

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the University College of Matara for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance, statement of changes in 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 report to Parliament appear in this report.

In my opinion, the financial statements give a true and fair view of the financial position of the University College of Matara as at 31 December 2024, 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 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 this 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 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 Audit Scope (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 Non-compliance with laws, rules, regulations and management decisions, etc.

Reference to laws, rules, regulations etc.	Non-compliance	Comment of the Management	Recommendation
The Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulations 104	According to the stores verification reports as of 31 December 2023, action had not been taken under the financial regulations in respect of two laptop computers valued at Rs.225,000 which had gone missing.	This matter will be reported to the management and action will hereafter be taken in accordance with Financial Regulation 104 in this regard.	According to the Financial Regulations, preliminary and final investigations should be conducted and necessary action should be taken in this regard.
(ii) Financial Regulations 571	The library deposits totaling Rs. 398,000, collected from students enrolled between 2015 and 2017, had not been settled, although they had completed their courses and more than two years had passed.	The matter relating to the library deposits of students who had not applied for refunds will be reported to the board of management, and that further action will be taken in line with the its decision.	Action should be taken in accordance with Financial Regulations

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a deficit of Rs.5,446,266, compared to the corresponding deficit of Rs. 13,314,589 in the preceding year. Accordingly, an improvement of

Rs.7,868,323 in the financial result was observed. This improvement was mainly due to the increase in recurrent and capital grants and the decrease in other expenses.

3. Operating Review

3.1 Idle or Underutilized Property, Plant and Equipment.

Audit Observation	Comment of the Management	Recommendation
It was observed that 11 desktop computers worth Rs.2,706,000, donated by the Ministry of Education on 15 June 2023, had been kept in the Reference Room of the library for over two years without being properly utilized.	Work on the Smart Classroom of the library has now been commenced. Its Smart Board is currently being used for students' learning activities and presentations, while other equipment is also being utilized for teaching purposes.	Action should be taken to utilize underutilized assets.