

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the University College of Matara for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance, statement of changes in net 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, except for the effect 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 University College of Matara as at 31 December 2023, 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 based 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 this 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 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 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 Audit Observations on the Preparation of Financial Statements

### 1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with Reference to Relevant Standard	Comment of the Management	Recommendation
(a) After issuing a cheque worth Rs. 1,353,320 on 31 December 2022 for the Learning Management System (LMS) purchased on 31 December of the preceding year, which was still not made operable, it was incorrectly accounted for as an intangible asset contrary to Paragraph 28 of Sri Lanka Public Sector Accounting Standard 20. Consequently, the intangible assets were overstated by that amount. Even though the system was not utilized during the years 2022 and 2023, adjustments had been made for depreciation contrary to Paragraph 96 of the Standard. As a result, the expenditure and the accumulated depreciation for the year under review were overstated by Rs. 96,590 and Rs. 97,649, respectively, in the financial statements.	The savings for the subsequently requested development of two parts of the examination system, including the entry of marks and the review of marks by students, was accounted for and depreciated as an asset from 27 December 2022. Upon completion of the LMS development, it was handed over to the relevant supplier on 27 December 2023.	Financial statements should be prepared in accordance with Sri Lanka Public Sector Accounting Standard.
(b) In terms of Paragraph 80 of Sri Lanka Public Sector Accounting Standard 01,	Action will be taken to recognize and state the non-current liabilities	Financial statements should be prepared

liabilities to be settled within 12 months after the reporting period should be recognized as current liabilities. Since non-current liabilities of Rs. 3,333,000 included in the refundable library deposit were stated under current liabilities in the financial statements for the year under review, current liabilities were overstated and non-current liabilities were understated by that amount.

and current liabilities separately from the ensuing year.

in accordance with Sri Lanka Public Sector Accounting Standard.

### 1.5.2 Accounting Deficiencies

Audit Observation	Comment of the Management	Recommendation
No action had been taken to assess and account for the land on which the University College has been maintained since 2015, even in the year under review.	The land where the University College is established has been handed over to the Ministry of Skills Development by the Divisional Secretary, Matara. Since the Ministry holds the interest in the said land, it informs that there are no obstacles in maintaining and developing the University College.	The land should be assessed and accounted for.

## 2. Financial Review

### 2.1 Financial Result

The operations of the University College for the year under review resulted in a deficit of Rs. 13,314,589, compared with a corresponding deficit of Rs. 27,189,925 for the preceding year. Accordingly, an improvement of Rs. 13,875,336 was observed in the financial result. This improvement was mainly due to an increase in capital grants, an increase in revenue from value-exchangeable transactions, and a decrease in the provision for depreciation.

## 3. Operating Review

### 3.1 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
(a) Out of 1,991 approved lecture hours scheduled in 21 instances related to course modules, 1,500 hours had not been covered. Accordingly, the coverage of the scheduled lecture hours remained poor, and it was not possible to satisfy during the audit that the students sufficiently received the necessary knowledge.	Some visiting lecturers' migration abroad, departure for personal matters, and the low payment per hour contributed to the failure to cover the prescribed number of hours for the modules. However, the prescribed subject matters of the modules have been covered.	Steps should be taken to cover the planned course hours to ensure that students can acquire the knowledge sufficiently.

- (b) By the end of the year under review, 24 out of 35 students enrolled in the cosmetology course in 2015, 2017, and 2018, and 95 out of 824 students enrolled in 9 courses from 2019 to 2021 had left the courses. The management had not focused on identifying the reasons for these students leaving and on taking necessary measures to retain them.
- Issues such as COVID-19 and the economic crisis from the beginning of 2019, 2020 and 2021, along with a tendency for students to leave courses due to the trend of migrating abroad, are present. All lecturers make students aware of the importance and demand for the NVQ qualification both locally and internationally.
- The management should take necessary steps to retain the students enrolled.

### 3.2 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comment of the Management	Recommendation
The Vehicle Hoist and wheel Alignment machine purchased at a cost of Rs.1,250,000 in 2014 for practical activities of the students remained idle without being utilized even by 31 December of the year under review.	A building with a space comprising 38 feet in length, 28 feet in height and 20 feet in width is required to install this machine. Action will be taken to install the relevant machine to the required standard once an optional land is received by the College.	Purchases should be made following a proper feasibility study, and the purchased equipment should be used for its intended purpose.

## 4. Accountability and Good Governance

### 4.1 Tabling Annual Report in Parliament

Audit Observation	Comment of the Management	Recommendation
Annual Report for the year under review had not been prepared and submitted.	Annual Report related to the year 2023 is being prepared.	An annual report shall be submitted in terms of Section 14 of the Finance Act No. 38 of 1971.