

1 Financial statements

1.1 Qualified Opinion

The audit of the financial statements of the University College of Kuliyapitiya for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 the 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 effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the University College of Kuliyapitiya as at 31 December 2020, and of 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 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 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 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 Scope of Audit (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 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 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 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 Institute has performed according to its powers, functions and duties;
- 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 Observation on 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 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with reference to the respective Standards	Comments of the Management	Recommendation
Since useful life time of the non-current assets had not been reviewed annually in terms of Paragraph 65 of the Sri Lanka Public Sector Accounting Standard 07, fixed assets costed for Rs. 28,908,671 were further in use despite being fully depreciated. As such, action had not been taken to revise the said	No reply was given.	should act in accordance with the Sri Lanka Public sector accounting standards.

estimated error in the financial statements in terms of Sri Lanka Public Sector Accounting Standard 03.

1.5.3 Accounting Deficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) Capital expenditure of Rs.108,250 was accounted as recurrent expenditure incurred during the year under review and, as such, the deficit for the year was over stated by that amount in the financial statements.	No reply was made.	Capital expenditure and recurrent expenditure should be accurately identified and accounted for.
(b) Due to the previous year external lecturer fees amounted to Rs. 306,689 / - had been accounted as expenditure for the year under review instead of being adjusted to the Accumulated Fund, the deficit of the year was over stated by that amount in the financial statement of the year.	No reply was made.	Expenditure relevant to the year should be accurately identified and accounted for.

1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

The following observations are made.

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comments	Recommendation
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation No. 571	The total deposit balance of Rs. 732,766 for more than two years had not been settled even by the end of the year under review.	No reply was made.	Should comply with the Financial regulations.

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| (b) | Sections 40 (1) and 40 (2) of the National Audit Act No. 19 of 2018 | Although an internal audit unit was to be set up, action had not been taken to establish an internal audit unit even though 06 years had passed since the establishment of the University College. | No reply was made. | Action should be taken immediately to set up an internal audit unit. |
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2 Financial Review

2.1 Financial Result

The operating result for the year under review had been a deficit of Rs. 317,625 as compared with the corresponding deficit of Rs. 1,571,221 for the preceding year, thus indicating an improvement of Rs.1,253,596 in the financial result. Decrease in service expenditure and maintenance expenditure had been the main reasons for the said improvement of the year under review.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation -----	Comments of the Management -----	Recommendation -----
Although more than 06 years have passed since the establishment of the university collage, action had not been taken to acquire the 5.41 Hectare land on which the university collage is located even by the end of the year under review.	All necessary arrangements have already been made to acquire the land and will continue to do so in the future.	Action should be taken to take over the land to the university collage.

3.2 Operational Inefficiencies

Audit Observation -----	Comments of the Management -----	Recommendation -----
Three courses could not be conducted effectively due to the unavailability of 03 instructors and a laboratory assistant for those courses,	Arrangements will be made to recruit in the future.	Recruitment should be done as scheduled and courses should be conducted effectively.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Comments of the Management	Recommendation
Even though an Internal Audit Unit should be established in accordance with paragraph 03 of the Guidelines No. DMA/2009 (I) dated 09 June 2009 and section 40 (1) and (2) of the National Audit Act No. 19 of 2018, action had not been taken to establish an internal audit unit even though 06 years had passed since the establishment of the University College.	No reply was made.	Action should be taken to establish an internal audit.

4.2 Sustainable Development Goals

Audit Observation	Comments of the Management	Recommendation
While identifying the goals and objectives of sustainable development it should be identified the goals under which to ensure a holistic, fair, quality education and to provide lifelong learning opportunities for all, thus indicators for measuring sustainable development goals, objectives and targets had not been identified.	No reply was made.	Indicators should be identified to measure sustainable development goals, objectives and targets.