

University College of Kuliyaipitiya - 2021

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the University College for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended 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 accompanying financial statements give a true and fair view of the financial position of the University College as at 31 December 2021 and 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 responsibility for the financial statements is further described in the Auditor's Responsibility for the audit of the financial statements section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of the 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 of the university college.

1.4 Auditor's Responsibility 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 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 university college'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 Company'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 governing body 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	Management Comment	Recommendation
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(a)	Section 16 of the National Audit Act No. 19 of 2018.	Although the performance report for the year under review should be submitted along with the annual financial statements, no such performance report was submitted.	It will correct in the year 2022.	The performance report should be submitted with the financial statements.
(b)	Paragraph 7.4.1 of Public Circular No. PED/12 dated 02 June 2003 and Section 41(1) of the National Audit Act No. 19 of 2018.	An audit and management committee had not been appointed and implemented.	It will correct in future.	It should be done in accordance with circulars.

2. Financial Review

Financial Results

The operating result of the year under review amounted to a deficit of Rs. 317,625 and the corresponding deficit in the preceding year amounted to Rs. 1,571,221. Therefore an improvement amounting to Rs. 1,253,596 of the financial result was observed. The main reasons for the improvement was the decreasing of the service expenses and maintenance expenses in the year under review compared to the previous year.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
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(a) Even though more than 06 years have passed since the establishment of the university college, the land area of 5.41 hectares on which it is located had not been handed over to the college even at the end of the year under review.	All necessary arrangements have already been made to hand over the land to us and necessary activities are being carried out for than in future as well.	Arrangements should be made to transfer the land to the college.
(b) The useful life of non-current assets were not reviewed annually and non-current assets costing Rs. 10,648,998 were fully depreciated, but continued to be utilized. Accordingly, the estimated error was not corrected.	I will correct it in the year 2022.	The useful life of non-current assets should be reviewed annually.
(c) Fixed asset documents or schedules were not submitted to confirm the value of the property plant equipment of Rs. 281,984,267 as at 31 December 2021.	I will correct it in the year 2022.	Fixed assets register and schedule should be submitted for audit.

3.2 Operational Inefficiencies

Audit Observation	Management Comment	Recommendation
It was not possible to conduct the courses effectively due to the lack of three instructors and a laboratory assistant for 03 courses.	Arrangements will be made to recruit in future.	Recruitment should be done as scheduled and courses should be conducted effectively.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Management Comment	Recommendation
Although an internal audit unit should be established according to paragraph 03 of the Code of guidelines No. DMA/2009(1) dated 09 June 2009 of the Department of Audit and Management and Section 40(1) and (2) of the National Audit Act No. 19 of 2018, although 06 years had passed since the establishment of the university college, an internal audit unit had not been established.	I will act to establish such in future.	An internal audit unit should be established.

4.2 Sustainable Development Goals

Audit Observation	Management Comment	Recommendation
Although the identification of sustainable development goals and targets should identify the goals of ensuring comprehensive, equitable, quality education and providing whole life time learning opportunities for all, such sustainable development goals, targets and indicators for measuring targets were not identified.	It will be corrected in the year 2022.	Should be identified the sustainable development goals, targets and indicators for measuring targets.