

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the University College of Batangala for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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 material accounting policy information 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 the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My comments and observations which I consider should be report 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 accompanying financial statements give a true and fair view of the financial position of the University College as at 31 December 2024 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 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 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 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 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 Audit Scope**

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 skepticism 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 University 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 the University College on 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 University 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. However, future events or conditions may cause to cease to continue as a going concern.

- Evaluate the 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 governing body of the University College,
- Whether University College has performed according to its powers, functions and duties.
- 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 Audit Observations on the Preparation of Financial Statements**

### **1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards**

<b>Non-compliance with reference to particular Standard</b>	<b>Management Comments</b>	<b>Recommendation</b>
<p>(a) Although an asset should be classified based on its nature and function in accordance with Paragraph 50 of Sri Lanka Public Sector Accounting Standard No. 07, assets with a total cost of Rs.3,192,615 had been shown under “Other Assets”.</p>	<p>The assets that do not directly correspond to the asset categories under which the institution's assets were classified, such as buildings, property, equipment, office equipment, library books, etc., are presented in the financial statements as other assets.</p>	<p>Before certifying the financial statements it should ensure that they have been prepared in accordance with Sri Lanka Public Sector Accounting Standards.</p>
<p>(b) Due to the fact that the useful lives of non-current assets had not been reviewed annually in accordance with Paragraph 65 of Sri Lanka Public Sector Accounting Standards 07,</p>	<p>Actions will be taken to reevaluate these fully depreciated asset values to be accounted for in the financial statements in the next accounting year.</p>	<p>-Do-</p>

although the computers, library books, software and other assets cost at Rs.19,726,921 had been fully depreciated, further being used. Accordingly, steps had not been taken to restate the estimated error that had arisen, in accordance with Sri Lanka Public Sector Accounting Standards No. 03.

### 1.5.2 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
(a) Although the cost incurred for the WIFI Network purchased for Rs.2,790,288 on 31 December 2024 should be accounted for under intangible assets, it had been accounted for under the Building and Building Development Activities.	Since the WIFI network permanently installed in the building during the year under review was an installation carried out in the building itself and since this also increases the value of the building, the expenditure has been shown in the financial statements under building development activities.	Before certifying the financial statements, it should be ensured that they have been prepared in accordance with Sri Lanka Public Sector Accounting Standards.
(b) A cheque for a smart board received in March 2025 valued at Rs.1,050,175 was issued in December 2024 for that value had been accounted for as purchases in the year 2024. As a result, in non-current assets and current assets had been overstated and understated by that value respectively at the end of the year under review.	Although this office equipment was received by the University College in December 2024, they were sent back to the supplier due to software incompatibility. Subsequently, the equipment was duly received by the University College in March 2025.	-Do-
(c) The fees payable for drinking water obtained through water bowsers in the years 2023 and 2024 amounted to Rs.99,000	The bills for this water bowser were received in 2025. Therefore, it has not been possible to account	-Do-

had not been accounted for.

for this expense in the accounts of 2024.

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

<b>Reference to Laws, Rules, Regulations etc.</b>	<b>Non-compliance</b>	<b>Management Comment</b>	<b>Recommendation</b>
<p><b>(a) Financial</b></p> <p>Regulations of the Democratic Socialist Republic of Sri Lanka</p> <p><b>i. Financial</b></p> <p>Regulation 134 (3)</p>	<p>Although the Internal Auditor of the University of Vocational Technology is required to conduct internal audit activities, an internal audit had not been conducted and the audit reports had not been submitted to the Auditor General from the year 2014 to the year under review, when the University College was established.</p>	<p>It is expected to obtain the assistance of the Internal Audit Division of the University of Vocational Technology for conducting internal audit activities in the future.</p>	<p>The Accounting Officer should conduct an investigation into this matter and take disciplinary actions in accordance with the Establishments Code for failure of performing duties.</p>
<p><b>ii. Financial</b></p> <p>Regulations 225,257 and 215</p>	<p>The voucher presented to a paying officer for payment should be fully prepared, certified and submitted on the due date. Although a voucher valued at Rs.1,050,175 had been paid on 31 December 2024 for the purchase of a Smart Board, its invoice date was 27 February 2025 and the date the supplier released the goods was 06 March 2025.</p>	<p>Although this office equipment had been received by the University College in December 2024, they were returned due to software incompatibility. Subsequently, the equipment was later properly received by the University College in March 2025. However, payments will be made only after the goods related to the due specifications are received.</p>	<p>Payments should be made in accordance with Financial Regulations. The Accounting Officer should issue written instructions and orders in this area during the review under Section 38(1)(c) of the National Audit Act.</p>

