

1.1 Financial Statements

The audit of the financial statements of the University College of Matara 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 equity 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 Provisions of 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, financial statements give a true and fair view of the financial position of the University College as at 31 December 2020 and its financial performance and cash flow 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 the Sri Lanka Auditing Standards (S.L.Au.Ss). My responsibility with regard to financial statements is further described under the section “Auditors Responsibility”. I believe that the audit evidence that 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 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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern of the University College of Matara and using the going concern basis of accounting unless management either intend to liquidate the University or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the University College of Matara.

As per section 16(1) of the National Audit Act No. 19 of 2018, the 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.

1.4 Audit Scope (Auditor's Responsibility for 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 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 ability of the university college 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

university college and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the university has complied with applicable written law, or other general or special directions issued by the governing body of the university;
- 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 Financial Statements

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

	Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a)	Section 10 of the public Examinations Act No. 25 of 1968.	NVQ Level 6 semester II answer sheets of the student batch recruited in the year 2016 were in custody of the examiner contrary to the circular rules.	It is normal practice of the institute to give the answer sheets properly as soon as the scoring procedure is completed and I will inform all the academic staff again.	All officers should be act in accordance with the provisions of the Act.
(b)	Section 4.7.3(i) of the University Operations Handbook.	Progress record books were not maintained to record the daily lectures and practical	I will also formalize the reporting of	Progress record books should be maintained as per

training for the students in each course and to monitor and record the lectures. teachings in all the courses from the handbook. operation next month.

(c) Treasury Circular No. IAI/2002/02 dated 28 November 2002. Rs. 6,411,532 worth of computer software and hardware had not been maintained in a fixed assets register as per the circular provisions. I will continue to update the fixed assets register maintained from the year 2018 in future. A separate assets register of computers and software should be maintained in accordance with the circular provisions.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs. 2,488,772 and the corresponding deficit of the preceding year amounted to Rs. 825,532. Therefore an improvement of amounting to Rs. 1,663,420 of the financial result was observed. The main reasons for the improvement were increasing the recurring grants by Rs. 272,000,000 and decreasing the operating expenses by Rs. 2,426,131.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation -----	Management Comment -----	Recommendation -----
(a)	Although the certificates of Diploma in Advanced Technology should be issued to those students within 03 years of completing the NVQ courses conducted by the institute and also 05 years have passed for the student batch that were recruited in the year 2016, certificates had not been issued on completion of the course.	Duration of the course period was extended due to students did not attend to lectures due to student protests from time to time in past, prolonged class strikes and natural disasters.	Action should be taken to commence courses as per the action plans, conduct examinations as scheduled and produce a professional on time.
(b)	The number of students enrolled in one of the courses conducted by the institute was less than 35. Also, there was no clear plan to fill the vacancies due to those who drop out the course at the beginning.	For this purposes, I will formulate a system to get feedback and find out the reasons for leaving the course and prepare a programme to retain the students till the end of the course.	Action should be taken to get maximum use of human and physical resources while maintaining the maximum capacity that can be recruited for a course.

- (c) Out of planned practical hours of 10,090 for 09 courses conducted by the institute for the student batch of 2017 and 2018, only 705 hours were completed and the required hours for the courses were not covered.
- Study tours are conducted to complete the shortcomings of the laboratory facilities and the lack of laboratories for some courses. In this case, the relevant number of hours will not be completed and the subject will be covered.
- Management should work to produce a quality professional with practical activities.

3.2 Operational Inefficiencies

Audit Observation	Management Comment	Recommendation
<p>(a) Out of the student batch enrolled for 09 courses from 2015 to 2019, only the 2015 student batch had completed the course and 80 students or 67 percent of the enrolled student batch had completed the course continuously. Out of these 80 students, 35 students or 44 percent failed the examination and could not complete the course.</p>	<p>When leaving during the course, the number of students was overstated as some students did not legally leave from the academy. It was affected to shown as the low percentage of passed students.</p>	<p>Should be investigated the causes for the abnormal examination failure and taken remedial actions.</p>
<p>(b) 2,555 hours out of the approved 58 lecture hours for 04 courses in the second semester which were conducted for the 2017 and 2018 student batches were not covered. This amount was more than 30 percent of the approved lecture hours for the subjects.</p>	<p>Teaching was interrupted from time to time due to non- attendance at lectures due to student protests/ pickets, prolonged class strikes, natural disasters etc. Most of the courses were conducted online during the year 2020. There was a clear difficulty in completing the lecture hours.</p>	<p>Approved lecture hours should be covered and action should be taken to impart theoretical knowledge to the students.</p>

3.3 Idle or underutilized property, plant and equipment

Audit Observation	Management Comment	Recommendation
The Wheel Alignment Gurage Aligner 680- EL valued at Rs. 1,250,000 purchased in December 2014 for student practical activities had not yet been used for student practical activities as at 29 March 2021.	There is not spacious land in this institution to fix the relevant equipment. Once our company receives an alternative land, I will fix the relevant equipment according to the proper standards.	Equipment used for students' practical activities should be used in maximum efficiently.