

University College of Jaffna – 2017

The audit of financial statements of the University College of Jaffna of the University of Vocational Technology (‘the College’) 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 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 College in terms of Section 49(1) of the University of Vocational Technology Act No. 31 of 2008 appear in this report.

1.2 Management’s Responsibility for the Financial Statements

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 conducting the audit in accordance with Sri Lanka Auditing Standards. Because of the matters described in paragraph 2.2 of this report; however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

1.4 Basis for Disclaimer of Opinion

As a result of the matters described in paragraph 2.2 of this report I am unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded items, and the elements making up the statement of financial position, statement of financial performance, statement of changes in net assets and cash flow statement.

2. Financial Statements

2.1 Disclaimer of Opinion

Because of the significance of the matters described in paragraph 2.2 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

2.2 Comments on Financial Statements

2.2.1 Accounting Deficiencies

The following accounting deficiency is observed in audit.

A building constructed to the value of Rs.112 million by the Ministry of Skills Development and Vocational Training during the year 2015 and being utilized by the College had not been brought to the accounts even up to 30 June 2018 after properly taking over the building. As a result, value of building and structures shown in the statement of financial position as at 31 December 2017 had been understated by similar amount. Further, the depreciation for this building had also not been provided for last three years.

2.2.2 Lack of Evidence

Payments of salaries and other allowances, purchases and other expenses made during the year under review aggregating Rs.66,618,634 could not be satisfactorily vouched or accepted in audit due to un-availability of evidence such as approvals and certifications for payments, original bills, requisitions, good received notes, confirmations and recommendations etc.

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

Instances of non- compliance observed with following Laws, Rules, Regulations and Management Decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions etc.

Non- compliance

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| (a) Stamp Duty Act (Special Provision) No.12 of 2006 | Stamp duty to be deducted from the payments exceeded Rs. 25,000 had not been deducted and remitted to the Department of Inland Revenue as stipulated in the Act. |
| (b) Financial Regulations of the Government of the Democratic Socialist Republic of Sri Lanka | |
| (i) Financial Regulations 136 (6) | Authorized person's records had not been compared and reconciled at least once a month with those of the certifying officer. |
| (ii) Financial Regulations 267 | The salary or wages of an employee should, as a rule, be paid to the payee himself and his discharge therefor obtained on the relevant pay sheet. However, the signature of the payee with regard to payment of staffs salaries amounting to Rs.455,631 had not been obtained as requested. |

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| (iii) Financial Regulation 785(4) and 802 | The nature of repairs, expenditure incurred for repairs and other relevant information relating to vehicles had not been recorded in the vehicle log books. |
| (c) Treasury Circular No. 05/2016 of 31 March 2016 | Boards of Survey had not been conducted in order to ensure the existence of assets of the College. |

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the College during the year under review had resulted in a net deficit of Rs. 6,677,760 as against the surplus Rs.2,953,025 for the preceding year. Increase of employee cost by Rs. 6,415,230 and decrease of recurrent government grant by Rs. 3,402,337 were the main reasons attributed for this deficit in the financial results for the year under review.

The value addition of the Collage for the year under review after taking into account the employee cost, depreciation and taxes was amounting to Rs. 75,303,062 and it was Rs.75,266,113 in the preceding year.

3.2 Analytical Financial Review

Although the total operating expenditure for the year under review was Rs. 90,939,647 depreciations on property, plant & equipment was Rs. 46,105,903 which represents 51 per cent of the total expenditure for the year under review.

4. Operating Review

4.1 Planning and Performance

A Corporate Plan/Business Plan had not been prepared by the Collage in identifying its annual targets for the forthcoming 03 years. Further, the College had failed to prepare an Annual Action Plan in line with that Corporate Plan/Business Plan for the year under review. Hence, the performance of the College could not be ascertained in audit.

Even though other University Colleges are conducting more courses such as Travel and Tour Management, Event Management, Aquaculture and Aquatic Resources Management, Post-Harvest Technology and Higher National Diploma in Telecommunication, those courses had not been conducted by the University College of Jaffna.

4.2 Operating Inefficiencies

The following observations were made.

- a) The Ministry of Youth Affairs and Skills Development had instructed the College, that the visiting lectures should be selected by following transparent recruitment procedures. However, the visiting lectures were recruited without publishing advertisements in newspapers or any other media and conducting the interviews. As a result, the opportunity for selecting better competent lectures to conduct academic courses had been lost to the College.
- b) Visiting lecturers were not fulfilled their lecture hours and practical hours according to the conditions in the appointment letters. Hence, the academic syllabus had not been fully covered by the visiting lecturers. As a result, the management of the College had failed to carry out the academic programs efficiently.
- c) Attendance register for visiting lecturers had not been properly maintained and alterations were also made in the attendance register.

4.3 Utilization of Motor Vehicles

Approval for purchase of super diesel for an assigned vehicle had not been obtained from relevant authority.

5. Sustainable Development

Action had not been taken to identify the Sustainable Development Goals and Targets which relating to the activities of the College together with milestones in respect of achieving those goals and targets due to un-aware of the said National Agenda prepared for the year 2030.

6. Accountability and Good Governance

6.1 Internal Audit

Several weaknesses in internal control systems of the College had been observed due to non-establishment of Internal Audit Unit since 2014 in term of Finance Circular No. DMA/2009(1) of 09 June 2009.

6.2 Audit Committee Meeting

No Audit and Management Committee meeting had been hold during the year under review in terms of Finance Circular No. DMA/2009(1) of 09 June 2009.

6.3 Procurement Procedures

The following observations were made.

- a) According to the Procurement Guidelines 6.3.3 (b), bids shall be opened in the presence of the bidders or their representatives. However, 24 bids to the value of Rs.16,134,232 had been opened by the Bursar without the participation of other members to the Bid Opening Committee and respective bidders or their representatives.
- b) A sum of Rs. 4,213,156 had been paid for procurement of counters for Library, landscaping works, furniture, electronic training system, aluminum partition works, digital multi meter, Dc power supply and CCTV wires. However, appropriate and relevant basic information required to be submitted by the bidders had not been included in the bids submitted for the above procurements in term of Procurement Guidelines 5.3.2.

6.4 Budgetary Control

Significant variations were observed between the budgeted and actual income and expenditure, thus indicating that the budget had not been made use of as an effective instrument of management control.

6.5 Tabling of Annual Report

Annual Reports for the year 2015 and 2016 had not been tabled in Parliament even up to 31 May 2017 in terms of Section 6.5.3 of the Public Enterprises Circular No. PED/12 of 02 June 2003.

7. Systems and Controls

Deficiencies observed in systems and controls were brought to the notice of the Chief Executive Officer 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) Stores Administration | - Register of stores item had not been maintained. |
| (b) Accounting | - Relevant ledgers and object codes had not been used. |
| (c) Control over Payments | - Approvals and certifications had not been obtained for payment vouchers. |