

University College of Batangala - 2021

1. Financial Statements

1.1 Opinion

The audit of the financial statement of the University College of Batangala for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 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 accompanying financial statements give a true and fair view of the financial position of the University College of Batangala as at 31 December 2021, 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

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

	Reference to Laws, Rules Regulations etc.	Non Compliance	Comment of the Management	Recommendation
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(a)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
i.	Paragraph 134(3) of Financial Regulations	Internal audit was not carried out by the internal auditor of Vocational Technology University for the year under review.	No reply was made.	Internal audit should be carried out.
ii.	Paragraph 135 of Financial Regulations	The duties of preparing vouchers, making entries in the cash book, writing cheques, preparing bank reconciliations, petty cash and procurement, ordering, receiving and inventorying related goods were performed by a single officer in violation of the Financial Regulations.	One management assistant officer has been allocated for the financial division and although additional requests were made during the staff revision, no change has been made so far.	Should comply with Financial Regulations.

(b)	Paragraph 12.1 of Public Finance Circular No. 01/2020 dated 28 August 2020	The annual performance report was not tabled from the year 2016 when the institute was established till the year under review.	Action will be taken to correct in the future.	Action should be made to table the annual performance report in the Parliament.
(c)	Public Enterprises Department Circular No. 95 dated 14 June 1994	Payments are made without formal approval for preparation and standardizing of question papers, examination duties and marking of answer papers etc. and a sum of Rs. 793,175 had been paid only during the year under review.	A request has been made for allowances for NVQ 05 and NVQ 06 to pay for external lecturers and internal examinations in university colleges and the request has not yet been responded to.	Should comply with the circular provisions.

2. Financial Review

2.1 Financial Result

The operating result of the year under review had been a deficit of Rs. 2,206,032 as compared with the corresponding surplus of Rs. 2,569,081 for the preceding year, thus observing a deterioration of Rs.4,775,113 in the financial result of the year under review. The decrease in recurrent grants by Rs. 3,430,000 as compared with the preceding year had mainly attributed to the deterioration.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
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Batangala University College has been established since 18 October 2016 in a 5-acre land belonging to the Batangala Agriculture Department in Panawala, but the acquisition works of the land has not been completed until 28 January 2022, even the date of audit.	Arrangements are being made through the Dehiowita Divisional Secretariat office to carry out this takeover as soon as possible and our institute has following up regularly in this regard.	Actions should be taken to complete the acquisition of the land as soon as possible.

3.2 Operational Inefficiencies

Audit Observation	Comment of the Management	Recommendation
Out of 179 students registered for 6 courses in November 2016, 44 students or 25 percent had left the entire course. The students enrolled in 2016 and 2017 for these courses, which are conducted for a period of 03 years, have not completed their studies by the end of March 2022.	Due to factors such as the isolation conditions, closure of institutions etc. in the Covid 19 epidemic period, started in the first half of 2020, courses could not be completed within the stipulated time frame.	Reasons for students dropping out of the courses should be find out and should take remedial measures and prepare a proper program to complete the courses within the stipulated time frame.

3.3 Ideal or Under Utilized of Property, Plant and Equipment

Audit Observation	Comment of the Management	Recommendation
Bathroom fittings worth of Rs. 464,400 provided by the Skill Sector Development Project on 24 August 2015 for construction of a bathroom in Hospitality Management Laboratory of the College were still unutilized as on 31 January 2022, even the date of audit.	Due to the prevailing government policy regarding temporary suspension of new construction, this construction work has been suspended.	If the construction works had been started without delay, the assets could have been utilised. However, arrangements should be made to use those assets for intendent purposes.

3.4 Procurement Management

Audit Observation	Comment of the Management	Recommendation
Bids were called in the year 2020 to establish a Learning Management System (LMS) for conducting lectures and other academic activities online based on a provision of 02 million. But as per the recommendations of the Technical Evaluation Committee, re-procurement process had to be done and the work was not completed even by the end of March 2022.	The Technical Evaluation Committee submitted the report on 28 December 2021 stating that the bid price should be compared with the price of other Microsoft Licensing agents in the market as only one quotation was received from the software suppliers. Therefore, have not enough time to carry out a re-procurement process.	On the recommendations of the Technical Appraisal Committee, procurement activities should be carried out without delay.