University College of Rathmalana - 2024

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1. Financial Statement

1.1 Qualified Opinion

The audit of the financial statements of the University College of Rathmalana for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended and notes to the financial statements, including material accounting policies was carried out under my direction in pursuance of provisions of the National Audit Act No.19 of 2018 and the Finance Act No.38 of 1971 read in conjunction with the Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. 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 statements give a true and fair view of the financial position of the Fund as at 31 December 2024, 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

I expressed qualified opinion 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 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 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 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 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 Scope of Audit

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 skepticism 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 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 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 Non-compliance with the Sri Lanka Accounting Standards

	Non-compliance with reference to the relevant standard	Comments of the Management	Recommendation
(a)	The cash flows from interest income should be classified separately under operating and investing activities in the cash flow statement as per the paragraph 40 of Sri Lanka Public Sector Accounting Standards 2. However, only the value of Rs. 391,780 which was the difference between the initial and final interest income receivable, had been recorded as a cash flow under operating activities in contrast thereto.	The steps will be taken to correct these errors through the financial statements that will be submitted again.	The interest income should be recognized separately under operating or investing activities in accordance with related accounting standards.
(b)	As per the paragraph 14 of Sri Lanka Public Sector Accounting Standards 07, the cost of an item of property, plant and equipment shall be recognized as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the entity and the cost or fair value of the item can be measured reliably. However, the buildings under construction worth Rs. 7,996,196 had been recorded as current assets. Consequently, the current assets has been overstated and the non-current assets had been understated by that value in the financial statements.	The steps will be taken to include this as Building renovation WIP under the fixed assets.	In accordance with relevant accounting standards, the cost of buildings under construction (work in progress) should be recognized under non-current assets as appropriate,

(c)	Although the actions had been taken to take over the land of 3 roods and 3.9 perches belonging to the Rathmalana Upper Divisional Secretary's Division where the College is located, its value had not been valued in accordance with paragraph 35 of Sri Lanka Public Sector Accounting Standards No. 7 and accounted as an asset.	The steps will be taken to include the value of this land in the accounts in the future.	The land should be estimated systematically and the relevant value should be accounted.
(d)	The useful life of the non-current assets should be assessed at the end of each reporting period as per the paragraph 65 of Sri Lanka Public Sector Accounting Standards 07. However, as the proceedings had not been done accordingly, the library books costing Rs. 7,263,377 and other assets costing Rs. 563,000 had been fully depreciated even if they were still in use. Consequently, the steps had not been taken to rectify the estimation error in accordance with Sri Lanka Public Sector Accounting Standards 03.	Once the board of survey is carried out, the steps will be taken to re-assess the useful life.	As per the standard, the useful lives of non-current assets should be assessed at the end of each reporting period and depreciation adjustments should be made accordingly.
(e)	11 desktop computers, 4 laptops, a smart board, a UPS device, software systems (Security gateway firewall, Operating systems and Processing Software for Laptop) and other equipment with a total value of Rs.6,072,937 which had been received by the College from a project in the year 2023 had been totally omitted from being accounted in accordance with paragraph 44 of Sri Lanka Public Sector Accounting Standards No. 11.	The steps will be taken to include the value of these assets in the accounts in the future.	The assets received as grants should be valued and included in the financial statements.
(f)	Although the employee gratuity liability of the entity should be calculated using the actuarial method as per paragraph 65 of Sri Lanka Public Sector Accounting	The steps will be taken to calculate it correctly in the future.	The employee gratuity liability should be calculated in accordance with relevant accounting standards.

Standards 19, the institution had calculated the gratuity liability by multiplying the number of complete years of service of each of its employees by the half-monthly salary. Consequently, the gratuity provision value of Rs. 7,642,066 reported at the end of the year under review had not been calculated as per the provisions of the relevant standard.

