

**1. Financial Statements**

**1.1 Opinion**

The audit of the financial statements of the University College of Kuliypitiya ('College') for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 Section 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, the financial position of the University College as at 31 December 2022 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 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 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 University College.

## 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 been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

### 1.5 Non-compliance with Laws, Rules, Regulations, and Management Decisions

<b>Reference to the Laws, Rules, and Regulations</b>	<b>Non Compliance</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulation 571	Action had not been taken in terms of Financial Regulations regarding re-payable amount of the College amounting to Rs. 766,765 over 02 years.	These deposits are released at the request of the students. Courses take several years to complete and, therefore, arrangements have been made to release this deposits after a few years from time to time.	Action should be taken in terms of Financial Regulations.
(ii) Financial Regulation 880	Although officers who are administratively responsible for, or who under delegation are entrusted with, the receipt or custody of public money, revenue stamps	In terms of Financial Regulation 880, arrangements will be made to deposit the security in the future in accordance with the Security	Action should be taken in terms of Financial Regulations.

or stores, or the Ordinance. disbursement of public money or the issue of stamps or stores and those who certify vouchers or sign cheques on Government Account will be required to give security in accordance with the Public Officers Security Ordinance Cap. 612 for the faithful discharge of their duties, had not been done so.

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| (b) | Treasury Circular No. 842 dated 19 December 1978           | Assets worth of Rs.26,850,988 were not included in the fixed asset register as on 31 December 2022 due to non-updating of the fixed asset register.  | Fixed Assets Register in the years 2017-2022 has already been prepared and the Preparation of Fixed Assets Register of the years 2014-2016 is in progress. | The Treasury Circular should be complied. |
| (c) | Public Enterprises Circular 01/2021 dated 16 November 2021 | Although a draft of the annual report should be submitted to the Auditor General within sixty (60) days after the end of the accounting year, the annual report for the accounting year 2022 had not been submitted for audit by the College even by 27 April 2023 | Reply had not been made.   | Circular provisions should be followed.   |

## 2. Financial Review

### 2.1 Financial Result

The operation result for the year under review had a deficit of Rs.1,164,355 as compared with the corresponding deficit of Rs.515,696 for the preceding year, thus observing a deterioration of Rs.648,659 of the financial result. This deterioration was mainly due to increase in the employment cost, supplies expenditure and service expenditure.

**3. Operational Review**  
**3.1 Management Inefficiencies**

Audit Observation -----	Comment of the Management -----	Recommendation -----
Although more than 7 years had lapsed since the establishment of the College in the area of 5.41 hectares as of the last date of the year under review, action had not been taken to acquire the relevant land to the College.	Ministry of Skills Development, the Presidential Commission and the Divisional Secretary, Kuliyaipitiya have already been informed regarding the acquisition of ownership of the land.	Action should be taken to acquire the ownership of the land on which the College is established to the College.

**3.2 Operational Inefficiencies**

Audit Observation -----	Comment of the Management -----	Recommendation -----
(a) Due to proper guidelines had not been prepared on the cancellation of the studentship due to the period in which the students registering for the course should complete their course, the number of times to pass the examinations, failure of examination and non-appearance of the examinations, out of 782 registered students from the year 2015 to 2018 when the studies started in the institute, 315 students who did not successfully complete the courses were identified as students studying the courses of the College till now.	Presently, those students are facing examinations and are proceeding to succeed in their courses.	Specific guidelines should be introduced and followed regarding the courses.
(b) As per the performance in each course from the academic year 2015 to 2018 where the course period has ended, there were 21 courses in which less than 50 per cent of the students registered for the courses had obtained the diploma certificate at the end of the year under review.	Various activities have been planned to increase the percentage of obtaining diploma certificates by increasing the examination results.	Students should be provided with the necessary guidance and supervision to successfully complete the courses.

**4. Accountability and Good Governance**  
**4.1 Annual Action Plan**

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
----- In terms of paragraph 04 of Public Finance Circular No. 01/2014 dated 17 February 2014, annual action plan had not been prepared to achieve the objectives of the Educational Institutions incorporated by Acts of Parliament.	----- As per instructions, necessary arrangements will be made to include in the annual action plan to be prepared in the future.	----- Public Finance circular should be complied.