

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the University College of Kuliyapitiya ('College') 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 provisions of the 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 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 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 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.

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 of the University College had 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

Non Compliance with the Reference to Particular Standard	comment of the Management	Recommendation
(a) The University College had recognized a sum Rs.101,891 of unspent capital grants as income from non-exchange transactions in the financial statements during the year under review. As such, the deficit of the year and unspent capital grants account had been understated by that amount.	Instructions will be followed in the future.	Sri Lanka public sector accounting standards should be complied with.
(b) As per the Section 19 of Sri Lanka Public Sector Accounting Standard No. 07, the sewage drainage systems, water supply and communication systems constructed in the university college had not been valued and accounted for.	That the systems constructed in the university college will be identified and accounted for separately.	Sri Lanka public sector accounting standards should be complied with.
(c) Contrary to paragraph 69 of Sri Lanka Public Sector Accounting Standard 07, depreciation had been made for the entire year on assets procured during the year under review irrespective of the date of procurement of assets. Accordingly, depreciation for the year	Action will be taken to rectify.	Sri Lanka public sector accounting standards should be complied with.

under review was over accounted by Rs.1,328,901. As such, the deficit for the year and the property plant and equipment were overstated and understated respectively by that amount.

1.5.2 Accounting Deficiencies

Audit Observation	Comment of the Management	Recommendation
(a) The value of road systems which was accounted under buildings as on 31 December 2022 amounting to Rs.2,230,539 had been removed from the building account in the year under review and was accounted under an asset account as infrastructure cost, but basis of depreciation of those assets had not been identified and depreciation was not accounted.	That the depreciation on road system account will be calculated in the future.	Depreciation of assets should be properly accounted for.
(b) In correcting the errors in the payment of arrears due to the promotion of the position of a lecturer in the university collage, an amount of Rs.266,132 had been deducted from the expenditure of the year instead of being adjusted to the accumulated fund. As such, the surplus of the year and accumulated fund were overstated and understated by that amount respectively.	That such errors will be rectified by adjusting the accumulated fund in the future.	Expenditure related to the year should be correctly identified and accounted for.
(c) An amount of Rs. 90,842 to be received from a lecturer who vacated the post in the year 2020 had been credited to the relevant expenditure accounts of the year under review instead of being shown under the accumulated fund. As such, the surplus of the year and accumulated fund were overstated and understated by that amount respectively.	Presently, arrangement has been made by her to pay the amount of Rs.90,842.	Expenditure related to the year should be correctly identified and accounted for.

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

Reference to the Laws, Rules, and Regulations	Non Compliance	Comments of the Management	Recommendation
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulation 571(1),(2) and (3)	Action had not been taken in terms of Financial Regulations in respect of overdue sundry deposits total amounting to Rs.766,766, library deposits total amounting to Rs.199,621 and 04 old balances between 02 years to 04 years shown under Accounts Payable amounting to Rs.189,856 as on 31 December 2023.	Since it takes 02 years to complete the NVQ courses and the money is withheld until the TVEC and VIVA presentations of the students are completed and the certificates are issued, the library deposits have not been credited to the state revenue.	Regarding the deposits in completed Courses should be dealt with as per Financial Regulations
(ii) Financial Regulation 760	Losses/shortages of approximately 43 items included in the 2022 board of survey reports of the university college were not dealt with as per the financial regulations.	No comments were made.	Action should be taken in terms of Financial Regulations.
(iii) Financial Regulation 751	Action had not been taken in terms of Financial Regulation on 26 items procured by the university college at a cost of Rs.267,840.	That Agreed to act in terms of Financial Regulations.	Action should be taken in terms of Financial Regulations.
(b) Sections 7.1, 7.2, 8.1 and 11.7 of Chapter V of the Establishment Code of Democratic	An officer who had been appointed as a lecturer in the college from 19 April 2016 had gone overseas from 02 November 2020 without officially approve of leave.	Actions will be taken in accordance with paragraph 8.1 of the Establishment Code regarding such cases in the future.	Action should be taken in terms of Establishment code.

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When the time she went overseas her service had not been permanent. Accordingly, the Director of the university college had not taken action to terminate her from the post and her probationary period had been extended until 19 July 2023 and allowed her to resign from her post from that date, the date which was she reported back to work.

2. Financial Review

2.1 Financial Result

The operation result for the year under review had a deficit of Rs.23,653,706 as compared with the corresponding deficit of Rs.29,703,687 for the preceding year, thus observing an improvement of Rs.6,049,981 of the financial result. This improvement was mainly due to increase in revenue from non-exchange transactions.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
(a) More than 09 years have passed since the establishment of the institute as of the last day of the year under review. Although buildings and infrastructure facilities worth of Rs.150,033,529 have been constructed at the cost of the institute by the end of the year under review in the area of 5.41 hectares use by the institute, action had not been taken to acquire the land to the university college. Also, the relevant responsible officials had not taken any action to obtain a certificate of enjoyment for the land.	Further, letters have been submitted to the relevant higher officials regarding this and despite inquiries were made to the Divisional Secretariat, that there is no procedure for issuing enjoyment certificates.	Action should be taken to acquire the land to the university college.
(b) In comparison of enrolment of students for courses in 2022 with enrolment of previous year, there was a decrease from 10 percent to 26 percent of students compared to the previous year in registration of students for 04 courses. The number of students who left the university from the academic year 2015	Due to the corona epidemic and the recent economic crisis, the civil industry related to the courses was declined and the industrial establishments engaged in the professional field were closed, as such,	Action should be taken to increase the enrolment of student and retain enrolled students until the end of the course.

to the academic year 2022 was from 08 percent to 25 percent. Further, the percentage of students who had not successfully completed their academic courses up to the year under review after deducting dropouts from registered students from the beginning year of studies was between 43 percent and 74 percent.

there was a decrease in the demand of students. That some students have gone overseas for various job opportunities at the end of NVQ 05 stage without completing the course.