

Institute of Technology – University of Moratuwa - 2014

The audit of financial statements of the Institute of Technology – University of Moratuwa for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014 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 information 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 20 of the Institute of Technology – University of Moratuwa Ordinance No.03 of 2000 enacted in terms of Section 18 of the Universities Act, No. 16 of 1978. My comments and observations which I consider should be published with the annual report of the Institute of Technology in terms of Section 108 (1) of the Universities Act appear in this report.

1.2 Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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

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 misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute’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 Institute’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 the financial statements. Sub-sections (3) and (4) of the Section 13 of the Finance Act , No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the Audit.

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

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Institute of Technology of the University of Moratuwa at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Accounting Deficiencies

As the property, plant and equipment costing Rs. 46,379,016 with Zero written down value as at 31 December of the year under review and being used at present had not reflected the fair value and the action had not been taken to revalue and account of these assets.

2.2.2 Unconfirmed Transactions by Sufficient Authority

According to the section 99 of the Universities Act No. 16 of 1978, all income earned from any source by the higher education institutes should be credited to the fund of that institute ,contrary to that the income from national technical course applications and preparatory course income had been credited separately to the deferred income accounts.

A sum of Rs. 933,634 from these accounts had been distributed among the employees without the approval from Treasury for the year under review and public finance circular No. 380 for consultancy services accepted had been interpreted erroneously for this payment.

2.3 Non-compliance with Laws, Rules, Regulations and Management Decisions

Even though, according to the section 3.1 of chapter XX of the Establishment Code of the University Grants Commission and Institutes of Higher Education every officer in service of the Institute should record the times of arrival and departure in an Attendance register, contrary to that Rs. 50,922,656 had been paid as salaries and allowances without confirm the attendance of the academic staff.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Institute for the year under review had resulted in a deficit of Rs.682,036 as compared with the corresponding surplus of Rs. 2,804,799 for the preceding year, thus indicating an decrease of Rs.3,486,835 in the financial results for the year under review. In relation to the last year, government grants received for recurrent expenditure had been increased by Rs. 8,980,000, the main reason for the decline was that the staff remuneration had increased by Rs. 14,979,419.

4. Operational Review

4.1 Performance

Following observations are made.

- (a) The Institute conducts 09 Diploma Courses and out of the 360 students enrolled in the year 2010, 283 students or 79 per cent had passed the Diploma for the year under review.
- (b) As the recurrent expenditure was of Rs. 137,658,274 for the year under review, the cost of a student was Rs. 202,737.
- (c) Mahapola Scholarship amounting to Rs. 2,396,600 had been paid to 206 students and Bursaries amounting to Rs. 13,412,700 had been paid to 428 students during the year under review.
- (d) 20,999 lecture hours had been conducted during 30 academic weeks for the year under review and based on academic requirements 48 per cent by external lecturers. The cost of the 10,925 internal lecture hours and 10,074 external lecture hours were Rs. 50,922,656 and Rs. 14,246,700 respectively.

4.2 Underutilization of Funds

The Value of Commercial Naval Officers Training programme and Marine Engineering and Naval Engineering Fund of Rs. 7,970,715 had been underutilized since 10 years without being used for projected activities.

4.3 Personnel Administration

Vacancies existed on 15 posts of probationary lecturer and 12 posts of non-staff grades relating to other staff of the approved academic staff of the Institute as at 31 December 2014.

5. Accountability and Good Governance

5.1 Corporate Plan

Even though the Corporate Plan for the period 2011-2015 had been prepared, the approval of the Board of Management for that had not been obtained up to the date of audit.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Director of the Institute from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Subsidiary Registers
- (c) Staff Loans control
- (d) Assets Management
- (e) Advances