

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the University College of Kuliyaipitiya ('College') for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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 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, except for the effects of the matters described in paragraph 1.5 of this report, the financial position of the University College as at 31 December 2024 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 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 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 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.

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 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 procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on Preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

	Non Compliance with the Reference to Particular Standard	Management comment	Recommendation
(a)	According to the paragraph 47 of Sri Lanka Public Sector Accounting Standard 7, changes in the fair value of property, plant and equipment should be revalued in every three to five years and adjustments should be made to the financial statements, by the year 2024, no action had been taken to revalue the assets of the College worth of Rs.440,784,139, which revaluation had been exceeded for a period of 05 to 09 years.	That the assets will be revalued and adjustments will be made to the financial statements in accordance with Accounting Standard No. 07.	Sri Lanka public sector accounting standards should be complied with.
(b)	Fixed assets costing Rs.43,541,292 had been fully depreciated but were still in use due to the failure to review the useful life time of non current assets annually in accordance with paragraph 65 of Sri Lanka Public Sector Accounting Standards 07. Accordingly, the estimated error had not been revised according to Sri Lanka Public Sector Accounting Standard 03.	That fully depreciated assets will be recorded at their carrying value.	The useful lives of assets should be reviewed annually in accordance with Sri Lanka Public Sector Accounting Standards.
(c)	The value of the 5.4 hectares of land on which the university had been using for about 10 years and the buildings and infrastructure have been developed had not	The necessary steps to acquire the land and the relevant authorities have been informed, and	The assets used by the college should be accounted for in accordance

been assessed and accounted for according to paragraph 14 of Sri Lanka Public Sector Accounting Standard 07.	although it is necessary to assess the value for disclosure in the financial statements, the Valuation Department had stated that since the ownership of the land had not been transferred, an assessed value cannot be provided.	with Sri Lanka Public Sector Accounting Standards..
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1.6. Unauthorized Transactions

Description of Unauthorized Transactions	Management comment	Recommendation
The Acting Director of the College had used an Institute vehicle from 01 January 2024 to travel from her place of residence to place of duty without formal approval.	That the college vehicle is been used as per the verbal approval given by the Senior Assistant Registrar of the University of Vocational Technology.	According to the circulars, a formal written approval should be obtained.

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

Reference to the Laws, Rules, and Regulations	Non Compliance	Management Comment	Recommendation
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 571	Action had not been taken in accordance with the financial regulations regarding the overdue deposits totaling Rs.912,253, which were over 02 years.	Out of which the value of Rs.199,621 had been mistakenly credited to the Library Deposit Refund Account.	Should be followed Financial Regulations.
(b) Establishment Code of Democratic Socialist Republic of Sri Lanka			
(i) Section 11.2.3 of Chapter II	On the expiry of the probationary period of an officer on probation, the Head	The officers will be informed about the probationary period	Should be followed Establishment

of the Department should take care to confirm him in service or extend his probationary period or terminate the probationary appointment and shall notify the officer thereof. However, a period of 2 years and 2 months to 3 years and 4 months had elapsed since the probationary period of six lecturers had expired, no action had been taken to extend the probationary period or terminate the probationary appointment.	and they will be Code. included in the files in the future.
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| <p>(ii)</p> | <p>Section 12.2.6 of Chapter VII</p> | <p>No approval had been taken from the relevant Ministry for the payment of the monthly acting allowance of Rs. 25,000 to the Acting Director of the College from January 2024.</p> | <p>As stated in the appointment letter, an acting salary of Rs. 25,000 will be paid in accordance with the Government Establishments Code.</p> | <p>Action should be taken in terms of Establishment code.</p> |
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2. Financial Review
2.1 Financial Result

The operating result of the year under review amounted a deficit of Rs. 21,898,385 and the corresponding deficit in the preceding year amounted of Rs 23,653,706 . Therefore a improvement amounting to Rs. 1,755,321 of the financial result was observed. The reasons for the improvement is the increase in income from non-exchange transactions received from the government for the scholarship scheme in the reporting year was mainly attributed to this.

3. Accountability and Good Governance
3.1 Corporate Plan

Audit Observation	Management Comment	Recommendation
According to paragraphs 2.3.3(n) and 2.4 of the operational manual for the University College, the College should prepare a business plan for a period of 03 years and based on that business plan, an annual implementation plan should be prepared, but it was not done accordingly.	That in the future an annual implementation plan will be prepared in consultation with the University of Vocational Technology.	Actions should be taken in accordance with the provisions of the operational manual for the College.

