

## **University of Vocational Technology - 2015**

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The audit of financial statements 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 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 47(2) of the University of Vocational Technology Act, No. 31 of 2008. My comments and observations which I consider should be published with the Annual Report of the University in terms of Section 47(2) of the University of Vocational Technology Act, No. 31 of 2008 appear in this report.

### **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.

## **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 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**

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#### **2.2.1 Accounts Receivable and Payable**

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Loan balances relating to festival and special advances totalling Rs.10,400 granted in the years 2005 and 2012 to two officers who left the University service had not been recovered even by the year under review.

## **3. Financial Review**

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### **3.1 Financial Results**

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According to the financial statements presented, the operations of the University for the year ended 31 December of the year under review had resulted in a deficit of Rs.3,054,300 as against the surplus of Rs.25,155 for the preceding year thus indicating a deterioration of Rs. 3,079,455 in the financial result of the year under review as compared with the preceding year. Although recurrent grants had increased by Rs.26,385,000, the increase in the employees' remuneration and services expenses by Rs.24,323,375 and Rs.8,213,098 respectively had mainly attributed to this deterioration.

An analysis the financial results of the year under review and 04 preceding years revealed that, the deficit in the years 2011 and 2012 had turned out to be a significant surplus in the year 2013 and it had considerably decreased again in the year 2014 and had become a deficit in the year under review. However, when taking into consideration the employees' remuneration and the depreciation for the non-current assets, the contribution had ceaselessly increased from the year 2011 to the year under review and it had increased by 14 per cent in the year under review as compared with the year 2014.

## **4. Operating Review**

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### **4.1 Performance**

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The following observations are made.

- (a) To provide opportunities to engage in the higher education for those who have acquired diploma qualification in the field of technical and vocational education field had been the prime objective of the University of Vocational Technology. Accordingly, making available opportunities for those who have qualified the 5<sup>th</sup> or 6<sup>th</sup> level of the National Vocational Qualifications (NVQ) and the diploma holders

who have followed the courses relating to the creation of the middle level technicians, which were not National Vocational Qualifications (NVQ) to acquire the degree qualifications is the objective of the University.

- (i) It was observed that although the students enrolled according to the University Act, have the right to free vocational education, the University was maintaining part-time degree courses (weekends) by charging fees. Accordingly, course fees amounting to Rs.60,000 at Rs. 10,000 per semester had been recovered relating to a degree course conducted for three years from the students enrolled for the part time courses from the year 2013 to 2015. Out of 19 degree courses conducted in two faculties, 13 part time courses had been conducted by charging fees during the year under review, whereas only 6 fulltime courses had been conducted. Accordingly, it was observed in audit that the fulltime courses had not been conducted at the optimum capacity of the University.
  - (ii) Despite the availability of 41 members of the permanent academic staff of the University, 139 visiting lecturers ,which was, three times of the available academic staff had been appointed for 8291 academic hours and 1236 practical hours during the year under review and a sum of Rs.10,392,212 had been paid to 123 lecturers. The reasons for the appointment of a large number of visiting lecturers had not been explained to audit and the details on the academic hours performed by the academic staff were not made available to audit. As such, their performance could not be evaluated.
  - (iii) According to the details furnished to audit on the enrollment of the students to the University during the year, 134 and 416 students had been enrolled to the fulltime and part-time courses respectively. Accordingly, the progress of the enrollment of the students to the fulltime courses had been at a nominal level and action had not been taken to identify the reasons attributed thereto and to take remedial measures.
- (b) At the audit test check carried out on the students enrolled for the degree courses in the academic year 2012-2015 and the students who obtained the degree on completion of the course, it was observed that out of the total students enrolled for 03 of the 08 courses namely Mechatronic, Multimedia and Web and Education, the number of students who had completed the degree had been less than 65 per cent. Further, the dropouts from the Mechatronic, Multimedia and Web courses had been 31 per cent and 19 per cent respectively. Accordingly, the Management had not looked into the reasons attributed for students leaving and not properly completing the courses and taken necessary steps.
- (c) In order to implement 11 activities included in the Action Plan, a sum of Rs.100.5 million had been allocated for the University of Vocational Technology under the Skills Sector Development Programme (SSDP) for the year under review. The following observations are made in that connection.

- (i) The activities such as the establishment of a Quality Assurance Division and enhancement of quality assurance and securing the recognition of the Sri Lanka Engineers' Institute proposed to be implemented during the year at a cost of Rs. 3.05 million provided according to the Action Plan had not been carried out during the year.
- (ii) A sum of Rs.5 million had been allocated for the revision of 20 curriculum and the development of 10 new curriculum in keeping with the requirement of the vocational technology industry. Nevertheless, 10 existing curriculum had not been revised and 50 per cent out of the allocated amount had been saved. Further, a sum of Rs. 8 million had been allocated for granting National Vocational Qualifications 5<sup>th</sup> level for the trainees in the fields of vocational, technology education and trainings, whereas only Rs.4.7 million or 59 per cent had been utilized.
- (iii) A sum of Rs.14.5 million had been allocated for 10 officers in the staff of the University of Vocational Technology including the staff of the University colleges in order to acquire post graduate qualifications. Nevertheless, a sum of Rs.11.03 million out of the allocated amount had been utilized for acquiring post graduate qualifications only for 04 officers.
- (iv) According to the Action Plan, a sum of Rs.1.5 million had been allocated to train the National Vocational Qualifications Evaluators and the total of 450 persons including 50 persons in vocational technology field and at 200 persons from the institutions and the schools relating to the field should have been trained. Nevertheless, only 219 persons had been trained by incurring an expenditure of Rs.1.13 million.

