

**1.1 Qualified Opinion**

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The audit of the financial statements of the University College of Ratmalana for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 17 (2) of the University of Vocational Technology Ordinance No. 01 of 2014. My comments and observations which I consider should be reported 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 financial position of the University College as at 31 December 2019 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 Qualified Opinion**

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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 Financial Statements**

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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 Audit Scope (Auditor's Responsibilities for the Audit of the Financial Statements)**

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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 Company'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 Company'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 Company 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 Financial Statements**

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### **1.5.1 Internal Control over the preparation of financial statements**

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Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Issues with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under this heading.

### **1.5.2 Accounting Deficiencies**

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
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<p>a. The institute has collected Rs. 1,225,000 Library Deposits were deposited in a savings account opened in the name of the Student Welfare Fund of the University Collage of Ratmalana on 05 May 2017 without obtaining the approval of the Treasury as per Financial Regulation 381. The balance as at 31 December in the year under review amounting to Rs. 1,354,393 had omitted from the financial statements.</p>	<p>Action will be taken to rectify in the future</p>	<p>Should be comply with the Financial Regulations and action should be taken to correct the accounts</p>

b. Due to the provision for Gratuity was calculated based on the basic salary, the gratuity provision for the year under review was under stated by Rs. 448,500 in the financial statements. Action will be taken to rectify in the future. Action Should be taken to comply with the provisions of the Act.

### 1.5.3 Non-Compliance with Laws, Rules, Regulations, and Management Decisions etc.

The following observations are made.

<b>Reference to the Laws, Rules and Regulations etc.</b>	<b>Non-Compliance</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) Financial Regulation of Democratic Socialist Republic of Sri Lanka Financial Regulation No. 94 (1)	Except where otherwise provided for, no expenditure or commitment shall be incurred by any department for work, service or supply, unless financial provision exists therefore in the Annual Estimates, the university Collage had procured equipment valued for Rs. 7,964,770 on credit basis in the year 2018 and that expenditure was paid from the Treasury Capital Grant during the year under review.	Action had been taken to carry out the procurement works more systematic in the year 2020	Action should be taken to comply with the Financial Regulations
(b) Department of Public Enterprises Circular No. 95 of 14 June 1994	Even though the approval of the Cabinet of Ministers, the Ministry of Public Administration or the Treasury should be obtained for the payment of allowances and other financial benefits to the officers, contrary to that on the approval of the Governing Body a sum of Rs. 956,465 had been incurred during the year under review for the marking of answer scripts, supervision of examinations and preparation of question papers	Action is being taken to comply with this circular to maintain the relevant examination process without interfering with the academic activities of the students. This will be submitted through the Ministry of Higher Education, Technology and Innovation and the relevant approvals will be taken.	Action should be taken to comply with the provisions of the relevant circulars.

Paragraph 7.4.5 of Public Enterprise Circular No. PED / 12 of 02 June 2003	Even though an annual Board of Survey should be conducted for the University Collage, annual Board of survey had not been conducted since 2015.	It is scheduled to be conducted in 2020.	Action should be taken to comply with the provisions of the circulars
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**2. Financial Review**  
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**2.1 Financial Result**  
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The operating result of the year under review amounted to a surplus of Rs. 149,673 and the corresponding surplus in the preceding year amounted to Rs. 1,100,693. Therefore, a deterioration amounting to Rs. 951,020 of the financial result was observed. Even though the recurrent grant had been increased by Rs. 2,402,100 with compared to the previous year, the decreased of differed income amortization of differed income by Rs. 3,326,789 and increase in the staff cost by Rs. 4,573,257 had been the major reasons for the deterioration.

**3. Operational Review**  
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**3.1 Operational Inefficiencies**  
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The following observations are made.

<b>Audit Observation</b> -----	<b>Comment of the Management</b> -----	<b>Recommendation</b> -----
(a) A sum of Rs.1,817,773 and Rs. 2,775,946 had been incurred respectively for laboratory renovation and laboratory equipment under the Skills Sector Development Project and a sum of Rs. 1,272,507 had been paid for 02 lecturers as salaries and allowances from 2017 until the year under review for the Cosmetology Course conducted in the University Collage. However, 16 students were enrolled for the 2017/2020 academic year and 9 of them dropped out of the course. Students were not enrolled until the end of the year under review and only one lecturer was assigned to the course.	Even though action was taken to enrol students in the years 2018 and 2019, no enrolment was done for those academic years due to lack of sufficient students.  In order to increase the productivity of the use of these laboratory resources, it is planned to lease them to another institution in the future.	Action should be taken to use resources efficiently and effectively
(b) Even though there were facilities to enrol at least 30 students for each course in the University Collage for the academic year 2019/2022, fewer students were enrolled for 08 courses	Out of the 264 students called in 2019, 209 students have been enrolled for the year 2019 with a minimum of 15 students per course. In the available space,	Action should be taken to enrol the minimum number of students to make maximum

and the number of students enrolled ranged from 18 to 29. there is a practical difficulty in enrolling a maximum of 30 students per group. usage of resources

c). According to the results of the examinations released during the year under review, it was observed that decrease in the students passing percentage in 07 subjects pertaining to 05 courses. The rate of failing ranged from 33 to 56 percent. The pass percentage in those subjects had decreased due to non-qualified for the sitting in examinations as non-completion of the guidelines issued by the Tertiary and Vocational Education Commission. Action should be taken to find out the reasons for the failure of the examinations and take necessary action

### 3.2 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comment of the Management	Recommendation
Laboratory equipment procured at a total cost of Rs. 2,367,254 in the year 2015 for the Food Technology Laboratory remained idle even at the end of the year under review. This was due to the lack of facilities such as chemical to operate the equipment and even the warranty period of the equipment had expired. Also 31 table microphones valued for Rs. 423,243, remained ideal until the end of the year under review due to the not applicable for the Television Post-Production Technology Course in Television provided by the Skills Sector Development Project on 1st July 2015.	This equipment will be used in the University Collage Resource Centre in the future. Chemical were purchased between December 2019 and January 2020 and are expected to be used properly once the study begins. It is expected to use the above device after purchasing a Smoker device for Sausage Filler.	Action should be taken to use resources with maximum efficiency and effectiveness.

### 3.3 Human Resources Management

Audit Observation	Comment of the Management	Recommendation
There were 05 vacancies remained for lecturers in the University Collage and a sum of Rs. 1,674,900 had been incurred during the year under review for external lecturers due to non-recruitment of sufficient number of lecturers for the courses.	The University Collage conducts a technological course and the service of external lecturers in the field is essential as per the syllabus but the existing situation action is being taken to fill the vacancies of the academic staff.	Action should be taken to fill the vacancies in the academic staff.

