

## **1. Financial Statements**

### **1.1 Opinion**

The audit of the financial statements of the University College of Anuradhapura 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, including material accounting policy information, 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 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 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 Opinion**

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 of the University College.

## 1.4 Audit Scope

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 University 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 University 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 University 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 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.

	<b>Reference to Laws, Rules Regulations etc.</b>	<b>Non-compliance</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a)	Section 11 of the Finance Act No. 38 of 1971	A sum of Rs. 5,427,000 had been invested in 05 fixed deposits during the year under review by the University College, without obtaining the approval of the appropriate Minister and the Minister of Finance.	Treasury approval had been obtained for these deposits.	Action should be taken in accordance with the provision of the Finance Act.
(b)	Sections 38 (1) (c) and 38 (2) of the National Audit Act, No. 19 of 2018	The Chief Accounting Officer of the University College should ensure that an effective internal control system is developed and maintained for financial control, and although it should review periodically and make necessary changes, but the relevant review had	Action will be taken in this regard in the future.	Action should be taken in accordance with the provisions of the National Audit Act.

		not been conducted and copies thereof had not been submitted to the Auditor General.	
(c)	Financial Regulations 756 (5) and (6) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Although the Board of Survey for the years 2023 and 2024 should be conducted and the relevant reports submitted to the Auditor General before 31 March of the following year, they had not been submitted for audit even by the date of audit of 04 April 2025.	Action will be taken to submit the Board of Survey Reports to the audit in the future. Financial Regulations should be followed.
(d)	Section 12.2.6 of Chapter VII of the Establishments Code of the Democratic Socialist Republic of Sri Lanka	Acting salaries of Rs. 643,785 had been paid to 05 officers only on the approval of the Board of Directors during the year under review without obtaining the approval of the Secretary to the Ministry.	Since daily activities of the University College were unable to carry out without those positions, the payments have been made with the approval of the Management Board of the University College and the Governing Council of the University of Vocational Technology Provisions of the Establishments Code should be followed
(e)	Paragraph 3.2 and Annexure iii 1(e) of the Guidelines for the Governance of Public Enterprises in the Public Enterprise Circular No. 1/2021 dated 16 November 2021	Although the Annual Performance Review Meeting (APRM) should be conducted before 5 months passed from the end of the financial year, and before the Annual Report presents to	On the instructions of the Ministry, the Annual Reports will be prepared by the University of Vocational Technology incorporating information from all universities and Action should be taken in accordance with the provisions of the circular.

Parliament, the university colleges college had not done and submit them to so and the Auditor Parliament . General's report had not been included in the Annual Report for the year 2023.

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| (f) | Assets Management Circular No. 06/2023 dated 24 August 2023 | Action had not been taken to enter relevant information about the vehicles owned by the university college into the online management system. | Information about the vehicles owned by the university college has been provided to the University of the Vocational Technology and relevant activities will be carried out through it. | Action should be taken to enter the relevant information into the online management system in accordance with the circular provisions. |
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## 2. Financial Review

### 2.1 Financial Result

The operational result for the year under review was a deficit of Rs. 18,265,671 and the corresponding deficit in the preceding year was Rs.17,949,496. Therefore, a deterioration amounting to Rs 316,175 in the financial result was observed.

## 3. Operational Review

### 3.1 Management Inefficiencies

	Audit Observation	Comment of the Management	Recommendation
(a)	The University College had implemented 08 courses and had planned to increase it to 10 courses and start several NVQ 7 (Degree Level) level courses in the year 2020, but had failed to implement the relevant plans by the date of audit of 27 March 2025.	These activities will be carried out under the instructions of the University of the Vocational and Technology in the future.	The functions should be done without delays as planned.
(b)	A number of 1,125 students had been enrolled in the courses during the 05 years period from the year 2015 to 2019, and out of that 545 students equivalent to 49 percent of the total students, had failed to complete the courses. The audit revealed that this was due to the lack of	No reply was made.	Necessary actions should be taken to minimize students dropout.

adequate hostel facilities, educational hall facilities and canteen facilities.

### 3.2 Delays in Capital Works Project

Audit Observation	Comment of the Management	Recommendation
<p>As per the terms of the contract, although the proposed new work shop construction contract with an estimated cost of Rs.7.975 million should be commenced in September 2024 and be completed by 10 January 2025, the work had not been completed, even by 27 March 2025, the date of audit. In the first interim payment, the entire amount of Rs. 6,811,450 without deducting the retention money of Rs. 681,145, was paid to the contractor in December of the year under review. Furthermore, in making those payments, Rs. 90,000 had been paid for the work not executed. and Rs. 268,570 had been paid in excess of the approved rates for 02 work items, and no action had been taken to recover the delay charges of Rs. 112,500 that should have been charged according to the terms of the agreement.</p>	<p>It has been decided to deduct the amount of Rs. 50,000 paid for delay charges and retention monies for the construction of a temporary office from the final payment.</p>	<p>Delay charges should be recovered in accordance with the terms of the contract, and retention monies should be properly deducted. In addition, formal investigations should be conducted and action should be taken to recover overpaid monies.</p>

### 3.3 Human Resources Management

Audit Observation	Comment of the Management	Recommendation
<p>The approved cadre was 54 as at 31 December 2024, and out of that 22 were vacant, which was 41 percent of the approved cadre. Out of that, 12 were vacancies in the academic staff and officers had been attached to the post of Chief Executive Officer of the institute on an acting basis from January 2024 to 27 March 2025.</p>	<p>Recruitment has been made by 28 April 2025 for one post out of the posts approved by the Department of Management Services.</p>	<p>Necessary actions should be taken to fill the vacant positions and actions should be taken to appoint a permanent officer for the position of Chief Executive Officer.</p>