

University College of Matara – 2016

The audit of financial statements of the University College of Matara of the University of Vocational Technology for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 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.

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 2016 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 of 0.5854 hectares in extent vested with the Ministry of Youth Affairs and Skills Development by the Divisional Secretary, Matara on 27 November 2013 and the building complex constructed by the Ministry had not been brought to account.

2.2.2 Lack of Evidence for Audit

A sum of Rs.95,250 had been paid for visiting lecturers for 95 lecture hours relating to 04 subjects. The Registers of Students who participated in those lectures had not been made available to audit in confirming the accuracy of the said lecture fees.

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

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

Reference to Laws, Rules, Regulations, etc.	Non-compliance
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
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(i) Financial Regulations 103 and 104	
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	Even though 02 motor vehicles belonging to the College had met with accidents on 15 May 2016 and 17 October 2016, action in terms of referred regulations had not been taken in that connection.
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(ii) Financial Regulation 756	
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	Annual Boards of Survey for the year under review in respect of 08 Divisions of the College had not been carried out.
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- (b) Treasury Circular No. IAI/2002/02 of 28 November 2002 A Register of Fixed Assets in respect of Computers, Software and Hardware costing Rs.13,978,278 had not been maintained.

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 2016 had been a surplus of Rs.2,223,799 as against the deficit of Rs.1,054,346 for the preceding year, thus indicating an improvement of Rs.3,278,145 in the financial result of the year under review. Even though service expenditure had increased by Rs.7,069,499 as compared with the preceding year, the increase in recurrent grants by Rs.15,917,725 had mainly resulted in the above improvement.

In the analysis of the financial result for the year under review and the preceding year, even though it was a deficit in the preceding year, it had been a surplus in the year under review. However, taking into consideration the employees' remuneration and depreciation for non-current assets, the contribution which amounted to Rs.35,749,407 in the preceding year had improved by 32 per cent and become Rs.47,013,252 in the year under review.

4. Operating Review

4.1 Performance

Objectives introduced according to the University of Vocational Technology Act and the University Colleges Ordinance are summarized as shown below.

- (a) Assist students to acquire qualifications in NVQ Level 5 and 6 (Diploma/Higher Diploma) by utilizing the available resources at optimum.
- (b) Accreditation of Quality Management System (QMS) for the development of human resources and physical resources of the University College.
- (c) Maintaining the quality of Diploma/Higher Diploma programs through human resources training and development.
- (d) Establish better proactive relationships with various parties to build up the social image and position of the College as a unique training institute providing technical and vocational training.
- (e) Maintain extracurricular, welfare and recreational activities of the students as well as the staff of the University College.

The following observations are made in respect of achieving the above objectives.

- (i) Even though training programmes had been planned for different divisions of the College, they had been unable to operate due to the lack of adequate building facilities.
- (ii) Even though a maximum number of 30 students could have been enrolled for each course, only a number of 06 to 27 students had been enrolled for 09 courses in the year under review.
- (iii) Fourteen and 09 students had admitted to the courses of Refrigerations and Air Conditioning Technology and Cosmetology Management respectively in the 2 years itself. As such, the cost per student in the year under review in those courses had taken high values as Rs.698,482 and Rs.562,447 respectively.
- (iv) According to the Letters of Appointment of 10 Visiting Lecturers who had been appointed for the Foundation Course, 25 and 104 lecture hours out of the number of theoretical and practical lecture hours of 284 and 372 that should be covered for 10 subjects, had not been covered respectively.
- (v) According to the Letters of Appointment of Lecturers who had been appointed for the second semester, lecture hours of 503 and 609 out of the number of theoretical and practical lecture hours of 1062 and 733 that should be covered for 22 subjects, had not been covered respectively. That position had caused the decrease in the quality of the said courses.

4.2 Management Activities

The following observations are made.

- (a) Advances amounting to Rs.416,124 had been paid in the year under review without properly identifying the requirement. As such, 41 per cent of the advance or Rs.172,456 had been resettled in cash.
- (b) Even though two motor vehicles costing Rs.14,525,000 had been handed over by the Ministry to the College by 16 February 2015, action had not been taken even by 25 April 2017 to transfer the ownership of those two motor vehicles to the College.
- (c) The Municipal Council of Matara had informed that the rates payable as at 30 June 2015 amounted to Rs.7,746 and action had not been taken even up to 18 May 2017 to settle the outstanding amount and to revise the property existing in the name of the Food Department, in the name of the College. Moreover, provisions had not been made in the financial statements for those outstanding rates.

4.3 Transactions of Contentious Nature

Contrary to the instructions of the Letter No. DMS/1670 of 10 February 2014, payments had been made based on the amount approved for Level 7 without approving the amount that should be paid for an hour of visiting lecture fees for Levels 5 and 6.

4.4 Staff Administration

Vacancies in 08 posts of Lecturer, 01 post of Temporary Demonstrator and 01 post of Instructor in the academic staff and vacancies in 2 posts in the non-academic staff of the College existed as at the end of the year under review. However, action had not been taken to fill those vacancies even by the end of the year under review.

5. Accountability and Good Governance

5.1 Internal Audit

An internal audit had not been carried out in the year under review.

5.2 Audit Committees

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

5.3 Budgetary Control

Variances ranging between 02 per cent and 653 per cent were observed between the budgeted estimate and the actual expenditure, thus indicating that the budget had not been made use of as an effective instrument of management control.

5.4 Unresolved Audit Paragraphs

Even though courses are conducted free of charge in University Colleges at present, course fees amounting to Rs.1,227,000 charged from the first batch of students enrolled in the year 2015 had been sent to the Ministry. Moreover, it had been enquired afterwards by the Letter dated 28 April 2016 as to the steps that should be taken in respect of money, for which there had been no response even by 31 May 2017.

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

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| (a) Accounting | Failure in valuation of the land and the building complex and showing them in the financial statements. |
| (b) Fixed Assets Control | <ul style="list-style-type: none">(i) Non-preparation of a Register of Fixed Assets on Computers, Software and Hardware.(ii) Failure in transferring the two motor vehicles to the name of the College and conducting Annual Boards of Survey. |
| (c) Financial Control | Granting advances exceeding the requirement and failure to settle promptly. |
| (d) Staff Administration | <ul style="list-style-type: none">(i) Failure in filling the vacancies in academic and non- academic staff.(ii) Non-presentation of copies of the Letters of Appointment to Audit. |
| (e) Motor Vehicles Control | <ul style="list-style-type: none">(i) Failure in taking action in terms of Financial Regulations.in respect of accidents to motor vehicles(ii) Failure in updating Running Charts and Log Books.(iii) Failure in checking the fuel consumption. |
| (f) Control of Operations | Non-confirmation of qualifications of 7 Visiting Lecturers. |