#### **4.2 Management Activities**

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 The following observations are made.

- (a) In terms of Circular No. 2013/2014 (ii) dated 24 October 2013 of the Secretary to the Ministry of Finance and Planning relating to the Foreign Training Programmes, all the officers who completed the foreign training programmes should submit a report on the programme thus attended to the Head of the Institution within a month. Nevertheless, it was observed in audit that the officers of the University who had been granted foreign trainings had not submitted the reports and 11 officers had not furnished their reports from the year 2013 up to the end of the year under review.
- (b) Although granting covering approval of the Treasury for the academic allowances had been rejected, academic allowances amounting to Rs.7,144,313 had been paid to the academic staff from the year 2011 to the year 2013 and action had not been taken to recover that money from the officers.

### **4.3 Idle and Underutilized Assets**

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- (a) The official quarters of the University, the construction cost of which was Rs.4.7 million had remained without being utilized from May 2010 up to the end of the year under review. Further, items valued at Rs.79,570 purchased on 08 September 2015 for the official quarters of the Director General which had not been occupied from November 2012 had remained idle even by 03 March 2016, the date of audit.

### **4.4 Personnel Administration**

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The following observations are made.

- (a) When the selection was made for the post of Assistant Registrar in terms of Section 5.4.2 of the Scheme of Recruitment, an officer who had not scored the minimum marks at the written test had been recruited to the relevant post.
- (b) Despite the availability of 41 permanent lecturers in the University, 139 visiting lecturers had been appointed during the year under review without taking action to recruit the lecturers on permanent basis for the vacancies.
- (c) In terms of Section 5.3.2 of Chapter VII of the Establishments Code of the Democratic Socialist Republic of Sri Lanka, if on promotion, the last salary drawn by an officer corresponds to the initial or a step on the new scale, he should be placed on the next higher step. Nevertheless, when a female officer who held the post of Assistant Librarian was promoted to the post of Senior Assistant Librarian- Grade II, she had been placed on the initial step of the new scale regardless of the salary she had drawn at the time of her promotion.
- (d) Two senior lecturers who retired in the year 2009 on reaching 60 years of age in terms Section 32(1) of the Vocational Technology University Act, No.31 of 2008 had been appointed to act in the posts of Dean of the University on contract basis from 15 November of that year up to 06 August 2014 in accordance with Section 32(2) of the said Act and two motor vehicles belonging to the University had been allocated for them and fuel allowances as well had been paid. That matter was questionable in audit. Accordingly, a sum of Rs.1,136,218 had been paid to the aforesaid two lecturers as fuel allowances from the year 2012 up to August 2014 and the payment details relating to the period from the year 2009 to the year 2011 had not been furnished to audit.

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

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### **5.1 Internal Audit**

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Although internal audit activities of the University and 05 university colleges had been entrusted with the Internal Audit Division of the University, only the Internal Auditor and two officers in the Clerical Grade had been attached. The following observations are made in the examination carried out in that connection.

- (a) Achieving the performance of the whole functions with the objective of establishing an efficient internal control system within the legal framework that influences the existence of the University is a main responsibility of the management and a methodology required to assist that task should be formulated and that duty should be assigned to the Internal Audit. Nevertheless, the management had not paid attention thereon and the Internal Auditors had been deployed for carrying out a pre-audit on the payments of the University.
- (b) Out of the 12 areas expected to be covered by the Internal Audit Division as per the Audit Plan prepared for the year under review, only one area, that is, audit of the computation of salaries and bonds based on the persons had been carried out and only 03 reports had been issued.
- (c) Internal audit of 05 affiliated university colleges of the University as well had been assigned to this division and separate Audit Plans had not been prepared in respect of those university colleges. However, although 03 out of the 05 university colleges had been audited and sent reports, the examination of those reports revealed that the audit had not been done so as to cover the financial and operating areas of the colleges.

## **5.2 Procurement and Contract Process**

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In order to prepare an Establishments Code for the establishment affairs of the University, an agreement a cost of Rs.720,000 had been entered into with a contractor on 23 May 2014. According to the agreement, the relevant purpose should have been completed by 23 November 2014, whereas the preparation of the Establishments Code had not been completed even by 02 March 2016. Nevertheless, the total estimated amount had been paid on 31 December 2015.

## **5.3 Budgetary Control**

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As the budget had not been prepared in terms of Section 5.2.3 of the Public Enterprises Circular No.PED/12 of 02 June 2003, the revised budget prepared for the year under review had been approved on 19 November of the year under review. Accordingly, provisions made for 3 Capital Objects had been revised within a range from Rs.100,000 to Rs.22,250,000 or 3 per cent to 710 per cent. As such, it was observed that the budget had not been made use of as an effective instrument of management control.

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

**Area of System and Control**

**Observations**

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| (a) Funds Control                               | Failure to utilize funds efficiently and effectively.   |
| (b) Assets Control                              | Failure to maintain Registers of Fixed Assets properly and to conduct Board of Surveys.   |
| (c) Contract Administration                     | Failure to adopt a proper methodology in making payments for the contracts and to take action to prevent delays of the contracts.                       |
| (d) Personnel Administration                    | Failure to comply with the Scheme of Recruitment in making recruitments of the staff and not following the proper methodologies in granting promotions. |
| (e) Internal Control on the conduct of courses. | Failure to arrange the courses so as to use the resources at their optimum level and non-evaluation of the performane of the lecturers.                 |
| (f) Budgetary Control                           | Not preparing the estimates after conducting a proper study.  |
| (g) Stores Control                              | Failure to adopt a formal procedure in issuing goods to the officers.   |