

1. Financial Statements

1.1 Qualified Opinion

The audit of financial statements of the Ocean University of Sri Lanka 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 and a summary of significant accounting policies and other explanatory information 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 Finance Act No 38 of 1971 and 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, except for the effects of the matters described in paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Ocean University of Sri Lanka as at 31 December 2021, 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 Qualified 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 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 Ocean University's ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Ocean University or to cease operations, or has no realistic alternative but to do so.

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

As per Sub-section 16 (1) of the National Audit Act, No. 19 of 2018, the Ocean 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 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 or the override of internal control.
- Obtain an understanding of internal control 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 Ocean 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 based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Ocean 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 Ocean University and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Ocean University has complied with applicable written law, or other general or special directions issued by the governing body of the Ocean University;
- Whether 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 Audit Observations on the Preparation of Financial Statements

1.5.1 Internal Control over the Preparation of Financial Statements

Entities are 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.

1.5.2 Accounting Deficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
-----	-----	-----
(a) The initial expenses of Rs. 1,513,936 incurred during the year under review for the building to be constructed under KOIKA capital provision had been written off as training expenses instead of being accounted as work in progress. As such, the deficit of the year was over stated and the work in progress was under stated in the financial statements.	The corrections related to this error will be rectified in the final accounts of the year 2022.	Recurrent and capital expenditure should be accurately identified and financial statements should be prepared.

- | | | | |
|-----|---|---|--|
| (b) | Action had not been taken to remove the settled advance balance of Rs. 382,573 during the year 2020 from the accounts, as such, the advance balance was overstated by that amount in the financial statements. | The corrections related to this error will be rectified in the final accounts of the year 2022. | The settled advances should be accurately adjusted in the financial statements. |
| (c) | The deduction of retention money amounting to Rs. 382,573, in making payment to a contractor during the year 2020, had been credited to the advance account instead of being credited to the retention money account. | The corrections related to this error will be rectified in the final accounts of the year 2022 | Corrections should be done and financial statements should be prepared accurately. |
| (d) | Although the accrued expenses amounted to Rs. 6,155,458 remained at the end of the year under review were settled, the related information was not submitted to the audit. | Agreed with the audit comment and instructions were given to avoid such errors in the future | Information relevant to the settlement of accrued expenses should be submitted. |

1.6 Accounts Receivable and Payable

1.6.1 Accounts Receivables

The following information is made.

Audit Observation	Comments of the Management	Recommendation
-----	-----	-----
Action had not been taken to recover of 09 receivable balances worth of Rs. 15,506,595 remaining for many years even by the end of the year under review.	Necessary instructions had been given to settle these balances in the preparation of the final accounts and present the final accounts for the year 2022.	Prompt action should be taken to recover.

2. Financial Review

2.1 Financial Results

The operating result of the year under review had been a deficit of Rs. 573,779 as compared with the corresponding deficit of Rs 4,063,873 in the preceding year, thus indicating an improvement of Rs.3,490,094 in the financial result. Increase in the other income had mainly attributed to this improvement.

3. Operational Review

3.1 Uneconomic Transactions

The following observation is made.

Audit Observation -----	Comments of the Management -----	Recommendation -----
<p>(a) An additional provision of Rs.300 million was granted under the budget proposals in the year 2016 for the construction of a five storied building in the Mattakkuliya head office with the objective of developing classrooms, lecture halls and laboratory facilities and a sum of Rs. 6,494,107 had been spent for the preparation of estimates and soil testing in the year 2016. However, action had not been taken to construct the relevant building even by the date of audit of 29 December 2021, and the expenditure incurred had been an idle expenditure.</p> <p>Also, a building was rented from an external party from the year 2018, and a total sum of Rs. 109,942,547, including a sum of Rs. 96,444,819 as building rent, and Rs. 13,497,728 as water, electricity and other expenses had been incurred by 31 December 2021 without taking action to construct the said building,</p>	<p>As per the instructions of the Treasury the construction was suspended due to the prevailed financial situation. A building had been procured on lease basis following procurement methods to provide facilities of the higher academic students.</p>	<p>The funds allocated for the development of the country should not be spent on non-economic transactions and attention should be paid to the effective utilization of public funds.</p>

3.2 Management Inefficiencies

The following observations are made.

