

## University College of Anuradhapura - 2021

---

### 1. Financial Statements

---

#### 1.1 Opinion

---

The audit of the financial statements of the University College of Anuradhapura 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 equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of the 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 the Finance Act, No.38 of 1971. My comments and observations which I consider should be presented in 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 Anuradhapura as at 31 December 2021, and 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 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 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 College or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the College's financial reporting process.

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the 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 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 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 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 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 College, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the College has complied with applicable written law, or other general or special directions issued by the governing body of the College;
- Whether the College has performed according to its powers, functions and duties; and
- Whether the resources of the College 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**

College 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 Non-compliance with Laws, Rules, Regulations, Management Decisions etc.**

| <b>Reference to Laws, Rules, Regulations etc.</b> | <b>Non-compliance</b> | <b>Comments of the Management</b> | <b>Recommendation</b> |
|---|-----------------------|-----------------------------------|-----------------------|
|---|-----------------------|-----------------------------------|-----------------------|

Financial Regulations of the Democratic Socialist Republic of Sri Lanka

|            |   |   |  |
|------------|---|---|--|
| 1. 571 (2) | Action had not been taken to credit the lapsed deposits amounting to Rs.537,006, to revenue | The said amount is the retention money of contractors. These moneys are retained to cover defects in the relevant construction, if any. | Action should be taken to release retention money or to remedy the contract defects. |
|------------|---|---|--|

As such, it is not applicable to this Financial Regulation.

II. 395 (h) Bank reconciliation statements are prepared by the officer himself who is maintain the cash book. Preparation of bank reconciliations is carried out by another officer since the year 2022. Action should be taken in terms of Financial Regulations.

## 2. Financial Review

### 2.1 Financial Results

The operating result of the year under review had been a deficit of Rs. 3,154,758 as against with the surplus of Rs.4,870,598, thus observing a deterioration of Rs.8,025,356 in the financial result. The decrease in the recurrent grants and increase in the expenditure on maintenance and services had mainly attributed to the said deterioration.

### 2.2 Trend Analysis of major Income and Expenditure items

When comparing with the preceding year, variations of income and expenditure were observed as follows.

| Source                                       | 2020       | 2021       | Difference   | Percentage |
|--|------------|------------|--------------|------------|
| -----  | -----      | -----      | -----        | -----      |
|  | Rs.        | Rs.        | Rs.          | %          |
| Income                                       |            |            |              |            |
| -----  |            |            |              |            |
| Receipt of                                   | 52,875,000 | 40,044,700 | (12,830,300) | (24)       |
| Recurrent Grants                             |            |            |              |            |
| Other Income                                 | 1,753,307  | 1,090,942  | (662,365)    | (37)       |
| Expenditure                                  |            |            |              |            |
| -----  |            |            |              |            |
| Employees' Cost                              | 38,519,817 | 33,272,106 | 5,247,711    | 13         |
| Travelling Expenses                          | 99,368     | 18,410     | 80,958       | 81         |
| Expenditure on Supplies and Consumable Goods | 2,147,419  | 987,657    | 1,159,762    | 54         |
| Maintenance Expenditure                      | 998,000    | 1,192,347  | (194,348)    | (19)       |

|                      |           |           |           |      |
|----------------------|-----------|-----------|-----------|------|
| Services Expenditure | 7,993,103 | 8,819,879 | (826,776) | (10) |
|----------------------|-----------|-----------|-----------|------|

### 2.3 Ratio Analysis

-----

The current assets ratio of the preceding year stood at 1:6.54 and it had decreased up to 1:4.659 in the year under review. The quick assets ratio had decreased from 1:5 to 1:3.502.

### 3. Accountability and Good Governance

-----

#### 3.1 Internal Audit

-----

| Audit Observation  | Comments of the Management  | Recommendation   |
|--|---|--|
| -----  | -----   | -----  |
| An Internal Audit Unit should be established and it should be certified that an effective system is available for the implementation of the internal audit activity in a proper manner. However, an Internal Audit Unit had not been established despite having lapsed of 02 years after the Audit Act was come into effect. | Internal audit activities of all universities are carried out by the Internal Auditor of the University of Vocational Technology. | An Internal Audit Unit should be established in terms of Sections 40(1) and (2) of the National Audit Act, No. 19 of 2018. |

#### 3.2 Audit Committee

-----

| Audit Observation  | Comments of the Management  | Recommendation   |
|--|---|--|
| -----  | -----   | -----  |
| In terms of the Public Enterprises Circular No. PED 55 of 14 December 2010, an Audit and Management Committee had not been established by the College. | As all 06 University Colleges implemented in Sri Lanka come under purview of the University of Vocational Technology, audit and management activities are carried out by the Audit and management Committee of the University of Vocational Technology. | Action should be taken in terms of the Public Enterprises Circular No. PED 55 of 14 December 2010. |