

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the University College of Anuradhapura for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance and statement of changes in net assets and cash flow statement for the year then ended and notes to the Financial statements and a summary of significant accounting policies, was carried out under my direction in pursuance of provisions of Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be 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 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 position of the University College of Anuradhapura as at 31 December 2023 and of its financial performance and its cash flows for the year then ended give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards.

**1.2 Basis for 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 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 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 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 great 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 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 Governors of the University College;
- Whether the University College 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 Preparation of Financial Statements**

### **1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards**

<b>Non Compliance with the Reference to Particular Standard</b>	<b>comment of the Management</b>	<b>Recommendation</b>
(a) According to paragraph 117 of Sri Lanka Public Sector Accounting Standard 20, intangible assets should be shown as a separate item in the statement of financial position, but intangible assets worth of Rs.847,611 were shown under property, plant and equipment.	That these assets were also shown in the final financial statements under fixed assets as it was not compulsory to show the difference in the standard.	According to Sri Lanka Public Sector Accounting Standards, intangible assets should be shown separately in the statement of financial position.
(b) Contrary to the paragraph 41 (b) of Sri Lanka Public Sector Accounting Standard 03, the adjustment of the difference in depreciation percentage had been made to the prior period in relation to the change in the effective lifetime of fixed assets. As such, the accumulated capital fund and accumulated provision for depreciation were overstated and understated by Rs.4,545,617 respectively.	The value of these fixed assets was fully depreciated. Accordingly, the balances in the financial statements of the previous year have been revalued and adjustments have been made in the accounts of the current year.	According to Sri Lanka Public Accounting Standard 03, the difference in the depreciation percentage related to the review of the lifetime of an asset should not be adjusted to the prior period and should be done in accordance with the standard.

## **2. Financial Review**

### **2.1 Financial Result**

The operation result for the year under review had a deficit of Rs.17,949,497 as compared with the corresponding deficit of Rs.26,243,337 for the preceding year, thus observing an improvement of Rs 8,293,840 of the financial result. This improvement was mainly due to increase in the recurrent and capital grant.

### **2.2 Ratio Analysis**

The current assets ratio of the previous year was 1:7.75 and it had improved to 1:15.41 in the year under review and the quick ratio had increased from 1:6.21 to 1:12.86.

## **3. Operational Review**

### **3.1 Management Inefficiencies**

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
A sum of Rs. 105,000 had been spent to create a website in the year 2022, but due to not being able to get the desired results, that expenditure had become an idle expenditure.	That the website has been updated and modernized by adding new facilities and additional features to the existing website.	Assets should be procured after a proper feasibility study and utilized at maximum capacity.