

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the University College of Ratmalana 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 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 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 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
(a) Section 40(1) of the National Audit Act No. 19 of 2018 and Finance Regulations134(3)	The internal audit of the institute was not conducted by the Internal Auditor of the University of Vocational Technology since the inception of the institute in the year 2014 to the year under review.	It was decided at the Audit and Management Committee meeting held on 15 February 2024 at the University of Vocational Technology that arrangements should be made to conduct an internal audit in the University College as well.	Action should be taken to conduct an internal audit.
(b) State Enterprises Circular No. 01/2021 dated 16 November 2021 Guidelines on Corporate Governance and			

Operations
Manual for State-
Owned
Enterprises
(SOEs)

(i)	Section 4.2(h)	Although at least 04 audit and management committee meetings should be held in a year, no such meetings were conducted by the institute during the year under review.	That action will be taken to conduct the audit committee meetings properly in the future.	Action should be taken to conduct the audit committee meetings
(ii)	Section 6.6	The annual report including the annual financial statements and audit reports should be submitted to the Parliament for tabling within 05 months after the end of the financial year, but the reports were not tabled from the year 2016 when the institute was established until the year under review.	That necessary action will be taken for tabling the annual report in the future.	Action should be taken to table the annual reports in the Parliament within the stipulated period.

2. Financial Review

2.1 Financial Result

The operation result for the year under review had a deficit of Rs. 35,500,266 as compared with the corresponding deficit of Rs. 30,291,210 for the preceding year, thus observing a deterioration of Rs. 5,209,056 of the financial result. Increase in the Service expenditure and depreciation and amortization expenditure had mainly attributed for this deterioration.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
Although there were 19 functions to be performed according to the manual of the university, 08 years have	Due to the shortage of staff at present, very difficult to focus the	Necessary actions should be taken to execute all the tasks to

passed, the attention of the management had not been focused to the performance of 7 tasks from the year 2016 when the university was established to the year under review. The attention on those activities, but it has been planned to commence some related activities from this year. be performed by the university.

3.2 Operational Inefficiencies

Audit Observation	Comment of the Management	Recommendation
<p>(a) The number of students registered relevant to the 2015/2018, 2016/2019, 2017/2020 and 2018/2021 groups were 127, 218, 245 and 237 respectively. Out of that the number of students who dropped out without completing the courses had grown continuously as 11, 45, 69 and 99 respectively. But the attention of the management had not been focused to take necessary remedies to minimize the situation and retain the students in the university.</p>	<p>If a student in a certain group of students is unable to complete the course in the first instance, he can complete the course in the next year and accordingly the percentage of completion of the course can be varied.</p>	<p>The reasons affecting the students to leave the courses should be identified and the necessary actions should be taken to retain the students until the completion of the courses.</p>
<p>(b) In the test check conducted regarding the exam results related to 16 exams conducted in the year 2023, the students who applied for the exams and had not sit for exams and had not complete the related assignments were in a high range of 32 percent to 68 percent. The management had not paid enough attention to guide the students to mitigate this situation and complete the relevant exams properly.</p>	<p>Some certain modules are often found to have lower results in subjects outside the main subject area of the relevant NVQ study course.</p>	<p>Necessary actions should be taken to encourage students to complete written assignments related to the courses.</p>

<p>(c) In the test check conducted regarding the lecture hours completed by the external lecturers, there were 17 subjects where the lecture hours completed were less than 50 per cent against the planned hours in respect of 57 subjects during the year under review.</p>	<p>That there are various reasons for the difference between the numbers of hours planned and the number of hours completed, according to the summaries showing the number of revised lecture hours conducted.</p>	<p>Necessary actions should be taken to fully complete the lecture hours planned for the external lecturers.</p>
---	--	--

3.3 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comment of the Management	Recommendation
<p>Due to the lack of facilities and space available to conduct courses in the food technology laboratory, laboratory equipment with a total value of Rs.2,937,996 in that laboratory were remained idle from the year 2015 until the date of audit of 06 February 2024.</p>	<p>Although attempts were made on several occasions to carry out related procurement activities for the modernization of the laboratory of the Food Technology course, due to the fact that a suitable applicant did not come forward and the lack of adequate provision in each case, those occasions could not be successful.</p>	<p>Necessary facilities should be completed and action should be taken to use the idle equipment.</p>

3.4 Human Resource Management

Audit Observation	Comment of the Management	Recommendation
<p>(a) The 03 essential posts of the university namely Director, Assistant Registrar and Assistant Bursar were vacant from the months of March and October of the year under review. As such, it had adversely affected the efficient and effective running of its administration.</p>	<p>The Ministry has been informed regarding the existing vacancies and a letter has been sent to the Department of Management Services in January 2024 to get approval for filling those vacancies, but the</p>	<p>Necessary actions should be taken to fill up the vacancies in essential posts.</p>

approval has not yet been received.

- (b) Although there should be at least two lecturers for each course of the National Vocational Qualification (NVQ Level) 05 and 06 level conducted by the university, only one lecturer was employed for 05 courses from the period of previous year to the year under review. Further, for the electrical technology course not even one lecturer was employed.
- The Ministry has been informed about the existing vacancies and a letter has been sent through the Ministry to the Department of Management Services in January 2024 to get the approval regarding the filling of the existing vacancies, but the approval has not been received.
- Necessary actions should be taken to fill up the vacancies in essential posts.