

University College of Kuliypitiya - 2015

The audit of financial statements of the University College of Kuliypitiya 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 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 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 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

The University College of Kuliypitiya 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 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 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 Kuliypitiya 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 Lack of Evidence for Audit

Even though 1,147 liters valued at Rs.126,210 had been used for the pool vehicle of the College during the year under review, Daily Running Charts and Monthly Performance Summaries had not been duly prepared. Thus, the accuracy on fuel consumption could not be confirmed.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the University College for the year ended 31 December 2015 had been a deficit of Rs.667,134.

4. Operating Review

4.1 Performance

According to the University of Vocational Technology Ordinance No.1 of 2014, main objectives of the College had been stated as the conduct of technical courses on National Vocational Qualifications Levels 5,6 and 7 and the other similar Technology courses equal to those levels. The following observations are made with regard to the performance of achieving those objectives.

- (a) Even though 09 Technology courses of National Vocational Qualifications Levels 5,6 and 7 and other Technology courses equal to those levels approved by the University of Vocational Technology had been introduced by the College in the year under review , 108 students had been enrolled for only 07 courses mentioned above. Thirty three of them had dropped out the courses.
- (b) Even though laboratory and infrastructure facilities required had been provided by purchasing learning equipment valued at Rs.124,114,537, only one student enrolled for a

course had dropped out that course and no student had applied for two courses and as such 03 courses could not be conducted during the year under review.

4.2 Idle and Underutilized Assets

The following observations are made.

- (a) Even though equipment valued at Rs.1,435,000 had been received for the Wheel Alignment Division of the Motor Vehicle Technology Course of the University College by 24 March 2015, those equipment had not been used even by 13 May 2016, the date of audit, due to the failure in planning for the enrollment of students for National Vocational Qualifications Levels 5 and 6 who can make use of those equipment.
- (b) A stock of goods and equipment valued at Rs.6,381,800 received for the Building Design Technology Course had remained idle in the main stores even by 11 May 2016, the date of audit. The Director of the College had informed the audit that, due to the minimum number of students enrolled for the Building Design Technology subject, those learning equipment had been used by combining the practical work pertaining to that subject with the students of Construction Technology.

4.3 Management Activities

The following observations are made.

- (a) The land and the buildings where the University College is located had not been transferred to the University even by the end of the year under review and it was observed that the delay in transferring process had been an obstacle to the development activities thereof.
- (b) The ownership of two motor vehicles valued at Rs.15,150,000 provided by the Ministry of Skill Development and Vocational Training had not been transferred to the College.

4.4 Personnel Administration

The approved cadre and the actual cadre of the College as at 31 December of the year under review had been 53 and 32 respectively and it was observed that the vacancies existed in the academic staff and non-academic had been 16 and 05 respectively. Service of Visiting Lecturers had been obtained for academic purposes and it was observed that the filling of vacancies should be expedited to carry out academic, non-academic and administrative activities in a proper and efficient manner.

5. Accountability and Good Governance

5.1 Audit Committee

An Audit Committee in terms of Paragraph 7.4 the Public Enterprises Circular No.PED/12 of 02 June 2003 had not been established.

5.2 Budgetary Control

Even though an expenditure estimate for the year under review had been prepared by the University College, a budget had not been prepared and obtained the approval of the Board of Governors 03 months before the commencement of relevant year in terms of Paragraph 5.2 of the Public Enterprises Circular No.PED/12 of 02 June 2003.

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 College from time to time. Special attention is needed in respect of the following areas of control.

Areas of Systems and Controls	Observations
-----	-----
(a) Budgetary Control	Non-preparation of a Budget.
(b) Maintenance of Registers	Failure to use a correct Coding System for Ledger Accounts and non-maintenance of Ledger Accounts in a proper manner.
(c) Granting Advances	Failure to introduce a proper methodology for granting advances by the College.