1.5.2 Accounting Deficiencies

	Audit Observations	Comments of the Management	Recommendation
(a)	The value of the salary arrears and allowances of the officers amounting to Rs.836,195 which is related to the year under review, but paid in the year 2025, had been recorded as an expense in the year 2025 without being recorded as an expense in the year under review. Consequently, the expenses and current liabilities of the year under review had been understated by that amount.	The actions will be taken to adjust these expenses properly in the future.	The financial year to which the expenditure relates should be identified and correctly accounted accordingly.
(b)	The cash and cash equivalents existed as at the end of the year under review in the cash flow statement had been understated by Rs.942,000.	This has been corrected through the cash flow statement.	It should be ensured that the correct balances are entered when preparing financial statements.
(c)	Although the net value of Teaching Equipment according to the financial statements as at the end of the year under review was Rs. 7,001,952, it had been recorded as Rs.10,100,355 according to the fixed assets register. Consequently, there was a difference of Rs. 3,098,403 between those values. Even if the value of the depreciation provision of the assets relating to the year under review was Rs. 18,640,005 as per the financial statements, the said value as per the fixed assets schedule was Rs. 15,305,841. Consequently, there was a difference of Rs. 3,334,164 between those values.	An error has occurred in the depreciation of teaching equipment and the steps are being taken to correct it.	The prepared financial statements should be independently compared with the relevant notes in order to ensure the accuracy.

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

	Reference to Laws, Rules and Regulation	Non-compliance	Comments of the Management	Recommendation
(a)	Section 40(1) of the National Audit Act No. 19 of 2018 and the Paragraph 4.2 (h) of the Guidelines for State-Owned Enterprises (SOEs) in the Public Enterprise Circular No. 01/2021 dated 16 November 2021.	Although the entity should have its own internal auditor duly appointed by its Board of Governors, an internal auditor had not been appointed for the College. Consequently, the Audit and Management Committee meetings had not been held during the year under review.	The institution does not have an approved internal auditor and the internal audit activities have not been done by the Internal Auditor of the University of Vocational Technology.	The steps should be taken to obtain the services of an Internal Auditor in accordance with the relevant rules and regulations.
(b)	Section 1:1 of Chapter xxviii of the Establishments Code of the Democratic Socialist Republic of Sri Lanka and Public Administration Circular No. 09/2006 dated 30 May 2006	Although the office hours of public servants are specified to be from 8.30 am to 4.15 pm, it was revealed in a sample inspection related to 26 officers that the arrival and departure of the academic staff of the College are done based on the flexible working hours as per a decision of the Board of Directors.	This matter has been notified to the line ministry and an investigation about that has been conducted by the University of Vocational Technology.	The arrival and departure should be recorded in accordance with the Establishments Code and Public Administration Circular.
(c)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
	i. Financial Regulation 187(3)	Even if the office that receives money should remit all monies received by institutions other than the Treasury to a bank account maintained by the relevant institution daily or as soon as possible, an amount of Rs. 1,908,897 owned by the College as at 31 December 2024 had been retained on hand without being deposited	This delay has occurred due to the complex work environment caused by the shortage of staff in the Accounts Division prevailed during that time. However, there is no post of Shroff in the Accounts Division and making receipts and payments in cash is a	The steps should be taken by the Accounting officers to introduce an internal control system to ensure that all monies received are banked daily in accordance with

