

**1.1 Opinion**

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The audit of the financial statements of the of University College of Batangala for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, the financial statements of the University College of Batangala give a true and fair view of the financial position of the Institute as at 31 December 2019, 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 Opinion**

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I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAS).

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**

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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 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**

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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 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 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 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 Financial Statements

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### 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.

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

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<b>Reference to the Laws, Rules and Regulations</b>	<b>Non-compliance</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
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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, contrary that a total sum of Rs. 377, 850 had been paid with	Payments are made in accordance with Circular No. 954 of the University Grants Commission.	As the collage is not a university, proper approvals should be obtained in accordance with the circular provisions.

the approval of the Governing Body for marking answer papers, payment for examination duties and preparation and standardization of question papers.

## 2. Financial Review

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### 2.1 Financial Results

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The operating result of the year under review had been a deficit of Rs. 2,688,160 as compared with the corresponding deficit of Rs. 1,113,319 for the preceding year, thus observing a deterioration of Rs. 1,574,841 in the financial result of the year under review. Although the recurrent grants had increased by Rs. 3,101,611 as compared with the preceding year, decrease in amortization of deferred income by Rs. 2,457,409 and increase in total operating income by Rs.2,798,279 had mainly attributed to the said deterioration in the financial result.

## 3. Human Resource Management

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Audit Observation	Management Comment	Recommendation
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<p>(a).Even though 21 lecturers have been approved for the cadre as per the Department of Management Services Circular No. DMS / 1670 dated 22nd January 2014, 11 permanent lecturers and one temporary lecturer had been recruited for a course by the end of the year under review. As such, due to non-recruitment of sufficient number of lecturers for the courses a sum of Rs. 3,314,866 had been paid for external lecturers during the year under review.</p>	<p>03 Apprentice Lecturers have been recruited through interviews during the period from 17.02.2019 to 19.05.2019. Applications were called for the post of Quantity Surveys Apprentice Lecturer, but due to non-receipt of qualified applications action was taken to recruit a temporary lecturer.</p>	<p>Action should be taken to fill the vacancies.</p>
<p>(b).Even though 05 posts of Demonstrator were available in the approved cadre, only one officer was recruited during the year under review.</p>	<p>Recruitment could not be made due to non-receipt of qualified applications.</p>	<p>Action should be taken to fill the vacancies.</p>

