

## **University of Vocational Technology – 2017**

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The audit of financial statements of the University of Vocational Technology for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 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 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 2017 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**

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University had failed to recover festival and special advance loan balances totalling Rs.10,650 even in the year under review which are receivable over a period of 5 years from two officers who left the university service.

### **2.3 Non-compliances with Laws, Rules, Regulations, and Management Decisions**

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In terms of Financial Regulation 104 of Democratic Socialist Republic of Sri Lanka, as soon as a loss or damage occurs, even though it is required to submit a report on that by instituting inquiries to ascertain its extent and the causes and to determine the respondents for it, actions had not been so taken in 03 circumstances regarding the vehicle accidents happened in 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 financial result of the University for the year ended 31 December 2017 had been a deficit of Rs.3,825,746 as compared with the corresponding surplus of Rs.214,709 for the preceding year, thus indicating a decrease of Rs.4,040,455 in the financial result of the year under review as compared with the preceding year. Increase in the cost of employees by Rs.37,708,090 and in the service cost by Rs.13,346,754 had been mainly attributed for this.

In analyzing the financial results of the year under review and 04 preceding years, the surplus of Rs.3,123,062 in the year 2013 had been a deficit of Rs.3,825,746 by the year 2017. However, in readjusting the employees' emoluments and depreciation on non-current assets to the financial result, the contribution of Rs.158,465,726 in the year 2013 had been amounted to Rs.267,711,572 in the year under review.

## **4. Operating Review**

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### **4.1 Performance**

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#### **4.1.1 Planning**

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As it had been revised the procurement plan prepared indicating the procurements and constructions which should be made by the University during the year under review and approved at the beginning of the year, it was observed that the University had not prepared the procurement plan properly without identifying the own requirement and also it had not been used as a financial control.

#### **4.1.2. Operation and Review**

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- (a) Following observations are made in relation to the achieving the objectives.
  - (i) Out of 13 Degree Courses and 11 Diploma Courses currently conducts by the University, only 03 Degree Courses and 02 Diploma Courses had been accredited.
  - (ii) A Council for the Admission, Accreditation, and Quality Assurance had been established in terms of Section 21 (1) of the University of Vocational Technology Act, No. 31 of 2008 and as per the decision dated 18 May 2010 of that Council, it had been decided to obtain accreditations for the Engineering Degree Courses conducts by the University from the Institute of Engineers Sri Lanka and for the other courses from the Universities of Moratuwa, Peradeniya and Colombo and in addition to that, to obtain accreditation from the reputed foreign Universities. Even though it had been already lapsed 08 years from the initiation of the University, degree courses had not been accredited to the expected level.
- (b) In relation to 09 Degree Courses conducts by the University, the pass percentage at the first attempt of the students who registered from the year 2010 to year 2014 had been at a minimum level and the pass percentage had been in a range of 19 per cent to 57 per cent.
- (c) Even though Diploma Courses had been conducted from the initiation of the University, students had been registered only for one diploma course in the year 2017. Nevertheless, the decisions taken in relation to not conducting of such courses had not been presented to the audit. Even the students' passing of the diploma courses conducted had been at a minimum level and also it was observed that there are long delays in completing those courses.

(d) Implementation of the Skills Sector Development Programme (SSDP)

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Under the Skills Sector Development Programme being implemented for the betterment of the field of vocational training, a sum of Rs.290.7 million had been allocated to execute 22 sub activities under 10 main activities according to the Action Plan provided to the University for the year 2017 and the University had spent Rs.140.55 million for the execution of 18 activities thereof. The following observations are made during the course of audit conducted in this regard.

