

University College of Anuradhapura -2020.

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the University College of Anuradhapura 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 the 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, the financial statements give a true and fair view of the financial position of the University College of Anuradhapura as at 31 December 2020, 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 Opinion

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 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 of the Board.

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 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 governing body of the Institute
- 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 Observation 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.

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

Reference to Non-compliance Laws, Rules, Regulations etc.	Comment of the Management	Recommendation
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(a) Financial Regulation s of the Democratic , Socialist Republic of Sri Lanka.		
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(i) Financial Regulation 571	No action had been taken to credit the lapsed deposits totalling Rs. 537,006 to the Revenue.	This amount is the retention money of the contractors. This money is not applicable to this Financial Regulation as it is withheld to cover any defect in the relevant construction.	Action should be taken in accordance with Financial Regulations.
(ii) Financial Regulation 756	Annual Board of Survey on the items of the College had not been conducted as at 31 December of the year under review.	Annual Board of Survey for the year under review has been conducted. The report thereof will be furnished to audit in due course.	Action should be taken in accordance with Financial Regulations.
(b) Circular			
(i) Paragraph 3 of the Guidelines No. 2009 (1) of the Department of Audit and Management dated 09 June 2009	Even though 05 years have elapsed since the inauguration of the University College, action had not been taken to establish an audit unit.	Internal Audit of all University Colleges is conducted by the Internal Auditor of the University of Vocational Technology	Action should be taken in accordance with circulars
(ii) Public Enterprise Circular No. PED 55 dated 14 December 2010	The University College had not established Audit and Management Committees.	All the 06 University Colleges operating in Sri Lanka are governed by the University of Vocational Technology and as such, the Board of Audit and Management of the University of Vocational Technology carries out the audit and management activities of the University Colleges. Accordingly, an Audit and Management Committee was also held for the University Colleges on 11 March 2021.	Action should be taken in accordance with circulars

2. Financial Review

2.1 Financial Result

The operations of the College for the year under review had resulted in a surplus of Rs. 4,870,598 as against the corresponding deficit of Rs.202,347 for the preceding year, thus observing an improvement of the financial result by Rs. 5,072,945. This improvement was mainly due to decrease in the service expenditure by Rs. 5,242,677 as compared with the preceding year.

2.2 Trend Analysis of major Income and Expenditure items

Source	2019	2020	Difference	Percentage
	Rs.	Rs.	Rs.	%
Other Income	2,556,434	1,753,307	803,127	31
Travelling	483,003	99,368	383,635	79
Expenditure on supplies and consum	3,257,447	2,147,419	1,110,028	34
Expenditure on services	13,235,780	7,993,103	5,242,677	40

2.3 Ratio Analysis

The current ratio in the preceding year was 1:0.74 and it had gone up to 1:6.54 in the year under review. The quick assets ratio had increased from 1:0.467 to 1:5.

2 Operating Review

3.1 Human Resource Management

Audit Observation

There were 7 vacancies in academic staff and 3 vacancies in non-academic staff in the approved cadre of the University College and no action had been taken to make recruitments for those vacancies.

Comment of the Management

Action will be taken to fill the relevant vacancies in the future.

Recommendation

Action should be taken to fill vacancies