

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the University College of Batangala for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 Section 17 (2) of the University of Vocational Technology Ordinance No. 01 of 2014 and Section 47 (2) of the University of Vocational Technology Act No. 31 of 2008 and 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, 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 of Batangala as at 31 December 2020, 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 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 Institute'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 Institute 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 Audit Observations on the Preparation of Financial Statements

1.5.1 Internal Control over the preparation of financial statements.

The Institute is 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 the following headings

1.5.2 Non-Compliance with Sri Lanka Public Sector Accounting Standards

| Non Compliance with the reference to particular Standard | Comment of Management | Recommendation |
|--|--|--|
| Due to non-depreciation of the learning equipment worth Rs. 22,106,532 provided by the Skills Sector Development Project during the year 2015 in terms of the Section 69 of Sri Lanka Public Sector Accounting Standard 07, a sum Rs. 11,330,531 as the total of Rs. | Actions will be taken to rectify this in due course. | It is necessary to comply with Sri Lanka Public Sector Accounting Standards. |

9,128,214 relevant to the period from the said year to the year 2019 and an amount of Rs. 2,202,317 relevant to the year under review had not been brought to the depreciation account. Accordingly, the net value of fixed assets as at December 31 of the year under review and the surplus of the year had been overstated by Rs. 11,330,531 and Rs. 2,202,317 respectively.

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

| Reference to Laws, Rules Regulations etc. | Non Compliance | Comment of Management | Recommendation |
|---|---|--|---|
| (a) Section 40 of the National Audit Act No. 19 of 2018. | No action had been taken to set up an internal audit unit for the entity. | The audit query is accepted. Actions will be taken to rectify it in due course. | Actions should be taken to set up an internal audit unit. |
| (b) Department of Public Enterprises Circular No. 95 dated 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 assistance to the officers, a total sum of Rs. 842,405 had been paid with the approval of the Governing Body for marking answer papers, payment for examination duties and preparation and standardization of question papers. | The audit query is accepted. Payments had been made in accordance with the Circular obtained by the University College as per the Circular of the University Grants Commission in regard to examine and prepare the question papers. | As the college is not a university, proper approvals should be obtained in accordance with the circular provisions. |
| (c) Para 6.5.1 of the Public Enterprise circular no. PED/12 dated 02 June 2003. | Even though the draft annual report must be submitted with the financial statements for the financial year, The annual report from the | The audit query is accepted. Actions will be taken to rectify it in due course. | The Circular should be adhered to. |

year 2015, when the institute was started, to the year under review had not been submitted to the audit.

2. Financial Review

2.1 Financial Result

The operating result of the year under review had been a surplus of Rs. 2,569,081 as compared with the corresponding deficit of Rs. 2,688,160 for the preceding year, thus observing a improvement of Rs. 5,257,241 in the financial result of the year under review. The recurrent grants and amortization of deferred income had increased by Rs. 1,613,770 and 1,462,726 respectively as compared with the preceding year, and decrease in total operating income by Rs. 2,727,311 had mainly attributed to the said improvement in the financial result.

3. Operational Review

3.1 Uneconomic Transactions

| Uneconomic Transactions ----- | Comment of Management ----- | Recommendation ----- |
|---|--|---------------------------------|
| No action had been taken to take over the 05 acre land belonging to the National Youth Services Council, where the University College had been established, by the end of the year under review also. | Actions are being taken to take over the land. | Taking over should be expedite. |

3.2 Human Resources Management

| Audit Observation ----- | Comment of Management ----- | Recommendation ----- |
|---|---|---|
| Even though 05 posts of Demonstrator were available in the approved cadre, only one officer had been recruited by the end of the year under review. | Recruitment could not be made due to non-receipt of qualified applications. | Action should be taken to fill the vacancies. |

4. Accountability and Good Governance

4.1 Internal Audit

| Audit Observation | Comment of Management | Recommendation |
|--|---|---|
| From the year 2015, when the Institute was established, until the end of the year under review, an Internal Audit Unit had not been set up and the audit had not been carried out. | Audit query is accepted. Actions will be taken to rectify it in due course. | Measures should be taken to set up an internal audit unit and carry out auditing. |