

University College of Matara - 2015

The audit of financial statements of the University College of Matara 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 Matara 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 Matara 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 Accounting Deficiencies

The value of land 0.5854 hectares in extent transferred by the Divisional Secretary, Matara on 27 November 2013 and the building complex constructed by the College had not been assessed and brought to account.

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

The following instances of non-compliance were observed during the course of audit.

Non- compliance with Laws, Rules, Regulations, etc. -----	Non-compliance -----
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka -----	
(i) Financial Regulation 751	Four hundred and thirty items of goods costing Rs.139,607,232 received by 06 Departments had not been entered in Inventories.
(ii) Financial Regulation 756	An Annual Board of Survey for the year under review in respect of goods of the College or Academic Departments had not been carried out.
(b) Treasury Circulars -----	
(i) Circular No.842 of 19 December 1978	A Register of Fixed Assets in respect of fixed assets costing Rs.172,742,464 as at the end of the year under review had not been maintained in a proper manner according to the categories of assets.

(ii) Circular No.IAI/2002/02 of 28 November 2002 A Register of Fixed Assets in respect of Computers, Software, and Hardware costing Rs.8,667,275 as at the end of the year under review had not been maintained.

3. Financial Review

3.1 Financial Results

The operation of the University College had been commenced in the year 2015 and according to the financial statements presented, the financial result of the College for the year ended 31 December 2015 had been a deficit of Rs.1,054,346.

4. Operating Review

4.1 Performance

Seven objectives had been identified according to the University of Vocational Technology Act. Those are summarized as shown below.

- (i) Assist in the progressive development of students in technical and vocational education and vocational programmes, provide pedagogical training for those undergoing training and assist in the development of Course curricula for training;
- (ii) provide courses of study for middle level technical personnel with National Vocational Qualifications to upgrade their competency and acquire academic qualifications;
- (iii) provide extension courses on continuous professional development; and
- (iv) provide extension services to the public including institutions, in the construction, manufacturing and service sectors.

The following observations are made with regard to the achievement of above objectives.

- (a) Even though the College had been established on 20 November 2014, the Vision, Mission and Objectives of the College had not been determined even by 15 June 2016.
- (b) Even though dropout of 24 students out of 123 students registered for 07 courses of the College had been observed, attention of the College had not been paid to formulate and implement a programme to avoid such situation.
- (c) Even though training plans had been designed for various Divisions of the College , those plans could not be implemented due to the lack of adequate building facilities.
- (d) Even though the maximum number of students which can be enrolled for each course had been 30, students had not been enrolled up to the said maximum level of all 09 courses.

4.2 Management Activities

The following observations are made.

- (a) A separate Attendance Register had been maintained in respect of the academic staff and the arrival had been daily recorded from 01 October 2015 up to 01 May 2016 while the departure had not been recorded by them. As such, the establishing of the duty hours completed by them was questionable in audit.
- (b) Six visiting lecturers had not recorded the arrival and departure since January up to May 2016. Thus, the duties performed by them could not be established.
- (c) Even though two motor vehicles, buildings and equipment had been handed over by the Ministry to the College by 16 February 2015, action had not been taken to transfer those to the College even by 30 June 2016.

4.3 Operating Activities

Advances totalling Rs.105,910 had been granted in 08 instances without identifying the requirement for relevant purpose and an estimate of expenditure. Thus, percentages ranging from 46 to 78 out of the said advance had to be settled by cash.

4.4 Idle and Underutilized Assets

The following observations are made.

- (a) A stock of goods costing Rs.480,538 received for the Housekeeping Training Division during the period from 17 March up to 27 April 2015 had not been used for any effective purpose whatsoever even by 30 May 2016 due to the lack of adequate laboratory facilities.
- (b) Goods costing Rs.1,575,918 received by the Kitchen Training Division during the March and April 2015 had remained idle without being used due to the unavailability of necessary supporting equipments.

4.5 Staff Administration

Vacancies in 14 posts of Lecturer in the academic staff, 04 temporary posts of Demonstrator and 06 posts in the non-academic staff of the College existed as at 31 December of the year under review.

5. Accountability and Good Governance

5.1 Action Plan

An Annual Action Plan in terms of Section 4 of the Public Finance Circular No.01/2014 of 17 February 2014 had not been prepared.

5.2 Audit Committee

Audit and Management Committees in terms of the Public Enterprises Circular No.PED/55 of 14 December 2010 had not been established by the College.

5.3 Budgetary Control

An Annual Budget in terms of the Public Enterprises Circular No.PED/12 of 02 June 2003 had not been prepared.

5.4 Performing the Environmental and Social Responsibilities

The following observations are made.

- (a) Even though various programmes should have been conducted with the cooperation of Government institutions with a view to minimizing the direct and indirect health, environmental and social effects caused by the use of plastic and polythene, due attention had not been paid in this connection.
- (b) Attention of the College had not been paid to the prohibition of polythene bags and lunch sheets less than 20 microns within the College premises which has already been prohibited, control of using polythene, other materials and plastics over 20 microns and implementation of environmental friendly programmes such as encouragement of the staff and students to use other packing methods instead of plastic and polythene.
- (c) Action had not been taken to give the plastic and polythene bags to recycling centers without being burnt in the open air.

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) Fixed Assets	Non- preparation of Register of Fixed Assets, failure to assess the value of land and the building complex and to include in the financial statements and assets remaining idle.
(b) Advances	Granting advances exceeding the requirement and failure to settle promptly.
(c) Utilization of Motor Vehicles	Failure to take action in respect of accidents to motor vehicles in terms of Financial Regulations, non-maintenance of Log Books, non-submission of

completed Daily Running Charts and Monthly Performance Summaries to the Auditor General

(d) Stores Control

Failure to update the Inventories and to conduct Annual Boards of Survey.

(e) Staff Administration

Failure to fill the vacancies existing in academic and non- academic staff and non-maintenance of Attendance Registers.