

University College of Anuradhapura – 2017

The audit of financial statements of the University College of Anuradhapura 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, statements of changes in equity 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 and Section 17 (2) of the University College Ordinance, No.01 of 2014 published in the Gazette Extraordinary Notification 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 University of Vocational Technology Act, appear in this report. A detailed report in this connection was issued to the Director of the University College on 24 May 2018.

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 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 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 University 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 Anuradhapura 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

2.2.1 Accounting Deficiencies

The following observations are made.

- (a) Since the expenditure of recurrent nature amounting to Rs.496,678 incurred during the year under review had been capitalized and depreciated under the buildings, the deficit of the year under review had been understated by Rs.471,844 while the net value of property, plant and equipment had been overstated by that amount.
- (b) In terms of Paragraph 69 of the Sri Lanka Public Sector Accounting Standard 07, although depreciation of an asset should be commenced when it is made available for use, as 03 assets valued at Rs.193,350 purchased during the year under review had not been depreciated, deficit of the year had been understated by Rs.3,707 while the net value of property, plant and equipment had been overstated by that amount.

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

In terms of Public Administration Circular No.07/2009 dated 16 April 2009, arrival and departure of the officers should be recorded to the service station through a fingerprint machine. Nevertheless, a fingerprint machine had not been used to record the arrival and departure of the academic staff of the College and arrival and departure had been irregularly marked in a register without proper supervision.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial results of the University College for the year ended 31 December 2017 amounted to a deficit of Rs.7,936,933 as against the surplus of Rs.453,080 in the preceding year, thus indicating a deterioration of Rs.8,390,013 in the financial result in the year under review as compared with the preceding year. Increase in the expenditure on staff by Rs.5,378,647 and students' academic expenditure by Rs.2,589,329 had mainly attributed to the above increase in deficit.

In analyzing financial results of the year under review and 02 preceding years, a deficits of Rs.148,756 and a surplus of Rs.453,080 could be observed in the years 2015 and 2016 respectively and a deficit of Rs.7,936,933 could be observed in the year under review as well. However, after readjusting the employees' remunerations and the depreciation for the property, plant and equipment to the financial results, the contribution of the College amounting to Rs.27,643,516 in the year under review had ceaselessly increased up to Rs.40,107,642 by the end of the year under review.

4. Operating Review

4.1 Performance

4.1.1 Planning

The following activities which should have been carried out in accordance with the Corporate Plan prepared by the College for the period from 2016 to 2018 had not been carried out.

- (a) The College had drawn plans to increase the initial student registration from 270 students in the year 2016 up to 300 students in the year 2017. However, the number of students registered stood at 258 and 191 only in the years 2016 and 2017 respectively. Accordingly, a decrease of 26 per cent of the students' registration could be observed during the year under review as compared with the preceding year and proper arrangements had not been made to gain students' attraction for the programmes.
- (b) According to the Corporate Plan 2016-2018, College had drawn plans to initiate 8 courses in the year 2015 and increase the number of courses up to 10 as at the year under review by adding a course per annum. Nevertheless, only 8 courses had been conducted during the year under review.
- (c) Even though the Career Guidance Unit and the Student Counselling Unit should be established for the improvement of academic environment of the College, those Units had not been established even up to 31 December of the year under review.

4.1.2 Operating Review

The following observations are made.

- (a) In terms of the Ordinance prepared by the Board of Council according to the University College of Vocational Technology Ordinance, No.01 of 2014, the objectives of the University College had been stated as conducting courses in Levels 5,6 and 7 of National Vocational Qualifications and conducting other Technological courses in equal levels of National Vocational Qualifications. However, accreditation in Levels 5,6 and 7 of National Vocational Qualifications for 06 out of the 8 courses conducted by the College had not been obtained from the Tertiary and Vocational Education Commission despite the lapse of 03 years from the commencement of the courses.

- (b) In terms of the above Ordinance, the qualifications for the National Vocational Qualifications Level 5 and 6 had been categorized under to segments and therein, 60 per cent had been reserved for the applicants who have qualified in National Vocational Qualifications Level 4 and the remaining 40 per cent had been reserved for the applicants who apply through the General Certificate of Education (Advanced Level) qualifications. Although the College had registered 258 students for the year 2016 and 191 students for the year 2017, those students had been enrolled only up on the General Certificate of Education (Advanced Level) qualifications.
- (c) Out of 191 students registered for 8 courses in the year 2017, twenty two students of 7 courses had left the courses and the number of students engaged in the study had dropped up to 169. The registration of the students for each course of the College had declined at a range from 12 per cent to 47 per cent during the year under review as compared with the preceding year.

4.2 Staff Administration

There were 08 vacancies of the lecturers of the approved academic staff. Nevertheless, action had not been taken to fill the above vacancies.

4.3 Management Activities

Action had not been taken to take over the land and the building in which the University College is maintained even during the year under review.

5. Sustainable Development

5.1 Achievement of Sustainable Development Goals

Every Public institution should act in compliance with the 2030 Agenda for United Nations Sustainable Development Goals and having adopted the Sustainable Development Act No.19 of 2017 on 03 October 2017, all the Public institutions had been made aware on the above matter by circulars. Accordingly, all the Public institutions should be aware as to how it should take action in connection with the functions coming under the purview of the respective institution. Nevertheless, since the College was unaware of the above matter, the goals and targets relating to its functions and the indicators required for measuring the achievement of those targets had not been recognized.

6. Accountability and Good Governance

6.1 Procurement and Contract Process

6.1.1 Deficiencies in the Contract Administration

Three bidders had presented bids for the contract for landscaping and the bidder who had presented the minimum bid of Rs.3,105,237 had been awarded the contract on 14 June 2017. The bidder had rejected the acceptance of the contract by a letter sent on 19 June 2017.

Nevertheless, action had not been taken to encash the bid security of Rs.35,000 presented by the bidder by furnishing it to the bank.

7. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Director of the University College from time to time. Special attention is needed in respect of the following areas of control.

Area of Systems and Controls

Observations

(a) Fixed Assets Control

Not properly categorizing the property, plant and equipment.

(b) Inventory Control

Failure to balance inventories annually.

(c) Procurement Process

Failure to take action in accordance with the provisions of the Government Procurement Guidelines in respect of works and supplies.