

1. Financial Statements

1.1 Opinion

The audit of financial statements of the University of the Visual and Performing Arts for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with the provisions in National Audit Act, No. 19 of 2018. My comments and observations which I consider should be reported 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 as at 31 December 2020 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 determines 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 University 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 Sub-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 Responsibilities for 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 audit 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 University's 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 audit 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 audit 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 body 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 Audit Observation on the Preparation of Financial Statements

1.5.1 Internal Control over the Preparation of Financial Statements

The University 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 Accounts Receivables and Payables

1.6.1 Accounts Payables

Audit Observation	Comments of the Management	Recommendation
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Deposits and retentions amounting to Rs. 46,190,585 deposited in the University on 68 occasions from 2011 to 2018 for various purposes had not been settled even by the end of the year under review.	Information regarding significant amount of these retentions has been obtained and settled and the balance will be settled in 2021.	Action should be taken to settle deposits and retentions.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a deficit of Rs. 64,725,054 as compared with the corresponding deficit of Rs. 105,984,877 for the preceding year, thus observing an improvement of Rs. 41,259,823 in the financial result. The decrease in contractual services, gratuity payments, recurrent expenditure, and grants expenditure had mainly attributed for this improvement.

3. Operating Review

3.1 Management Inefficiencies

The following observations are made

Audit Observation	Comments of the Management	Recommendation
(a) Legal acquisition works of 03 plots of land valued at Rs. 1,022,650,000 included in the Fixed Assets Register as at 31 December of the year under review had not been completed.	Action had been taken to obtain legal ownership and the work could not been completed due to other institutional reasons beyond the control of the university.	Legal acquisition works should be expedited.
(b) A total sum of Rs. 1,329,139 was due from 08 officers who are not currently in service as on 31December 2020.	Relevant dues will be recovered on the release of their provident funds.	Action should be taken to recover the loan immediately.

3.2 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
The approved cadre was 621 and the actual staff was 433 and there were 172 vacancies as on 31 December of the year under review.	Applications have been called for filling of 09 vacancies in the Academic and Academic Support posts and 14 vacancies in the Non-Academic Staff. The recruitment process could not been fully completed due to the Covid epidemic and reasons beyond the control of the university.	Vacancies should be filled as per the requirements of the staff.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comments of the Management	Recommendation
----- Out of the budgeted amount of Rs. 5,300,000 for 08 units of expenditure, nothing had been incurred during the year under review. The budgeted and actual expenditure of 32 units of recurrent and capital expenditure varied from 25 percent to 229 percent.	----- The budgeted expenditure could not be incurred as forecasted due to the Covid-19 epidemic.	----- The budget should be used as a management control tool.

4.2 Sustainable Development

Audit Observation	Comments of the Management	Recommendation
----- The activities identified in the Strategic Performance Plan 2020 in achieving the Sustainable Development Goals, could not be performed as expected in the year under review.	----- Out of 158 tasks for 08 identified targets, 82 tasks have been achieved, another 42 tasks are being achieved and the remaining 34 tasks have not been started yet due to the Covid-19 epidemic.	----- Action should be taken to achieve the desired goals.