Audit Observation -----	Comments of the Management -----	Recommendation -----
<p>(a) Action had not been taken to acquire the land area of 4 ½ acres where the Negombo Regional Center of the Sri Lanka Sagara University is located, even until the date of audit of 31 March 2022. A new building was constructed in that area at a cost of Rs. 28,843,897 under Sri Lanka Sectoral Development Project (SSDP) funds in 2014 and after the completing of the construction, the Assistant Director had informed the Director (Training) and the Registrar, in 5 occasions from the year 2015 to the year 2017, the defects should be rectified by the contractor. But those defects were rectified by a new contractor and a sum of Rs. 3,571,196 was paid in the year 2021.</p>	<p>As per the estimate prepared in the year 2021, except tiling other defects have been rectified. The contractor has informed that tiles are not available due to the decrease in tile production and after tiling the building can be utilized.</p>	<p>Action should be taken to acquire the premises of the regional centre. The cost incurred for carrying out the works by getting a new contractor without rectifying the defects by the original contractor should be recovered from the responsible officials.</p>
<p>(b) It was unable to remove the two squatters from a part of a land of the Negombo Regional Centre is situated even till the date of audit of 31 March 2022.</p>	<p>They were informed in writing to vacate the premises by the Divisional Secretary of Negombo, but they have not vacated until now.</p>	<p>Action should be taken to remove illegal residents.</p>
<p>(c) Action had not been taken to accredit of 07 courses introduced to implement in 03 centers of the Sagara University even by the end of the year under review.</p>	<p>Necessary action had been taken to accredit the courses in the Batticaloa Centre. Accreditation activities were delayed due to the modernization of the workshops of the Mattakkuliya regional centre and accreditation</p>	<p>Accreditation should be carried out without delay.</p>

- will be done in the future.
- (d) Students were not registered for the Diploma in Aquaculture & Aquatic Resource Management course conducted at the Batticaloa and Negombo regional centers and the Diploma in Maritime and Logistic Management course conducted at the Batticaloa regional centre after 2017 until 31 December 2021. No reply was made. Promotion activities for the courses should be expanded.
- (e) 19 students had registered for the Computer Graphic Designing course at the Tangalle regional centre in the year 2019, and out of that 09 students had left the course. Students were not registered for that course after 2019 till 31 December 2021. Although the course was started with 19 students in December 2019, the number of students was decreased as only external instructors were recruited for this course and the issues in using of the computer lab as only one computer lab could be used for the course etc, due to the covid-19 virus situation in 2020. The attention of the management should be paid on developing the necessary infrastructure facilities to conduct the courses in which there are much demand for enrollment of students.
- (f) The total number of students registered in the 8 centers in the years 2018, 2019 and 2020 was 569, 787 and 695 respectively due to the low level of promotional activities for the enrollment of students for the free degree, diploma and certificate courses conducted by the Sagara University. While comparing the total operating cost including salaries and wages per student for the years 2018, 2019 and 2020 student unit cost of Rs. 686,153, Rs. 580,691 and Rs. 670,439 had been incurred respectively. Necessary action had been taken to increase the enrollment of students for the courses and, accordingly, the student unit cost will be reduced in the future. Necessary actions should be taken to increase the enrollment of students for all the centres.
- (g) Although the number of students in the degree programs conducted by Sagara University Necessary action had been taken to minimize the time taken to release Actions should be taken to speed up the process of releasing the results.

- was low between 4 to 73, from 03 months to 01 year had been spent to release the exam results of 11 groups of 02 courses.
- (h) Arrangements were not made to use the 385 books in the Panadura region centre library for the benefit of students after 11 August 2019.
- (i) Although 6 instructors were approved for the Aquaculture and Aquatic Resource Management course at Negombo College, only one instructor was recruited. To conduct the course activities without interruption, the governing body had appointed her as a lecturer in the higher education department since July 2018 without assigning of any other permanent instructor from the time she was on maternity leave in the year 2017 till now.
- (j) The jetty of the Negombo College owned by Sagara University is used for launching boats manufactured by private institutions at a charge of Rs. 10,000 each, but the Sagara University had not taken action to demarcate this jetty and protect from outside parties, which could be used for income generation.
- (k) It was unable to start the workshop and continue the course due to the non-tiling of the room reserved for maintaining the welding workshop and the non-fixing of
- the results.
- Due to the Covid epidemic situation in 2020/2021, the courses were conducted through online technology for the students, hence, library books could not be issued for the use of students.
- The academic activities of the 2016 batch were completed with great difficulties with the contribution of consultants provided from time to time on contract basis and the course started in 2018 is also planned to be completed.
- No reply was made.
- A space had not been reserved for the welding workshop in the new building under the SSDP project and the old building had been
- The country was not closed continuously due to the Covid epidemic situation and library facilities should have been provide for the use of the students.
- The management should pay attention to the requests of the Directors of the centres and necessary arrangements should be made to conduct the courses properly.
- Boundaries should be identified and necessary arrangement should be made for regular revenue generation.
- Necessary action should be taken to continue the courses in demand systematically.

