

1. Financial Statements

1.1 Opinion

The audit of the financial statement of the University College of Batangala for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 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 accompanying financial statements give a true and fair view of the financial position of the University College of Batangala as at 31 December 2022, and of its financial performance and its 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 Colleges' 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 intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

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

As per Sub-section 16 (1) of the National Audit Act No. 19 of 2018, the 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 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 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 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 College, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the College has complied with applicable written law, or other general or special directions issued by the governing body of the College;

- Whether the College has performed according to its powers, functions and duties; and
- Whether the resources of the 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 etc.

Reference to Laws, Rules Regulations etc.	Non Compliance	Comment of the Management	Recommendation
Paragraph 134(3) of the Financial Regulations of Democratic Socialist Republic of Sri Lanka	Although the internal auditor of the University of Vocational Technology should conduct internal audit, an internal audit was not conducted for the year under reviewed and the audit report was not submitted to the Auditor General.	An Internal Audit Report was not submitted to us by the internal auditor for the year 2022.	Internal audit should be carried out and a copy of the report should be submitted to the Auditor General.

2. Financial Review

2.1 Financial Result

The operating result of the year under review had been a deficit of Rs. 19,597,628 as compared with the corresponding deficit of Rs. 9,228,410 for the preceding year, thus observing a deterioration of Rs.10,369,218 in the financial result of the year under review. The decrease in recurrent revenue by Rs. 764,816 and increase in operational expenditure by Rs. 8,004,537 had mainly attributed to the deterioration.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
(a) Batangala University College has been established since 18 October 2016 in a 5-acre land belongs to the Batangala Agriculture Department in Panawala but the acquisition works of the land has not been completed even by 28 January 2022, the date of audit.	The acquisition works have been started since 2016, and the survey works required for the acquisition has presently been completed.	The activities of acquisition of the land to the university should be expedited.
(b) In the sample check of the examination results conducted in the years 2019 and 2020 it was revealed that, in 2018 batch NVQ 5/6 S – II and for appearing first time for the	This situation was arisen even though the final examination of the first semester of NVQ 5/6 had been properly	The management's attention should be focused on finding solutions to exam failures and non-

examination in 2019 there were 18 and 10 instances respectively where the passing percentage was less than 50 percent and there were 16 cases of failure and 19 cases where the pass rate was less than 50 percent after reapplying for sit the exam. As such, proper attention of the management was not given for the failure of examinations, failure to appear for examinations and failure to complete the examination.

planned for the student group of 2018, the student groups were boycott the examination and accordingly, the group had to appear for the exam again in the next term.

appearances for exams.

3.2 Operational Inefficiencies

Audit Observation	Comment of the Management	Recommendation
<p>(a) In the test check of students applying for the University College, enrolling of students, students leaving the University College and completing the relevant courses, it was revealed that the progress of students applying for the courses of the University College has dropped by 15 percent for the year 2021 compared to the year 2020. The progress of students applying for the courses of event management, farm machinery technology, and tourism and travel management had decreased by 27 percent, 32 percent and 43 percent respectively in the year 2021 compared to the year 2020. The progress of the 2017 and 2018 groups in completing those courses was at 65 percent and 54 percent levels. Accordingly, the percentage of producing diploma holders for the country, which was the primary objective of the institute, had decreased.</p>	<p>Due to the Corona epidemic situation in the country, the percentage of students applying had decreased and specially the progress of applying for courses in event management and travel and tourism management had been dropped due to the decline in the tourism industry.</p>	<p>Action should be taken to enroll students with maximum capacity through extensive awareness programs on the courses of the college.</p>
<p>(b) There were 39 occasions in which the number of hours completed was between 04 to 50 percent compared to the number of lecture hours planned to be covered in relation to</p>	<p>One and half hours physically conducted lectures are equivalent to one hour of on-line</p>	<p>The lecture hours should be planned to get more benefits to the students.</p>

a sample of 57 selected subjects in relation to certain subjects related to the courses Modules. Accordingly, the audit could not be satisfied with the adequacy of the subject knowledge and the quality of the curricula receiving by students.

teaching. Accordingly, the number of hours done through the online method is different from the numbers given here.

3.3 Ideal or Under Utilized of Property, Plant and Equipment

Audit Observation	Comment of the Management	Recommendation
The Skill Sector Development Project had provided bathroom accessories worth of Rs.464,400 for the construction of a bathroom in the university premises on 24 August 2015 which is an essential part for the training activities of the students of the hospitality management department of the college. Even though almost 8 years had passed, accessories remained idle in a room due to the bathroom was not constructed even by the date of audit, 08 February 2023. Also, the students had to be referred to other places for related training activities.	Procurement for the construction of a bathroom in the Hospitality Management Laboratory is currently in progress and will be completed within this year.	Assets should be taken to utilize assets in efficiently and effectively for intended purposes.

3.4 Delays in Projects or Capital Works

Audit Observation	Comment of the Management	Recommendation
Although the approval of the Director General of the Ministry of Planning was received on 20 July 2021 for the expansion of hospitality management and research laboratories and farm machinery technology and workshop construction projects with an estimated total value of Rs. 5,398,645, action had not been taken to implement the projects.	The procurement process was started from 03 August 2021, but a bid was received for each project and all the bids received were 30 percent higher than the estimated value. Accordingly, instructions were given to temporarily suspend the constructions.	Action should be taken to start the projects without delay.

3.5 Human Resources Management

Audit Observation	Comment of the Management	Recommendation
The lecturers who had not completed the qualification as per the approved recruitment procedure were recruited, in the recruitment of lecturers.	It was done as per the decision taken at the 110 Governing Board meeting of the Vocational Technology University held on 27 October 2021 considering the situation of covid epidemic.	Recruitment should be done as per recruitment procedure.