

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the University of Visual performing Arts for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 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, 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 Visual performing Arts as at 31 December 2023, 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

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 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 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 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the Reference to Particular Standard	comment of the Management	Recommendation
According to paragraph 48 of Sri Lanka Public Sector Accounting Standard 01, although income and expenses should not be offset, the total expenses of Rs.2,564,662 was offset against total income of Rs.3,705,256 in 3 instances and a sum of Rs.1,140,594 was stated as net income.	Action will be taken to correct in the year 2024.	Sri Lanka Public Sector Accounting Standards should be followed.

1.5.2 Accounting Deficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) According to the financial statements as on 31 December of the year under review, the provision for gratuity was Rs.150,326,884, but according to the detailed schedule the value was Rs.173,923,589 and there was a difference of Rs.23,596,706.	The calculation of gratuity was done by computer using Excel application and due to a defect, this Rs.150,326,884 with the defect has been adjusted to the financial statements.	The balances in the statement of financial position should be compared with the balances in the schedules.
(b) Without verifying the physically unavailability of assets, the cost and accumulated depreciation of 12,499 items belonging to 07 categories of property, plant and equipment had been removed from the books and a disposal loss of Rs.16,061,374 was stated in the statement of financial performance.	Only the physically existing assets were adjusted to the final accounts of the year 2023 through a physical verification. If there are any misplaced assets, a formal investigation will be conducted and disciplinary	The process of removing assets from the books should be carried out in a formal manner.

		action will be taken against the responsible officials and the necessary action will be taken to complete the assets revaluation activities in the year 2024.	
(c)	The income of Rs. 2,180,659 received during the year under review was directly credited to the fund accounts without being recognized as the income of the year, as such, the deficit and fund account balance of the year were overstated by that amount.	That the funds referred to herein are funds established for a specific purpose and the receipts for the same are directly adjusted to the respective fund accounts depending on the nature of the objectives of these funds.	The income of the year should be correctly identified in preparation of the financial statements and accounted for.
(d)	The university contribution for employees medical insurance coverage amounting to Rs.1,836,124 paid during the period from 01 July 2023 to 31 December 2023 was accounted as insurance premiums receivable instead of accounting as expenses of the university. As such, the deficit of the year and receivable balance were understated and overstated respectively by that amount.	This will be corrected during the preparation of the final accounts in the year 2024.	The expenses of the year should be correctly identified in preparation of the financial statements and accounted for.
(e)	A sum of Rs.21,064,300 invested in fixed deposit in the year 2024 was shown under investments in the financial statements of the year under review, as such, the cash balance and investment value as on 31 December of the year under review were understated and overstated respectively by that amount.	That the investment was made in fixed deposits in the months of January and March in the year 2024.	Assets as at the date of preparation of the statement of financial position should be accurately identified and accounted for.

1.6 Receivable and Payable Accounts

1.6.1 Accounts Receivable

Audit Observation	Comments of the Management	Recommendation
The total sum of Rs.2,842,485 due from two officers who breached the	The value of the contracts and bonds to be recovered by	Action should be taken to recover

contracts and bonds was unable to recover even by 31 May 2024. 31 December 2023 was Rs.3,175,801. It has reduced to Rs.2,842,485 by May 2024. dues immediately.

1.6.2 Accounts Payable

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) Deposits and retained balances total amounting to Rs.16,742,520 remained from 01 year to 08 years and 6 capital advance balances total amounting Rs.9,493,459 remained from the year 2017 had not been settled even by the end of the year under review.	Action will be taken to pay the deposits and retained balances in the future and recover the advances in future payments to the contractor.	Action should be taken to settle the balances remaining for long period.
(b) An amount of Rs.1,429,689 which was included in other payable expenses for more than two years was also not settled even during the year under review.	Payment vouchers related to these are still being received and the remaining payments will be settled in the year 2024.	Action should be taken to settle the outstanding balance.

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

The following observations are made.

Reference to laws, rules, regulations	Non compliance	Comments of the Management	Recommendation
(a) Section 11 (a) of the Finance Act No. 38 of 1971	An amount of Rs.10,000,000 had been invested in fixed deposits during the year under review without obtaining the prior approval of the Minister concerned and the Finance Minister.	This amount has been invested with the recommendation of the Governing Council and the approval of the Finance Committee.	Investments should be made with formal approval as per the Finance Act.

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| (b) | Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulations 103 and 104 | Action had not been taken as per the financial regulations regarding the misplacement of 3,940 library books with a value of Rs.1,097,359 even by March 2024. | A committee of 05 members has been appointed by the 201st Governing Council held on 23 July 2020 to investigate and submit a report in this regard and actions are being taken by the committee. | Financial Regulations should be followed. |
| (c) | Section 03 (viii) of National Budget Circular No. 03/2022 dated 26 April 2022 | The university had spent a sum of Rs.3,672,249 during the year under review for the employee medical insurance scheme contrary to circular instructions. | 75 percent of the total premium will be borne by the employees. Funds earned from renting out University space for telecommunication towers have been utilized for this purpose. | Circular provisions should be followed. |
| (d) | Treasury Secretary's letter No. BD/HRD/126/214/19/2023 dated 18 January 2023 | A sum of Rs.787,958 recovered from a lecturer whose bond was breached during the year under review had not been credited to the government revenue. | That the money recovered from defaulters of bonds and contracts will be maintained under a restricted fund. | Circular provisions should be followed. |
| (e) | Section 4 of University Commission Circular No. 01/2022 dated 03 January 2022 | Board of survey of library books was not conducted for the years 2022 and 2023. | That the verification activities for the year 2021 have been completed in the year 2023. | Circular provisions should be followed. |

2. Financial Review

2.1 Financial results

The operating result of the year under review amounted to a deficit of Rs. 39,829,581 and the corresponding deficit in the preceding year amounted to Rs. 62,619,435 thus observing an

improvement of Rs. 22,789,854 in the financial result. The increase in the government capital grants had mainly attributed for this improvement.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
The legally transfer of the ownership of 03 plots of land worth of Rs.1,022,650,000 to the university was unable to complete even by 31 December of the year under review.	That the acquisition of land enjoyed by the University of Visual performing Arts is in progress.	Action should be taken to acquire the legal right of lands.