- (i) Even though the cadre vacancies exists during the year in the University of Vocational Technology and the University Colleges should be filled as per the action plan, there had been 04 vacancies each in the senior and secondary level of the cadre approved as at 31 December 2017 and it was observed that there had been 35 lecturers, 21 Demonstrators and 01 Consultant as the academic staff vacancies as well as 28 non-academic vacancies for the 06 University Colleges.
- (ii) Even though a sum of Rs.07 million had been provisioned for establishing Public and Private Partnership University Colleges under the project, the relevant activity had not been performed by utilizing those funds.
- (iii) A sum of Rs.120 million had been provisioned for providing facilities to disable people in the 06 University Colleges and for establishing a Video Conference System and even though Rs.74.02 million had been expensed thereof, the relevant activity had not been performed.
- (iv) Even though a sum of Rs.01 million had been provisioned for conducting degrees relating to the identified priority fields and for obtaining guidance from reputed Universities for developing curricular, introducing 2 new degrees relating to the priority fields identified by the University, such degree courses had not been implemented until the audited date of 21 May 2017. However, the curricular had been prepared only for one degree course in the year 2016 and a lecturer also had been recruited for one degree programme since year 2016. Out of the provisioned amount during the year, a sum of Rs.0.05 million had been expensed and it was not clarified to the audit that it was for which activity.

**4.2 Management Activities**

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The following observations are made.

- (a) Even though a lecturer who owned a foreign degree had been recruited for the Degree in Hospitality since 15 June 2016, that degree course had not been commenced until the audited date of 21 May 2018. Even though Rs.2,464,214 had been paid as salary and allowances for the above officer from the recruited date, the purposive activity had not been fulfilled.

- (b) An officer who served as an Assistant Bursar in the University had vacated the service on 05 April 2012 and following observations are made on totaling Rs.763,176 receivable from him.
- (i) Even though it had been recommended by the preliminary investigation report dated 22 June 2012, to take legal actions to recover the surcharge of Rs.589,164 from the Accountant and the former Director General which had to be paid by the institution due to the delay made on the half yearly reports to be remitted to the Employees' Trust Fund, actions had not been taken accordingly.
  - (ii) Due to not performing legal activities promptly as per the investigation report, it had been informed by the letter of the Attorney General's dated 22 November 2017 that legal cause of action had become prescriptive even by the date of 10 February 2014 on which the University inquired from the Attorney General's Department.
  - (iii) As per section 23 of the Provision for Gratuity Act, if there is any money to be received from any officer to a certain institute, even there are possibilities to retain Gratuity amount in such institution until it is paid, and even it had been emphasized in the letter of the Attorney General, a sum of Rs.108,250 had been paid as gratuity on 20 March 2013 without recovering the money which are recoverable.
  - (iv) Even though it had been emphasized by the above letter of the Attorney General that since this officer is further employing in the Superior Courts Complex Board of Management, University of Vocational Technology has the capability of recovering such money by taking actions in administrative manner, appropriate actions had not been taken on that regard up to now.
- (c) Approval of the Management Services Department which is required to enforce the Establishment Code prepared for the University by spending Rs.800,000 in the year 2015 had not been obtained even by the end of the year under review.
- (d) Even though a teaching assistant of the University had requested to resign due to an injustice occurred in absorbing to the University, it had been informed that resignation cannot be accepted until Rs.4,684,315 bond related to the funds granted to follow a Postgraduate Degree is paid. However, even though he had reported back to the service as it was unable to pay the bond, relevant officer had file a case in the Labour Tribunal due to not allowing for that and as per the order dated 25 August 2017, it had been ordered to re-engage and to pay salary in arrears for 02 years. Accordingly, due to a weakness in the management, University had to spend Rs.596,040 as salary in arrears and Rs.542,500 as legal expenses.

(e) **Recruitment of Chief Executive Officers for University Colleges**  
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- (i) Officers who came from national universities after the leave on sabbatical base had been recruited as Chief Executive Officers for Batangala and Matara university colleges and appointments had been given in 02 circumstances as it exceeds the time period released by the universities they are permanently serving.
- (ii) Even though the officer who held the Post of Registrar of the University of the Visual and performing Arts had been recruited as the Chief Executive Officer of the University College of Batangala on sabbatical leave base since 01 September 2016, he had been released from that university on 12 October 2016. Accordingly, it was observed that appointments had been given before an officer release from the place of permanently serving.
- (iii) According to the paragraph 6.2 (a) of the University of Vocational Technology Ordinance No.01 of 2014 for the University Colleges, unless vacated or dismissed before the due period, the director should hold the own position until the period of whichever is first completed out of the two of 03 years from the own date of appointment or own age of 60 years. However, the officer who recruited as the Chief Executive Officer for the University College of Batangala on 01 September 2016 had been resigned from the service before completing the appointment period of the College on 01 February 2018 that is at the end of sabbatical leave. Accordingly, it was questionable to the audit how administration activities are maintained efficiently since it had been unable to get a continuous service to the Colleges.

