

**1. Financial Statements**

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**1.1 Opinion**

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The audit of the financial statements of the University College of Ratmalana for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 the 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 financial position of the University College as at 31 December 2021 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 Opinion**

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

The following observations are made.

	<b>Reference to the Laws, Rules, and Regulations</b>	<b>Non Compliance</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 134(3)	The Internal Auditor of Vocational Technology University had not conducted an internal audit for the year under review.	An internal audit had been conducted by the internal auditor of Vocational Technology University in relation to the year 2020, in the year 2021.	Internal audit should be carried out as per the Financial Regulations.
(b)	Paragraph 6.5.3 of Public Enterprises Circular No. PED/12 dated 02 June 2003	Although the annual performance report should be submitted to the parliament for tabling before 150 days after the end of the financial year, the annual report was not	The annual report will be prepared and submitted to the audit in the future.	Should Compliance to the Circular provisions.

submitted to the parliament from the year 2015 when the University College was established until the year under review.

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| (c) | Department of Management Services Circular No. DMS/1670 dated 10 February 2014 | (i) A sum of Rs. 411,695 had been paid as external lecturers fees and interview board fees and a sum of Rs. 129,190 had been paid for the examinations conducted for the enrolment of students during the year under review contrary to the circular provisions. | Requests have been submitted to the Ministry and the Department of Management Services for approval, but no approval has been given so far. Payments will be made as per existing DMS 1670 to maintain the activities without delay.   | Action should be taken to obtain formal approval for payments.        |
|     |                                                                                | (ii) A sum of Rs.292,750 had been paid for examination works, class preparation, supervision works and supporting staff payments during the year under review on the approval of the Board of Directors for which there was no circular provisions.              | An application fee of Rs.500 is charged from each student for the enrolment examination and the money will be used for the examination. Payment arrangements have been made with the approval of the Board of Management and DMS 1670. | Action should be taken to obtain formal approval for making payments. |
| (d) | Public Finance Circular No. 01/2020 dated 28                                   | An annual board of survey was not conducted for the                                                                                                                                                                                                              | The board of survey was conducted in the                                                                                                                                                                                               | Annual board of survey should be conducted as per                     |

August 2020

year under review and a copy of the same was not submitted to the Auditor General. previous year and it was planned to carry out the board of survey in this year by correcting the defects identified there. circular instructions.

## 2. Financial Review

### 2.1 Financial Result

The operation result for the year under review had a deficit of Rs. 768,653 as compared with the corresponding surplus of Rs. 3,904,668 for the preceding year, thus observing a deterioration of Rs. 4,673,321 of the financial result. This deterioration was mainly due to increase in the service expenditure by Rs. 5,060,207.

## 3. Operating Review

### 3.1 Management Inefficiencies

#### Audit Observation

#### Comment of the Management

#### Recommendation

No action had been taken since the establishment of the College in the year 2014 up to the end of the year under review to acquire the land of 0.427 hectare in extent in which the University College is situated.

Requests have been submitted to the ministry to take over the land and no action has been taken so far..

Land acquisition activities should be carried out expeditiously.

### 3.2 Operational Inefficiencies

#### Audit Observation

#### Comment of the Management

#### Recommendation

While there were vacancies for only two lecturers in the academic staff for the courses run by the university, 35 external lecturers have been recruited and an allowance of Rs. 621,555 and Rs. 1,046,950 had been paid in the year 2020 and 2021 respectively. But

All courses in Ratmalana University College are held in English medium. Also, complex subjects are also included in the course content. The main reason is that complex subjects are

An English course should be conducted before the start of the courses to increase the passing percentage of the students.

according to the examination results released in relation to the 10 courses conducted during the year, the percentage of students passing the exams were at low ranged from 12.5 percent to 74 percent.

taught in English and excellent results cannot be expected, and as a solution to this situation, the academic staff is currently working to change the qualifications for enrolling students as well as to revise the curriculum in a way that suits the students.