		in the bank and had later been banked on 03 February 2025, and a sum of Rs. 1,884,000 out of the said amount was the fees charged in the enrolment of students.	very difficult task. Consequently, a request has been made to the governing authority to make arrangements to credit this deposit amount directly to the account of the institution.	financial regulations and to monitor its implementation.
	ii. Financial Regulation 757(2)	The College had not conducted a board of survey for the year under review and submitted the relevant reports to the Auditor General.	The actions will be taken to start this board of survey in the year 2025.	The board of survey should be carried out in accordance with financial regulations and relevant reports should be submitted to the Auditor General.
(d)	Paragraph 6.6 of the Operations Manual for State-Owned Enterprises (SOEs) in Public Enterprise Circular No. 01/2021 dated 16 November 2021	Although the draft annual report and financial statements should be submitted to the Auditor General within 60 days upon the end of the accounting year, the financial statements for the year under review had been first submitted on 03 June 2025 and the revised financial statements had been re-submitted on 03 September 2025.	The delays has occurred within the complex work environment due to the shortage of staff prevailed at that time, the steps will be taken to avoid such occurrence in the future.	The draft annual report and financial statements should be submitted to the Auditor General in accordance with the terms of the Operating Manual.
(e)	Paragraph 09 of Public Finance Circular No. 01/2020 dated 28 August 2020	Although the Ad-hoc Sub Imprests obtained by a staff officer should be settled within 10 days from the date of completion of the work, it was revealed in the sample inspection conducted for the year 2024 that the Ad-hoc Sub Imprests given by the College on 17 occasions, ranging from Rs. 5,980 to Rs. 100,000 amounting to a total of Rs. 458,720, had been settled by the officers after a delay of 7 to 38 days.	The relevant officers who receive the imprests have been informed in this regard and the steps will be taken to follow up on the payment of impreststs.	Advances should be given and settled in accordance with the provisions of the Finance Circular.

2. Financial Review

2.1 Financial Results

The operational result for the year under review was a deficit of Rs. 28,847,489, and the corresponding deficit for the preceding year was Rs. 35,500,265. Accordingly, an increase of Rs. 6,652,776 was observed in the financial result. The increase in total income by Rs. 29,903,623 had been the main reason for this growth.

3. Operational Review

3.1 Operational Inefficiencies

	Audit Observations	Comments of the Management	Recommendation
(a)	Although the discussions had been done since several years to establish a Learning Management System (LMS) for student management activities and other educational activities, the College had not taken actions to achieve the relevant task even by the end of the year 2024.	Since the solution provided by the institution from which the quotations were called for a Learning Management System (LMS) that was subjected to discussion was not capable to meet our requirements, the said endeavour was stopped at discussion level.	The requirements of the institution should be identified and the actions should be taken to establish a learning management system suitably.
(b)	Even though it is stated in the mission statement that the efforts are taken to resolve the demands and problems arising from the rapidly changing social, economic and technological trends in education and vocational education, 06 of the 10 courses being conducted by the College were the curricula introduced in the year 2013 for the first time (1st Publication) and, the curricula related to those courses had not been revised / updated even by the end of the year under review.	The updating the course curriculums is done through the University of Vocational Technology, Tertiary and Vocational Education Commission (TVEC) and the National Apprenticeship and Industrial Training Authority (NAITA). University College of Ratmalana is currently using the present course curriculums published/ downloadable from the TVEC website for academic activities.	The steps should be taken to establish and maintain a program to revise/update the courses conducted by the College in order to suit the changing professional requirements and the new technology.

3.2 Idle or underutilized Property, Plants and Equipment

Audit Observations	Comments of the Management	Recommendation
11 desktop computers and a Smart Board worth Rs. 3,146,000 received by the Institute on 09 August 2023 under the Skill Sector Development Project had been stored without making any use even by the end of the year under review.	The said items are being used at present.	The Accounting Officer should ensure that the assets of the college are utilized to their maximum benefit.

3.3 Human Resource Management

Audit Observations	Comments of the Management	Recommendation
13 posts out of 54 approved posts existed as at 31 December 2024; that is about 24 percent, had been vacant, and these vacancies included 05 posts of Lecturer, one post of Assistant Librarian and 03 posts of Management Assistant. The college had not taken steps to make the necessary recruitments or amend the approved staff as required even as at the end of the year under review.	The approval has been received from the Department of Management Services for the recruitment of all the posts of Lecturer, the post of Assistant Librarian and 01 post of Management Assistant and the required arrangements are being taken to make the relevant recruitments.	The actions should be taken to revise the staff according to the timely requirements and recruit the approved cadre accordingly.