or special directions issued by the governing board of the University;
- Whether the University has performed according to its powers, functions and duties; and
- Whether the resources of the University had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Receivable and Payable Accounts

1.5.1 Accounts Receivable

Audit Observation	Comments of the Management	Recommendation
(a) It was unable to recover a total sum of Rs. 3,225,207 due from 2 officers who breached the contracts and bonds even in the year under review.	The amount due from one officer has been recovered from the UPF fund and arrangements have been made to recover the remaining amount monthly. Legal action taken against the other officer and her guarantor is in progress.	Action should be taken to recover dues immediately.
(b) A bursary balance of Rs. 16,692,072 included in the balances due to the university remained unsettled for many years.	Instructions had been given to fully analyse these long-standing balances and take appropriate action in the year 2023.	Action should be taken to settle immediately.

1.5.2 Accounts Payable

Audit Observation	Comments of the Management	Recommendation
Deposits and retained balances total amounting to Rs.61,598,913 between 2 years to 11 years and payable balances total amounting Rs.43,472,497 due for more than 2 years were also not settled during the year under review.	These accounts will be analyzed and the old balances will be identified and the related work will be done in the 2023 accounting year.	Action should be taken to settle relevant balances.

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

Reference to laws, rules, regulations	Non compliance	Comments of the Management	Recommendation
(a) Section 3.1 of Chapter XX of the Establishment Code for University Grants Commission and Higher Education Institutions	A total sum of Rs.670,389,801 had been paid as salaries and allowances during the year under review without confirming the arrival and departure of the academic staff.	In the payment of salaries and allowances, the payments have been made after obtaining a certificate from the head of the department that the relevant service has been obtained.	provisions of the Establishment Code should be followed.
(b) National Library and Documentation Services Board Circular No. 2004/ 33/1(2016-Revised) dated 22 December 2016	Annual board of surveys were not conducted after the year 2019 regarding the library materials of the university valued for Rs.3,573,329 as on 31.12.2022.	That the chairman of the committee appointed to conduct the verification of library materials is currently planning to conduct the survey.	Circular should be followed.

2. Financial Review

2.1 Financial results

The operating result of the year under review amounted to a deficit of Rs. 85,552,337 and the corresponding surplus in the preceding year amounted to Rs. 257,427,107 thus observing a deterioration of Rs. 342,979,444 in the financial result. The decrease in the government capital grants and other capital grants and increase in contractual services expenditure and assets improvement expenditure had mainly attributed for this deterioration.

2.2 Trend Analysis of major Income and Expenditure items

About 96 percent of the total income of the university consisted of government grants in the year under review, and compared to the previous year, the government grants had decreased by 6 percent. Further, other capital grants had decreased by 100 percent. Also, compared to the previous year, the interest income on investments by 73 percent, the cost of contractual services by 77 percent and the cost of improvement of capital assets by 596 percent had increased in the year under review.

2.3 Ratio Analysis

(a) Current Ratio

Although the current ratio should be at least 2:1, but it was 0.72:1 in the year under review, as such, the requirement of an efficient management of working capital was observed.

(b) Quick Ratio

The quick ratio in the previous year was 1.9:1 and in the year under review the ratio was 0.7:1.

(c) Cost per Student

The cost per student in the previous year of Rs.355,629 had increased to Rs.434,072 or by 22 percent in the current year.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
The university was unable to legally acquire the ownership of 03 plots of land valued for Rs.1,022,650,000 included in the financial statements since the year 2011 even in the year under review.	That the offer sheet of one land has been forwarded for the signature of the President and the other offer sheet of the land has been forwarded to the Land Registrar for the registration. The Ministry of Tourism and Lands is currently being engaged with further works for acquisition of one plot of land after getting the necessary recommendations.	Action should be taken to complete the Acquisition works immediately.

3.2 Procurement Management

Audit observation	Comment of the Management	Recommendation
Due to detailed evaluation of the specifications had not been done during bid evaluation by the Technical Evaluation Committee as per paragraph 7.8.7 of the procurement guidelines in the procurement of restaurant equipment, 03 equipment worth of Rs.1,018,500 had been procured which did not comply with the specifications.	As the minor deviations do not have a significant impact on the scope, quality or performance of the work, recommendations were given by the Technical Evaluation Committee.	The provisions of the Government Procurement Guidelines should be followed.

4 Accountability and Good Governance

4.1 Annual Action Plan

Audit observation	Comment of the Management	Recommendation
Out of the 300 activities identified in the action plan relevant to the year under review, 106 activities were implemented but was not reached their goals and 108 activities were not implemented. Only 86 activities were met the objectives.	Agreed with the observation.	Targets and Goals in the action plan should be accomplished in a timely and efficient manner.