**(b)** Guideline 4.2 (h) of the Guidelines on Corporate Governance and Operational Manual for State-Owned Enterprises (SOEs) issued by Public Enterprises Circular No. 01/2021 dated 16 November 2021

Although a minimum of 04 Audit and Management Committee Meetings should be held in a given year, the institution had not held such meetings during the year under review.

The Audit and Management Committee Meeting of University Colleges and Institutes will be conducted by the University of Vocational Technology.

Management Committee Meetings should be held as per the Guideline.

## 2. Financial Review

### 2.1 Financial Result

The operating result for the year under review amounted to a surplus of Rs.4,556,748 and the corresponding deficit in the preceding year amounted to Rs.5,283,353. Therefore an improvement amounting to Rs.9,840,101 of the financial result was observed. The reason for the improvement was the total income had been increased by Rs.22,548,739.

## 3. Operational Review

### 3.1 Management Inefficiencies

	<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
<b>(a)</b>	Although the University College is required to enroll 30 students for each course for each academic year as per the instructions received from the Ministry, the courses were conducted with fewer students enrolled, ranging from 01 to 22 students, on 13 occasions during the inspection on enrolment from 2019 to 2024 and recruitment for the Farm Machinery Technology course and Quantity Surveying course in the year under review had been as low as 27 per cent and 57 per cent, respectively.	Awareness activities will be initiated through various advertising media from the beginning of the call for applications through newspaper advertisements when recruiting students for universities and colleges. Accordingly, a number of student applications were collected from 2019 to 2024, exceeding the minimum capacity every year.	Necessary steps should be taken to enroll students at maximum capacity. The Accounting Officer should draw attention to this area during the review under Section 38(1)(c) of the National Audit Act and issue written instructions and orders.
<b>(b)</b>	A student who successfully completes the two-year	Students registered for this course are required to	Necessary steps should be taken to expedite the

academic course and one year of on-the-job training at the University College will be given an On-the-Job Test (OJT viva) by the National Apprenticeship and Technical Training Authority (NAITA). Based on those results, students are sent for an oral examination (viva) conducted by the Tertiary and Vocational Education Commission (TVEC) and an apprentice is able to complete the course and receive their certificate by passing this oral test. However, it was revealed that it takes almost a year in addition to the total course duration to obtain the results of these two oral examinations and obtain the certificate. It was further revealed that since these courses are career-oriented courses, the lengthy process of admission and the time taken to issue the results are leading to a decrease in the attractiveness of the course and dropping out the students.

complete a 2-year academic period and 1 year of compulsory On-the-Job Training (OJT). After the completion of the On-the-Job Training (OJT), the National Apprenticeship and Technical Training Authority conducts an On-the-Job Training (OJT) oral examination as notified by the University College, and after the results are released, a request is made for an oral evaluation by the Tertiary and Vocational Education Commission (TVEC), after which the oral evaluation is conducted and the final qualification certificate is issued based on the results. For this process, students have to wait for about 8 months or a year after the completion of the final On-the-Job Training (OJT).

process of course evaluation and expedite the issuance of certificates. The Accounting Officer should pay attention to this area during the review under section 38(1)(c) of the National Audit Act and issue written instructions and orders.

