

University College of Jaffna – 2015

The audit of financial statements of the University College of Jaffna of 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 and Section 17(2) of the notification published in the Gazette Extraordinary No.1882/51 of 03 October 2014. My comments and observations which I consider should be published with the Annual Report of the University College in terms of Section 49(1) of the Universities Act appear in this report.

1.2 Management's Responsibility for the Financial Statements

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

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 judgment, 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 College'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 College'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.

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

1.4 Establishment of the University College

The University College of Jaffna had been established as an Affiliated Institute under the University of Vocational Technology Ordinance No.1 of 2014 prepared by the Board of Governors of the University of Vocational Technology to be in operation from 01 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 of the University College is to conduct the technical courses of National Vocational Qualifications Levels 5, 6 and 7 and the technical courses equal to that level approved by the University of Vocational Technology.

2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the University College of Jaffna of the University of Vocational Technology 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 Comments on Financial Statements

2.2.1 Non compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance observed in audit are given below.

Reference to Laws, Rules and Regulations and Management Decisions	Non-compliance
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(a) Financial Regulations of the Government of the Democratic Socialist Republic of Sri Lanka	
Financial Regulation 135 (4)	Details updated schedules with regard to the functions delegated annually by the Accounting Officers had not been submitted for audit.
Financial Regulation 136 (6)	Authorized person's records had not been compared and reconciled at least once a month with those of the certifying officer.
Financial Regulation 262 (3)	The paying officer had not initial and affixed the day stamp in two hundred supporting documents relating to payments aggregating Rs.3,993,584 made during the year under review.

Financial Regulation 272(1)	None of the paid vouchers had been forwarded to audit monthly, not later than six weeks from the end of the month to which they relate.
Financial Regulation 756	Board of Survey had not been conducted for the year 2015.
Financial Regulation 1645	Officer in charge of vehicles had not furnished the monthly summary of journey performed by each vehicle and the daily running charts for every month to the Auditor General before 15 th of the following month for which the report were submitted.
Financial Regulation 1646	Vehicle log books had not been maintained to records details of repairs and maintenance.
 (b) Operations Manual for the University College	
Section 4.6.2(g)	Student's personal files had not been properly maintained.
Section 4.6.2(g)	Student's identity card had not been issued to all students.
 (c) Circular Provisions	
i. Treasury Circular No- IAI/2002/02 dated 28 November 2002.	A register of fixed assets had not been maintained in respect of computers and computer accessories of the University College.
ii. Public Administration Circular No.41/90 of 10 October 1990.	The fuel consumption of vehicles should be tested at least once in six months. However, this procedure had not been carried out for vehicles of the college.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the University College of Jaffna during the year under review had resulted in a deficit of Rs. 853,084. The value addition of the University College during the year under review was Rs.89,646,048.

3.2 Analytical Financial Review

Although the total operating expenditure for the year under review was Rs. 63,093,653 its included the depreciation of Rs.38,421,673 on property, plant and equipment or its represent 61 per cent of the total expenditure.

4 Operating Review

4.1 Operating Weaknesses

Registers to record transactions such as over time, visiting claims, fixed assets and advances etc had not been maintained.

4.2 Management Weaknesses

The following observations were made.

- (a) Although the Board of Committee had directed to all academic staff attached to the University College should sign in the finger scanner, the direction was not adopted by the academic staff.
- (b) No proper procedure had not been followed in terms of Chapter- XII of the Establishment Code with regard to leave taken by the staff. In this connection the following observations were made.
 - i. Most of the leave taken by the officers had not been approved by the responsible officers.
 - ii. Leave registers and short leave registers had not been properly maintained.
 - iii. Officers were on leave without suitable acting arrangement as such urgent work delayed without attended by other staff.

4.3 Human Resources Management

The following observations were made.

- (a) No action had been taken to fill 13 vacancies in 10 academic and 03 non-academic posts by the University College.
- (b) Documents such as agreements, assets declarations, history sheets, General 176, 169 and 278 had not been made available in the personal files maintained by the University College of Jaffna.

4.4 Assets Management

The following observations were made.

- (a) A Building constructed to the value of Rs.112 million during the year under review was found several cracks and the portion of the building was damaged. In this connection no meaningful action had been taken by the management to repair the building within the defect liability period given to the contractor.
- (b) All vehicles were parked in open place. In this regard no action had been taken to construct a vehicle park for the safe custody of the valuable vehicles of the College.
- (c) Inventory register had not been properly maintained and as such the purchased date, value of item purchased and date of receipt of inventory items were not recorded in the register.
- (d) Store inventory was not maintained by store keeper.

4.5 Vehicle Fleet Management

The following observations were made on maintenance of Vehicle Running Chart

- Fuel order number, dates and numbers of fuel bills had not been indicated in the running charts of vehicle.
- Purpose of the trips had not been indicated in running charts of the vehicle.
- Officers fail to sign after using vehicles.
- Vehicle movement register had not been maintained.
- Vehicle performance summary had not been prepared monthly and rendered to Auditor General.

5 Accountability and Good Governance

5.1 Presentation of the Financial Statements

The financial statements for the year ended 31 December 2015 required to be presented for audit before 30 April 2016. However, the financial statements had been prepared and presented for audit only on 18 May 2016.

5.2 Action Plan

According to the Circular Letter No.PF/R/2/2/3/5(4) dated 10 March 2010 and PED/RED/01/04/2014/01 dated 17 February 2014 of the Director General of Public Finance; an Annual Action Plan and Annual Performance Report for the year under review had not been prepared.

5.3 Business Plan

Business Plan for a period of 3 years in terms of 2.4 of Operations Manual for the University College had not been prepared.

5.4 Establishment of Business Unit

A Business Unit in terms of Section 2.4.1 of Operations Manual for the University College had not been established.

5.5 Establishment of Internal Audit Unit

Several weaknesses in internal control system of the College were observed, as failure to establish an Internal Audit Unit for the Collage.

5.6 Audit Committee Meeting

Even though the Board had established an Audit and Management Committee, no single meeting had been conducted in 2015, in terms of Public Enterprises Circular No. PED/31 dated 01 July 2005.

6 Systems and Controls

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

Areas of Systems and Controls	Observations
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(a) Stores Administration	Register of stores item had not been maintained.
(b) Assets Management	Fixed assets register had not been maintained.
(c) Utilization of Vehicles	Vehicles had not been parked safely.