

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the University College of Ratmalana 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 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

	Reference to the Laws, Rules, and Regulations	Non Compliance	Comments of the Management	Recommendation
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(a)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
	I. Financial Regulation 134(3)	Although the internal audit activities should be carried out by the internal auditor of the University Vocational Technology, an internal audit was not conducted and the audit reports were not submitted to the Auditor General from the inception of the institute of 2014 to the year under review.	The college does not have an approved internal auditor and no internal audit has been conducted by the internal auditor of the University of Vocational Technology.	Action should be taken to carry out an internal audit.

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| (ii) | Financial Regulation 571 | Tender deposits amounting to Rs. 195,000 more than 02 years from the date of deposited were not dealt with in terms of financial regulations. | Action will be taken to credit this amount of Rs.195,000 to the government revenue in this year. | Should be dealt with according to financial regulations. |
| (d) | Public Finance Circular No. 01/2020 dated 28 August 2020 | An annual board of survey for the years 2021 and 2022 was not conducted and a copy of the survey was not submitted to the Auditor General. | The board of survey was conducted in the year 2022 and the report will be submitted to the Auditor General. | Annual board of survey should be conducted as per circular instructions. |

2. Financial Review

2.1 Financial Result

The operation result for the year under review had a deficit of Rs. 30,291,210 as compared with the corresponding deficit of Rs.29,237,093 for the preceding year, thus observing a deterioration of Rs.1,054,117 of the financial result. This deterioration was mainly due to increase in the operational expenditure.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation -----	Comment of the Management -----	Recommendation -----
Although 169 students of the 2020 group had applied for their respective subjects for the examinations held in the year 2022, it was revealed in the audit that 79 students had not completed the written assignments related to those subjects, 21 students had not appeared for the examinations and 07 students had failed the examinations. The rate of absenteeism and failure of students has increased but the institute has not followed up on it.	Applying for the exams and appearing for the exams are the commitment and responsibility of the students and also can be pointed out that some students have left the college after applying for the exams but without appearing for the exams.	The management should find out the reasons for the increase in the number of students not appearing and failing the exams and should take necessary measures.

3.2 Operational Inefficiencies

Audit Observation	Comment of the Management	Recommendation
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(a) Although 3,186 lecture hours were planned to cover by the external lecturers for 39 subjects (Modules) during the period from year 2020 to year 2022, only 1,230 lecture hours were actually conducted. Hours not completed compared to the planned hours ranged from 13 percent to 70 percent.	The prescribed number of hours related to each module in the relevant syllabus were not covered due to factors such as the covid epidemic, economic crisis and power failure prevailed in the country.	Arrangements should be made to conduct lectures according to the prescribed number of hours to cover the syllabus.
(b) Due to the lack of proper coordination by the University of Vocational Technology with the University Colleges, the progress of students applying for the Ratmalana University College had dropped by 44 percent in 2021 compared to 2020 and 18 students had left the courses within the first term. Further, though activities of enrolling students for the year 2022 should be done in September of that year, the relevant activities of enrolling students had not been completed even by the date of audit of 26 January 2023.	Students had left the courses to register for the degree programs of the University of Vocational Technology.	Enrolment of Students should be done according to a proper plan.

3.3 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comment of the Management	Recommendation
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Automatic Water Distiller machine worth of Rs. 147,400 in the Food Technology Laboratory remained idle without use from	This equipment was sent by the Ministry and the Food Technology Laboratory of our institution is not properly	Action should be taken to use resources efficiently and effectively.

the year 2015 to the year under review and the warranty period of the machine had also expired. prepared to operate it. The current market value of this device is much higher than when it was purchased. Therefore, this equipment will be kept safely in our institution until the work of the laboratory is completed.

3.4 Delays in Projects or Capital Works

Audit Observation -----	Comment of the Management -----	Recommendation -----
(a) A sum of Rs. 5.8 million received Under Skill Sector Development (SSDP) program in the year 2021 for performing of 03 activities was remained unutilized even till the date of audit of 08 February 2023.	According to the action plan of the year 2023, this building was planned to reserve for a classroom and food technology lecturers. Although the academic staff proposed to introduce two modules for the travel and tourism course, it could not be implemented due to practical problems. The development and implementation of the student learning management system was not completed due to the failure of the supplier to provide the system that the institute expected.	Action should be taken to make maximum use of the provisions provided by loan facilities.
(b) Although a sum of Rs. 07 million had been provided under the capital allocation for the year 2022 for the execution of 03 main components such as modernization of the food technology laboratory, development and implementation of the student learning management system, academic responsibilities, and conducting workshops for	These project proposals were delayed due to various issues.	Action should be taken to implement the project proposals.

group work and research, those tasks were not completed during the year.

3.5 Human Resource Management

Audit Observation	Comment of the Management	Recommendation
----- It was observed during the audit that, although at least two lecturers should be available each for NVQ Level 05 and 06 programs conduct by the college, there was only one lecturer each available for 04 courses.	----- The necessary actions for the above recruitment had been taken at the university level. Since the approval of the Ministry had not been received, the recruitment could not be done so far and the relevant subjects are taught by external lecturers.	----- Action should be taken to recruit the minimum number of lecturers for the respective courses.