

## **University of Vocational Technology - 2013**

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The audit of financial statements of the University of Vocational Technology for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes 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 Section 47(2) of the University of Vocational Technology Act, No. 31 of 2008. My comments and observations which I consider should be published with the Annual Report of the University appear in this report.

### **1:2 Management’s Responsibility for the Financial Statements**

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The management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

### **1:3 Auditor’s Responsibility**

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My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards, consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University’s preparation and fair presentation of the financial statements 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’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**2. Financial statements**  
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**2:1 Opinion**  
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In my opinion, the financial statements give a true and fair view of the financial position of the University of Vocational Technology as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

**2:2 Accounting Deficiencies**  
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The assets costing Rs.2,874,467 shown in the financial statements at zero value had not been revalued and included in the accounts.

**2:3 Non-compliance with Laws, Rules, Regulations and Management Decisions**  
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Non-compliances with the following laws, rules, regulations and management decisions were observed.

| <b>Reference to Laws, Rules, Regulations, etc.</b><br>-----  | <b>Non-compliance</b><br>-----  |
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| (a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka<br><br>-----<br>Financial Regulation 104   | Even though a sum of Rs.1,732,518 had been spent on carrying out repairs to a motor vehicle which had met with an accident, action had not been taken on the loss and furnish a report to the audit in accordance with the regulations despite the elapse of about 2 years from the date of accident. |
| (b) Public Administration Circular No. 26/92 of 19 August 1992, Public Administration Circular No. 26/92(1) of 03 August 1994 and the Public Administration Circular Letter No. 01/2002 of 25 February 2002. | Even though the State Emblem and the name of the institution should be painted on Government motor vehicles, action in terms of the Circulars had not been taken on 06 motor vehicles of the University of Vocational Training.   |

**2:4 Transactions not supported by Adequate Authority**  
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The following matters were observed.

- (a) The University of Vocational Technology had temporarily adopted in the year 2009, the Scheme of Recruitment used by the University Grants Commission for Academic and Executive Posts as approved by the Department of Management Services until the preparation of the Scheme of Recruitment on the recommendation of the Salaries and Cadre Commission. According to that, two officers who had not fulfilled the minimum qualifications required for the post of Senior Lecturer had been absorbed to those posts.
- (b) Two officers had been granted extension of service without following the provisions in the Public Administration Circulars and salaries amounting to Rs.5,148,000 had been paid to them.
- (c) Contrary to the provisions in the Trade and Investment Circulars of the Ministry of Finance and Planning, concessionary motor vehicle permits had been issued to 08 officers who are not entitled to motor vehicle import permits.
- (d) The Board of Governors had appointed a person without requisite qualifications to an unapproved post in accordance with an unapproved Scheme of Recruitment and a sum of Rs.153,720 had been paid as salaries.
- (e) It was observed that the formal authority had not been obtained for the academic allowance of Rs.7,144,313 paid from the year 2011 to 2013 and the research allowance amounting to Rs.1,028,475 paid during the year under review.

**3. Financial Review**  
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**3:1 Financial Results**  
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According to the financial statements presented, the financial results of the University for the year ended 31 December 2013 amounted to a surplus of Rs.3,123,062 as against the deficit of Rs.1,993,820 for the preceding year. The improvement of the financial results as compared with the preceding year, amounted to Rs.5,116,882.

#### **4. Operating Review**

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##### **4:1 Management Inefficiencies**

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The following matters were observed.

- (a) The net operating profit of the Institute for Training Vocational Teachers for the year ended 31 December 2013 amounted to Rs.538,528 and the sum of Rs.3,693,886 received from the line Ministry as grants during the year under review had been a reason for that. If that money had not been received the net operating loss of the Institute would have been Rs.3,155,358.
- (b) Even though computer software and hardware valued at Rs.5,658,848 had been received by the University from the Technical Education Development Project in August 2011, out of those computers in the three Divisions relating the Software used for educational activities, registration of students and the release of results of the Examination Division only had been in working order during the year 2013.

##### **4:2 Transactions of Contentious Nature**

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The following observations are made.

- (a) A digital printer valued at Rs. 1 million purchased by the University had been given to a private company established under the Companies Act, without achieving the purpose for which it was purchased.
- (b) Action had not been taken for the recovery of a sum of Rs.134,309 and the charges recoverable for 05 inventory goods not handed over, due from an officer who had vacated post more than 02 years ago.

##### **4:3 Idle Assets**

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The official residence of the Vice Chancellor constructed at a cost of Rs.4.7 million remained vacant since May 2010 up to the end of the year under review.

##### **4:4 Identified Losses**

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The surcharge of Rs.18,041 payable to an officer of the University in accordance with an order of the Commissioner General of Labour during the year under review on account of the non-payment of gratuity/ surcharge in terms of the Payment of Gratuity Act had been paid without taking action for the recovery from the officers responsible.

**4:5 Deficiencies in Contract Administration**  
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The following observations were made.

- (a) Even though the preparation of engineering estimates should be done by an officer having knowledge and experience in that field, the estimates of the University had been prepared by a Management Assistant.
- (b) According to Section 4.3 of the Government Procurement Guidelines instructions had been given on the preparation of total cost estimates accurately and approximately for the fabrication and installation of polycarbonate roof. Even though the engineering estimate included the supply of 2,475 linear feet of hightensile galvanized bill bars according to the final bill of the contractor 1,734 linear feet only had been used and a sum of Rs.475,116 had been paid for that. Accordingly 741 linear feet had been overestimated in the preparation of the estimate.

**4:6 Assets not formally Vested**  
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Action in terms of Section 69(2)(a) of the University of Vocational Technology Act had not been taken for the formal vesting of the land on which the University of Vocational Technology is maintained in the name of the University.

**5. Accountability and Good Governance**  
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**5:1 Budgetary Control**  
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Even though estimates had been prepared for 11 items at Rs.7,480,000 no expenditure whatsoever had been incurred during the year under review. But an expenditure amounting to Rs.5,207,613 had been incurred on 04 items for which estimates had not been prepared. Significant variances were observed between the budgeted and the actual expenditure and as such it was observed that the budget had not been made use of as an effective instrument of management control.

**5:2 Decisions of the Committee on Public Accounts**  
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Action in terms of the directives of the Committee on Public Enterprises made at the meeting held on 12 October 2012 had not been taken for obtaining the approval of the Treasury for the allowances amounting to Rs.1,683,283 paid to the academic staff.

**6. Systems and Controls**  
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Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Vice Chancellor of the University from time to time. Special attention is needed in respect of the following areas of control.

- (a) Assets Management
- (b) Accounts Receivable
- (c) Conduct of Courses
- (d) Staff Administration