(e) **Appointment of Administrative and Audit Consultants for the operations  
of the Universities**  
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The following observations are made.

- (i) Without the approval of the Management Services Department, 04 Administrative Consultants at Rs.75,000 monthly for 04 University Colleges and an Auditor with an allowance of Rs.100,000 had been recruited on contract basis for a period of 12 months and 06 months respectively for the activities of the Universities.
- (ii) It was unable to check in audit that the qualifications of the 04 Administrative Consultants and the Auditor due to a Scheme of Recruitment for the above recruited officers had not been got approved.

- (f) 46 computers had been purchased on 02 March in the year 2017 for establishing a lab for the University Management studies Division and computers and equipment valued at Rs.5,841,172 had been issued to the other divisions out of the purpose.
- (g) It had not been specifically identified what are the social responsibilities in relation to the University and a sum of Rs.300,000 had been spent under social responsibilities for the annual trip of the Welfare Society.

### 4.3 Operating Activities

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The following observations are made.

- (a) Even though, the University had planned to release the results of the exams conducted by the University within 03 months, it had been unable to issue the results as expected due to it had been spent for a period of 01 month to 09 months for the evaluation of marking sheets of the exams held in the year 2017. Reasons for the delay had not been clarified to the audit and a method for avoiding the delays had not been prepared.

#### (b) Appointment of Visiting Lecturers for the Degree Courses

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- (i) Even though the University had enrolled more students for the weekend degree courses, it was observed that more lecture hours had been allocated for the degree courses conducts in weekdays as per the study work plans and time tables of the internal lecturers. Due to not paying attention on that in planning the study work, it had to pay a sum of Rs.18,642,743 for the visiting lecturers during the year under review, even though there are 49 internal lecturers in the University of Vocational Technology. Details appear below.

Course period	No. of Degree Courses	No. of Students Enrolled	No. of hours allocated for the lecturers	
			Internal	External
Weekdays	10	397	7662	4882
Weekends	13	489	2244	10819

- (ii) Accordingly, appointments had been given to the visiting lecturers for 534 lecture hours of the Foundation Programme conducted for the students enrolled relating to the academic year 2017/2018 of the University and for 17,674 lecture hours for the students enrolled relating to the academic years 2014/2015, 2015/2016, 2016/2017.

#### **4.4 Idle and Under Utilized Assets**

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The official residence of the Director General belonging to the University had remained idle without being used from November 2012 up to the end of the year under review.

#### **4.5 Staff Administration**

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The following observations are made.

- (a.) When absorbing the staff into the University of Vocational Technology on 12 October 2012, 10 members of the academic staff who had not fulfilled the qualifications had been absorbed for the post in a manner of personal to the holder. However, even though it had been lapsed 8 years from the initiation of the University, 06 officers who had been absorbed for the post in a manner of personal to holder, had not completed the required qualification up to this.
- (b.) It was unable to confirm the qualifications required as per the scheme of recruitment for 02 officers of Senior Lecturers - Grade I recruited in the year 2017 and for an officer recruited for the Post of Lecturer.

### **5. Sustainable Development**

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#### **5.1 Sustainable Development Goals**

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As per the United Nations Year 2030 “Agenda” on Sustainable Development , even though actions should be taken by each public institutions and University had not been aware on how should be implemented regarding the activities which comes under own scope relating to the year under review.

Accordingly, even though it had been identified that promoting lifelong learning opportunities for all by ensuring inclusive and equitable quality education and also ensuring equal access for all women and men for quality technical, vocational and tertiary education by 2030, as the targets for achieving the goals of the Ministry of Skill Development and Vocational Training in relation to Sustainable Development, it was observed as per the information presented to the audit that taking actions to convert the University into a Green University had been identified as Sustainable Development Goals.

### **6. Accountability and Good Governance**

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#### **6.1 Internal Audit**

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The following observations are made.

- (a) An adequate staff had not been attached to the Internal Audit Unit of the University, only Internal Auditor, an Associate Officer and an officer of clerk grade had been attached.



