

## **University College of Rathmalana Affiliated to the University of Vocational Technology - 2015**

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The audit of financial statements of the University College of Rathmalana Affiliated to the University of Vocational Technology for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 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.

### **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 Auditing 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.

### **1.4 Establishment**

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The University College of Rathmalana had been established as an affiliated institute therein under the University of Vocational Technology Ordinance No.1 of 2014 prepared by the Board of Governors of the University of Vocational Technology as enforced from 1 October

2014 under Sub –section (1) of Section 20 read in conjunction with Section 5(e) of the University of Vocational Technology Act, No.31 of 2008. The main objective is to conduct the technical courses of National Vocational Qualifications level 5,6 and 7 and the technical courses equal to that level approved by the University of Vocational Technology.

## **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 College of Rathmalana as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

### **2.2 Non-compliance with Laws, Rules, Regulations and Management Decisions**

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The following Non-compliances were observed.

<b>Reference to Laws, Rules, Regulations, etc.</b>	<b>Non-compliance</b>
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(a) Section 4.1 of Chapter V of the Establishments Code of the Democratic Socialist Republic of Sri Lanka.	Even though, payment of a month's salary in lieu thereof could be made in the resignation from a post without giving one month's notice , salaries of 03 months had been recovered in the resignation of lecturers contrary to the aforesaid Section. A sum of Rs.25,538 had been over recovered from three officers who resigned during the year under review due to calculation made including the employers contribution to the Employees Provident Fund and the Trust Fund in the recovery of those salaries.
Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 261(i)	Even though all payments made should be properly recorded in the Cash Book and any other books of account prescribed for the purpose and the entries in the Cash Book should be consecutively numbered and these numbers affixed to the corresponding vouchers, it had not been so done.

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| (b) Treasury Circular No.842 of 19 December 1978  | An adequate confirmation could not be obtained in audit in respect of the fixed assets costing Rs.311,511,641 existed as at 31 December of the year under review due to the University College had not maintained a Register of Fixed Assets during the year under review.   |
| (d) Section 7.4.5 of Public Enterprises Circular No.PED /12 dated 02 June 2003.                 | Even though, verification of fixed assets and stores materials should be carried out by conducting an annual board of survey , the University College had not conducted a board of survey and the report thereon had not been furnished to the Auditor General.  |
| (e) Public Administration Circular No.09/2009 dated 16 April 2009                               | Even though, records in respect of confirmation of arrival and departure of the officers by using finger print machines in all public institutions should be kept , action had not been taken up to date to use finger print machines by the University College.   |
| (f) Paragraph 15(1) of the University of Vocational Technology Ordinance dated 01 October 2014. | Even though, all fees paid by the students, other money earned from income and any other source should be credited to a Fund called the “University College Fund”, contrary to that income of Rs.2,529,150 out of the income collected by the University College had been credited to an account in the name of the Additional Secretary to the Skill Development Sector Project . |

### **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 under review amounted to a deficit of Rs.1,151,297 . However, the contribution of the University College had been a surplus of Rs.13,602,139 before the deduction of a sum of Rs.14,753,436 incurred on employees cost.

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

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##### **4.1 Performance**

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The following observations are made.

- (a) According to the University of Vocational Technology Ordinance No.01 of 2014, the main objective of the University College is mentioned as to conduct the technology courses of National Vocational Qualifications level 5,6 and 7 and other technology courses equal to that level. However, it was observed that the courses had not been developed so as to achieve that objective though a period of one year had elapsed after commencement of courses. The following matters were observed in that connection.
  - (i) Registration for the National Vocational Qualifications (NVQ) had not been obtained due to insufficient of existing laboratory facilities and learning equipment in respect of 09 courses conducted during the year under review.
  - (ii) Even though, the courses conducted by the University College should be accredited as training courses, the management had not taken action to develop the infrastructure required for the development of the laboratory facilities and learning equipment create from the quality control system in the University College required for that purpose.
  - (iii) Accordingly, the University College could not be able to give the students internationally accepted qualitative high quality courses up to now as expected.
- (b) The Cosmetology Technology Course which had been planned to be commenced in the year under review had not been commenced. Therefore, laboratory equipment valued at Rs.47,054,869 purchased for that purpose had remained idle without utilizing for the training purposes due to the required facilities for the said course and 03 courses which are being conducted at present, had not been arranged.
- (c) Forty six students out of 133 had been dropped out from the courses who had enrolled for 8 courses in the University College during the year under review. The percentage of dropping out from the courses had ranged from 18 per cent to 52 per cent in considering each course separately. However, the Management had not identified the reasons caused to that matter and action had not been taken to rectify to minimize this ratio.
- (d) Cost per Student

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The Cost per Student for the year had been Rs.216,008 as the recurrent expenditure incurred on 101 students for academic activities during the year under review amounted to Rs.21,816,835. It was observed that increase of the cost per student had caused that non-enrolment of students to the University College despite the number of students could be enrolled was 270.