the wetting parts in the open area of the roof, in the old building which the Negombo College was located which was constructed and renovated under the SSDP project, from the year 2014 to the year 2022

- | | | |
|---|---------------------------|---|
| <p>(l) Although a space had been allocated for a computer lab for the Negombo Regional Centre and requests were made to supply 10 computers from time to time since 2016, action had not been taken to provide the necessary facilities of the students to maintain the courses properly until the end of the year under review. It was revealed in the physical inspection of the computer lab that, 10 computer tables and 10 chairs provided by the SSDP project in the year 2016 were unused and ideal.</p> | <p>No reply was made.</p> | <p>Necessary action should be taken to improve the quality of the courses by providing the necessary equipment and maintain the courses properly.</p> |
| <p>(m) Although 06 instructors had been approved for the out board motor mechanic course at the Negombo centre, the course is currently being conducted with the participation of one external instructor.

It was observed during the audit that, the course could not be continued in the absence of the instructor and it was taken long time to complete the course which directly affected the quality of the course.</p> | <p>No reply was made.</p> | <p>Necessary action should be taken to recruit the required staff and continue the courses properly.</p> |

3.3 Idle or underutilized Property, Plant and Equipment

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
-----	-----	-----
<p>(a) Although two yachts anchored/alongside at the jetty</p>	<p>These yachts were received on grants and</p>	<p>The management is responsible for not</p>

owned by Negombo College remained idle from 2004 to the year under review, two employees of the college were engaged to guard the yachts and more than a sum of Rs. 200,000 had been paid per year.

special attention is being paid to the utilization and a committee comprising Sri Lanka Navy officers had been appointed by the Secretary to the Line Ministry to examine the seaworthiness of these yachts and make recommendations.

utilizing the yachts received in the year 2004 till date. Necessary arrangements should be made to deploy those yachts under a systematic stream of study of the students.

- (b) Due to non-rectification of the defects in the room reserved in 2014 for maintaining the welding workshop in the old building of Negombo College renovated under the SSDP project, the course and the workshop could not be started and maintained till 31 March 2022. As such, 18 types of welding equipment procured for the course at a cost of Rs. 1,595,745 remained idle.

A part of these equipment was sent to other colleges which conduct the course as per the requirements.

The equipment procured under government funds should be utilized for academic studies of students.

3.4 Management of Vehicle fleet

The following observations are made.

Audit Observation -----	Comments of the Management -----	Recommendation -----
(a) Although an estimate of Rs. 141,950 had been obtained for the repair of the engine of the Nissan Sunny motor car which had driven 89 km as on 02 December 2019 which is under the custody of the Panadura center in the year 2019, the car had been parked in the premises of the center without repair over 2 years by January 2022. Attention is drawn to Public Administration Circular No. 30/2016 dated 29 December 2016.	It had been decided to dispose the vehicle since the repairing was not effective. Accordingly, the relevant vehicle was brought back from the garage.	Due to the delay in the implementation of the decisions, the vehicles decays and a formal inquiry should be conducted against the officials who do not implement the decisions.

- (b) Another car had been removed from the service since November 2021 due to failure of the suspension system, differential system and the air conditioning system. Failure to repair the vehicles without delay and leaving the driven vehicle being parked for a long period of time without being started will cause the engine and other parts of the vehicles become inactive and the functional life will be reduced and the vehicles to be disposed with least usage.
- The quotations from 3 registered garages in the area were obtained and the repair was carried out from the garage which had offered the lowest estimate but the vehicle could not be released from the garage due to the inability to make the relevant payments.
- Since the administration of vehicles is not at a satisfactory level, so attention of the management should be paid in this regard.