

1. Financial Statements

1.1 Adverse Opinion

The audit of the financial statements of the University of Colombo Institute of Agro-Technology and Rural Sciences for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance, statement of changes in equity and cash flow statement and notes to financial statements for the year then ended 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. My comments and observations which I consider should be presented in Parliament appear in this report.

In my opinion, because of the significance of the matters described in the Paragraph 1.5 of this report, the financial statements do not give a true and fair view of the financial position of the University of Colombo Institute of Agro-Technology and Rural Sciences as at 31 December 2021 and its financial performance, and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Adverse Opinion

Because of the significance of the matters described in Paragraph 1.5 of this report, an adverse opinion is issued based thereon.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). 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 adverse 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 determines 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 Institute'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 Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute's financial reporting process.

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

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:

- Appropriate audit procedures were designed and performed to identify and assess the risk 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 procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute'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 Institute's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit 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 audit report. However, future events or conditions may cause the Institute 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 Institute and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Institute has complied with applicable written law, or other general or special directions issued by the governing body of the Institute;
- Whether the Institute has performed according to its powers, functions and duties; and
- Whether the resources of the Institute had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with Reference to the Relevant Standard	Comment of the Management	Recommendation
<p>a) There existed a difference of Rs. 74,293,890 between the values shown in the financial statements and the ledger with respect to 03 items of accounts in the year under review. A difference of Rs. 9,415,448 was also observed between the value shown in the cash flow statement relating to 05 items of accounts and the value that should have been adjusted in terms of Sri Lanka Public Sector Accounting Standard 02. Nevertheless, the necessary explanations on those differences were not made available to the Audit.</p>	<p>As there were multiple accounts attributable to the difference between the financial statements and the ledger, total of all those accounts should be computed. As such, correct adjustment values will be shown in due course.</p>	<p>Corrective measures should be taken after identifying the differences. The accounting standards should be followed.</p>
<p>b) The profit of Rs. 1,915,792 that had been identified in a professional assessment on gratuity allocations as at 31 December 2021, should have been brought to accounts under the statement of comprehensive income in terms of</p>	<p>Will be added to the cumulative profit in the year 2022.</p>	<p>Action should be taken in accordance with Sri Lanka Public Sector Accounting Standards.</p>

Sri Lanka Public Sector Accounting Standard 19. Nevertheless, that value had been as accounted as “an other” reserve under reserves.

1.5.2 Accounting Deficiencies

Non-compliance with Reference to the Relevant Standard	Comment of the Management	Recommendation
a) As the course fees receivable as at 31 December 2021 had not been identified and brought to accounts properly, a course fee income of Rs. 7,790,020 relating to the year under review had not been shown in the financial statements. As such, surplus of the year had been understated by the same amount in the financial statements.	The number of students could not be correctly identified due to non-receipt of relevant information. Hence, the accrued value could not be computed.	Transactions should be brought to accounts under accrual basis.
b) An expenditure on depreciation of 05 items of Property, Plant and Equipment under non-current assets amounting to Rs. 2,403,244, and a sum of Rs. 998,835 being the amortization on the development of buildings and structures, had been overstated in the financial statements as at 31 December 2021. As such, surplus of the year had been understated by Rs. 3,402,046.	Corrective measures will be taken in the year 2022.	Depreciation and amortization should be correctly computed and brought to accounts.

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

Reference to Laws, Rules, and Regulations, etc.	Non-compliance	Comment of the Management	Recommendation
a) Declaration of Assets and Liabilities Law, No. 01 of 1975 as amended by the Act, No. 74 of 1988.	Declaration of assets and liabilities as at 31 March of each year should be presented before 30 June, but 11 staff grade officers of the Institute had not declared their assets and liabilities from the	Declaration of assets and liabilities of those staff grade officers as at 31 March 2022 will be presented before 30 June 2022.	Provisions of the Act should be followed.

year 2014 up to the year under review.

- b) Financial Regulations 1645 (b), (c), and 1646 of the Democratic Socialist Republic of Sri Lanka. Monthly summaries and daily running charts of 02 vehicles owned by the Institute had not been presented to the Audit within the specified period. The daily running charts and monthly summaries of all the vehicles belonging to the Institute relating to the year 2021 will be presented to the Audit. The Financial Regulations should be followed.

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a surplus of Rs. 15,469,394 as compared to the corresponding surplus of Rs. 16,973,994 in the preceding year thus indicating a deterioration of Rs. 1,504,600 in the financial result. Although an increase in Government grants and generated income by sums of Rs. 4,520,000 Rs. 16,200,517 respectively had been observed, the said deterioration had been mainly attributable to the increase in operating expenses by Rs. 23,802,765.

3. Operating Review

3.1 Operating Inefficiencies

Audit Observation -----	Comment of the Management -----	Recommendation -----
a) The production cost for a banana plant and an aloe vera plant amounted to Rs. 164 and Rs. 72 in the year under review. Nevertheless, losses of Rs. 79 and Rs. 47 were observed respectively in producing a plant as a plant had been sold at Rs. 85 and Rs. 25 respectively. As such, a total loss of Rs. 5,500,712 had been sustained in the year under review due to sale of plants.	Cost of a plant had become higher than cost of sales due to reasons such as, production process became limited due to lack of staff following travel restrictions and limited supplies owing to Corona outbreak, and costs increased due to continuous payment of salaries and wages.	Selling price should be decided inclusive of production cost.

- b) Of the 1,391 students enrolled for the degree in agro-technology from the year 2017 up to the year under review, only 904 students proceed with the course at present. As such, 487 students had left the course representing 35 per cent, thus observing that the courses had not been updated to be on par with current market trends.
- The course was updated in the year 2017, and action has been taken to revise the course again.
- Courses should be updated to be in line with current market trends.

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