## **4.2 Management Activities**

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The following Observations are made.

- (a) The cleaning and security services of the University College had been fulfilled by a private institution without entering into formal agreements and sums of Rs. 715,665 and Rs.1,689,625 had been incurred respectively thereon during the year under review.
- (b) The financial progress of each course could not be examined due to failure in preparing the income and expenditure estimates for the courses conducted by the University College.
- (c) Action had not been taken even by the end of the year under review for the vesting of the land 03 roods and 3.9 perches in extent in which the University College is operated, in the name of the University College .

## **4.3 Idle and Underutilized Assets**

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It was observed that 591 books valued at Rs.1,447,326 not relevant to the subjects of the courses conducted at the University College at present had remained in the library at the University College without being used .

## **4.4 Personnel Administration**

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The following observations are made.

- (a) A sum of Rs.585,875 had been incurred during the year under review in carrying out the studies of 2 courses completely through the visiting lecturers due to delay in re-recruiting for the vacant posts created as a result of several new lecturers had left the University College during the year.
- (b) In the examination of personal files of 22 visiting lecturers, the appointment letters of 21 lecturers issued relevant to serve for the University College were not available in the files and the applications or the certificates of confirmation of educational and vocational qualifications of 16 lecturers were not available in the files. However, a sum of Rs.1,467,125 had been paid for the visiting lecturers during the year under review without having even an appointment letter.
- (c) It was observed in audit that all the subjects of the course had been taught by the same lecturer during the academic period of 7 hours per day and the University College had commenced 09 courses and conducted during the year under review. Accordingly, conducting lectures for 07 hours by the same person is not complied with the educational methodologies and it was observed that it would cause to reduce the students interest on studies.

## **5. Accountability and Good Governance**

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### **5.1 Action Plan**

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Even though, an Annual Action Plan including the activities targeted to achieve the objectives mentioned in the Act, with a long term vision, in terms of Section 04 of the Public Finance Circular No.1/2014 of 17 February 2014 should be prepared, the University College had not prepared an Action Plan for the year under review.

### **5.2 Internal Audit**

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A separate internal audit unit had not been established for the University College of Rathmalana in which the operational activities commenced since February 2015. The responsibility of the internal audit activities had been entrusted to the internal audit unit of the University of Vocational Technology. The following matters were observed.

- (a) A separate Internal Audit Plan had not been prepared for the University College and an internal audit had not been functioned for the formation of targeted efficient performance.
- (b) An audit on the entire system had not carried out and only one audit query had been issued due to an adequate staff was not available with the internal audit unit and an adequate time could not be allocated for the audit activities of the University College.
- (c) Similarly, internal control systems for the Finance and Operating divisions of the University College had not been introduced and the accounting process was also at a weak level.

### **5.3 Audit Committees**

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Internal Audit Committees had not been established in terms of Section 7.4.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003 and meetings had not been conducted during the year under review.

### **5.4 Procurement Plan**

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Purchase of goods by spending Rs.1,748,555 in the year under review had been made despite a procurement plan had not been prepared by the University College in terms of Section 4.2.1 of the Government Procurement Guidelines 2006.

## **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 Director of the University from time to time. Special attention is needed in respect of the following areas of control.

**Areas of Systems and Controls**

**Observations**

- | <b>Areas of Systems and Controls</b> | <b>Observations</b>  |
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| (a) Accounting                       | Action had not been taken to maintain the books of accounts and registers up to date.                  |
| (b) Finance Management               | Expenditure not incurred according to the Procurement Plans and estimates.                             |
| (c) Assets Management                | Accounting of assets and registers had not been maintained.  |
| (d) Staff Administration             | Recruitment of the staff had not done properly and files had not been maintained in an updated manner. |
| (e) Conduct of Courses               | Non-preparation of estimates, action not taken to minimize the lecturers turn-over .                   |