- (b) An adequate internal audit had not been performed as it covers the areas such as, achieving the targets of the University, performance, accounting and evaluations of internal controls of financial and operational areas by paying attention to the Management Audit Circular No. DMA/06 dated 23 December 2011, and the Financial Regulation, 133 (2) (a) (i), and it was observed that more time had been spent for the prior audit activities of the University. Only 10 internal audit reports had been issued for the year under review.

## **6.2 Procurement and Contract Process**

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### **6.2.1 Procurement**

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The following observations are made.

- (a) In contrary to paragraph 3.6.1 of the Procurement Guideline, University had re-ordered and purchased the goods of Rs.1,130,160 in 02 occasions during the year under review.
- (b) Even though at least 03 bids should be obtained for the procurement as per the Procurement Guideline, in contrary to that a Library Management Software had been purchased as Rs.420,000 based on one bid. Accordingly, procurement had not been directed to a competition and hence it was observed that economic benefits to be obtained by the University had been lost. Thus, even though the procurement committee had decided to purchase on 25 May 2016 based on the price obtained on 27 April 2015, the committee had not paid attention towards the technical changes, changes in prices and changes in organizational requirements during that period.

#### **(c) Purchasing of 38 Air conditioned Machines**

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The following observations are made.

- (i) 38 Air conditioned Machines had been purchased by incurring Rs.10,510,000 during the year for fixing to the recording studio constructing in the University and in exception to the plan, 03 machines thereof had been fixed to the Vice Chancellor's official residence.
- (ii) It was observed that Bill of Quantity had been altered for the technical evaluations as it complies with specification list presented by the selected supplier, in exception to the University requirement included in the Bill of Quantity specification prepared for calling bids by the technical evaluation committee.

(d) In exception to the specifications included in the specifications prepared by the technical evaluation committee, modifications and purchases totaling Rs.13,805,838 had been done in 04 occasions. Accordingly, duties of the technical evaluation committee had not been fulfilled properly and it was unable to satisfy in audit about the quality of the purchased item or the service.

(e) **Purchasing of Photocopy Machines**  
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The following observations are made.

- (i) Even though the technical evaluation committee dated 12 May 2017 had recommended to purchase 2 photocopy machines at a price of Rs.153,000 each ( Without Taxes), evaluations had not been done stating that two institutions out of 05 institutions who presented bids are not complying with the specifications considered by the university. Accordingly, 02 photocopy machines had been purchased at Rs.351,900 (With Taxes) on 22 May 2017 from the lowest bid presented Institution and according to the bids presented by that institute, a proper evaluation regarding the replacement cost of the parts and the unit cost per photo copy relating to machines for which the bids were presented by the institution had not been done by the technical evaluation committee.
- (ii) Technical evaluation committee had not evaluated regarding the service and maintenance expenses occurs after the period of 03 years which should be given for the photocopy machines by the procuring institution.
- (iii) Agreement period for the security and cleaning service of the University had been ended and it was observed that, that agreement period had been extended by the procurement committee without the approval of the Board of Governors of the University.

**6.2.2 Deficiencies in Contract Administration**  
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Even though Rs.260.26 million had been expensed for the Learning Resources Development Centre proposed to be constructed with the objectives of increasing the number of students enrolling in the University of Vocational Technology, increasing the capacity of the Institute, learning environment and conducting postgraduate degrees by the end of the year under review and constructions had not been completed up to this. Equipment of Rs.21.79 million had been purchased during the year under review for the building complex where constructions had not been completed and it was observed that, that equipment had been idled.

**7. 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 Vice Chancellor of the Institute from time to time. Special attention is needed in respect of the following areas of control.

<b>Areas of Systems and Controls</b> -----	<b>Observation</b> -----
(a.) Financial Control	Failure to utilize the funds of Skills Sector Development project effectively and productively.
(b.) Staff Administration	(i) Failure to verify the qualifications of the officers through the relevant institutions/universities.  (ii) Failure to take action in accordance with the Scheme of Recruitment.  (iii) Failure to submit reports by the officers who participate for the foreign trainings.
(c.) Vehicle Control	Failure to take actions in accordance with the circulars relating to disposable vehicles.