### 3.2 Operational Inefficiencies

#### Audit Issue

(a) During the audit test check carried out regarding the completion of the planned number of lectures to be covered for the subjects (module hours) related to the courses by the lecturers, the number of hours completed as compared to the planned number of hours for 11 lecturers

#### Management Comments

The period allocated for a semester has gradually decreased in the past, from the previous six months to four months. The number of lecture hours planned in the syllabus has not been updated or reduced in proportion to this decrease. As a result, a situation

#### Recommendation

Arrangements should be made to obtain the planned lecture hours from lecturers and to provide the necessary resources for that. The Accounting Officer should issue written instructions and orders in this area during the

had ranged from 38 per cent to 75 per cent.

where lecturers are unable to cover all the lecture hours planned in the syllabus within the time allotted to them to deliver their lectures has arisen.

review under Section 38(1)(c) of the National Audit Act.

**(b)** During the audit test check carried out regarding the passing of the examinations by the students of the University College, there were instances where the pass percentage of students for 35 modules was as low as 0 per cent and as low as 50 per cent in the 7 examinations held for the 2020, 2021 and 2022 Batches. Further, when examining 51 instances of repeats, the management had not paid special attention to ensuring that students passed the exams at first time and increasing the pass percentage during repeats due to the pass rate being as low as 0 per cent and 50 per cent.

It was revealed in audit that the sample exam pass rate of the University College contains common modules for all courses. These are English Language, Information Technology and Employability Modules. Since these modules have been conducted by external lecturers, the opportunity and time for students at the University College to engage in regular study activities or acquire additional knowledge is very limited.

The percentage of students passing the examinations should be increased. The Accounting Officer should pay attention to this area during the review under Section 38(1)(c) of the National Audit Act, No. 19 of 2018 and issue written instructions and orders.

**(c)** Formal curriculums for the English and Information Technology modules had not been prepared since the inception of the courses and the course duration had been reduced from 4 months to 2 months in the year under review without having any formal analysis.

It is expected to obtain further advice from the Tertiary and Vocational Education Commission (TVEC) to prepare and obtain approval for the syllabus for the modules in the English subject and Information Technology subject.

Syllabus for modules in English and Information Technology should be prepared and courses should be conducted following a formal approval process.

### **3.3 Procurement Management**

#### **Audit Issue**

A request had been made through a goods requisition note on 28 July

#### **Management Comment**

It has been stated that it was impossible to purchase

#### **Recommendation**

Responsible officers should ensure whether

2021 to purchase training equipment for the Hospitality Management course conducted by the University College annually for a group of 30 students. However, due to the relevant procurement process was not being implemented within the stipulated time frame, the acquisition of the equipment had been delayed until July 2024.

the training equipment (combi oven) required for the course due to the economic recession at the time of the call for bids, the import and export laws imposed by the government, and other reasons.

the procurement activities are being carried out as planned.

### **3.4 Human Resources Management**

#### **Audit Issue**

There were 30 vacancies in total when comparing the actual staff with the approved staff as at 31 December 2024. Although the number of approved lecturers as per the Department of Management Services Circular No. DMS/1670 dated 22 January 2014 was 21, the number of lecturers serving in the permanent staff of the University College since the year 2023 was only 11. Further, the Management had not taken steps to resolve employee issues such as the unavailability of an employee promotion system for other staff employees, failure of appointing a permanent Bursar or Assistant Bursar for the Accounts Division, etc.

#### **Management Comment**

The approved staff as at 31 December 2024 is as per Annexure 03. Since 2023, Batangala University College has been operating with a staff capacity of less than 50 per cent of the approved staff, and this situation has been primarily affected by the failure to obtain approval to fill the vacancies created within the institution. Although the higher management repeatedly informing about this situation, approval has not been received to fill the relevant vacancies so far.

#### **Recommendation**

Actions should be taken to maintain the approved staff and arrangements should be made to revise the staff according to current needs and to get approve for employees Scheme of Recruitment and Promotions.