

## **University College of Kuliyapitiya – 2018**

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### **1.1 Qualified Opinion**

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The audit of the financial statements of University Collage of Kuliyapitiya for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of University Collage of Kuliyapitiya as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

### **1.2 Basis for Qualified Opinion**

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My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the University Collage's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the University Collage or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University College's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the University Collage is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the University Collage.

#### **1.4 Scope of the Audit**

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My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Collage's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University Collage ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the University Collage to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the University Collage, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the University Collage has complied with applicable written law, or other general or special directions issued by the governing body of the University;
- Whether the University Collage has performed according to its powers, functions and duties; and
- Whether the resources of the University had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## **1.5 Financial Statements**

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### **1.5.1 Internal Control over the Preparation of Financial Statements**

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Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Issues with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under this heading.

## 1.5.2 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
<p>In accordance with paragraph 42 of the Sri Lanka Public Sector Accounting Standards 07, library books were further in use despite being 100 percent depreciated as at 31 December 2018 had not been revalued and the fair value not taken in to the financial statements.</p>	<p>The annual depreciation rate of books and periodicals was 33.33 percent and the value of books should be revalued after three years from the date of purchase. Calculate that amount and make the correct depreciation for the next year.</p>	<p>In accordance with the paragraph 42 of Standard No. 07, revaluation shall be made with sufficient regulatory to ensure that the carrying amount does not differ materially from that the fair value at which would be determined using the reporting date.</p>

## 1.5.3 Accounting Deficiencies

Audit Observation	Management Comment	Recommendation
<p>a). Value of non-refundable deposits of Rs. 26,000 had not been disclosed in the financial statement for the year under review.</p>	<p>Value of non-refundable deposits of Rs. 26,000 can be stated in the next financial statements.</p>	<p>Accrued concept should be followed.</p>
<p>b). Even though the provision for Audit Fees for the year under review was Rs. 250,000, stated as Rs. 350,000/- in the financial position statement.</p>	<p>Provision for Audit Fees was stated as Rs. 350,000 in the financial statements. This can be adjusted when make provisions in the accounting year 2019.</p>	<p>Ledger accounts and journal entries should be compared with data when preparing financial statements</p>
<p>c). Annual Depreciation in 07 assets items amounted to Rs. 1,468,694 had been under stated in the accounts in the year under review.</p>	<p>Under stated depreciation amounted to Rs. 1,468,694 will be corrected upon the completion of the fixed assets register.</p>	<p>.Fixed assets should be depreciated according to the depreciation policy of the institute</p>

#### 1.5.4 Unreconciled Control Accounts or Records

Subject	Value as per the Financial Statements	Value as per the As per corresponding Records	Difference	Management Comment	Recommendation
	Rs.	Rs.	Rs.		
Property and Plant and Equipments	118,182,416	120,198,753	2,016,337	Measures will be taken to rectify the difference under the Property, Plant, and Equipment comparison with the fixed assets register.	Expenditure Should be accounted correctly and reconciled with the control accounts

#### 1.5.5 Documentary Evidences not made available for Audit

Item	Amount	Evidence not Available	Management Comment	Recommendation
	Rs.			
Payable Expenses	3,202,478	Individual balance schedules	Action will be taken to prepare separate schedules for items which could not be verified.	Action should be taken to submit relevant schedules with the accounts
Retention	121,432			
Sundry Creditors	1,852,000			
Refundable Deposits	199,620			
Deposits -Sundry payment	748,775			

## 1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
a).Acts ----- Inland Revenue Act No. 24 of 2017	PAYE tax amounted to Rs.43,588 had been deducted less from an officer during the year under review.	Can be corrected as per the instructions of the audit	Should be compliance with the laws, rules, and regulations
b)Financial Regulations ----- 880	Securities had not been taken from those responsible on Government money, Revenue, Stamps, and Goods etc.	As per your instructions securities will be taken in future	Should be compliance with the laws, rules, and regulations
c). Circulars ----- Treasury Circular No IAI/2002/02 dated 28 November 2002	Fixed assets register for Computer accessories and Software had not been maintained	As per your instructions will be maintained in future	Should be compliance with the laws, rules, and regulations

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to surplus of Rs. 2,235,014 and the corresponding deficit in the preceding year amounted to Rs. 2,232,106. Therefore an improvement amounting to Rs 4,467,120 of the financial result was observed. The reasons for this improvement are mainly due to the increase of recurrent grant and other income.

### 3. Operational Review

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#### 3.1 Management Inefficiencies

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<b>Audit Observation</b> -----	<b>Management Comment</b> -----	<b>Recommendation</b> -----
a). Constructions and modifications worth of Rs. 6,342,129 had been done without acquiring 5.4 hectares of land where the institute is situated.	The Ministry had been informed in several times to take over the land. The functions of the Collage cannot be stopped until that approval is obtained. Students should complete the courses by the end of the second year. Otherwise, the money invested by the government would be un-economical. Therefore, necessary constructions should be carried out.	Action should be taken Immediately to acquire the land.
b). The absence of a Demonstrator for the Refrigeration and Air Conditioning Course from 05 June 2018, and the absence of a Demonstrator, a Laboratory Assistant, and lack of adequate equipment for study and training for the two years in the Agriculture Technology Course, the operations of those divisions could not be maintained efficiently.	Many advertisements had been published but had not been able to find suitable candidates. Therefore, applications had been re-called on 04 April 2019.	Due to the inadequacy of staff, the activities of these divisions had not been rendered effectively. Should find out the reasons for not taking these relevant posts and necessary action should be taken.
c). The division was unable to perform efficiently due to the lack of a Demonstrator for the Automobile Technology Course and the lack of an Automobile Continuing Trainee Panel for the training,.	Many advertisements had been published but had not been able to find suitable candidates. Therefore, applications had been re-called on 04 April 2019.	Should find out the reasons for not taking these relevant posts and necessary action should be taken.

d). Due to the lack of promotional programs and awareness of the target students, had to advertise twice of enrollment for the courses of the year under review.	Although the stoles had been taken up and promoted at exhibitions in several institutions, the demand of the students was very poor. The reason is the institution is located far from the city.	Action should be taken to aware schools and other educational institutions.
e). Out of 16 permanent staff members academic evaluations were done only from two lecturers and out of 35 visiting lecturers, none of the lectures were evaluated.	These assessments had been done by the Director but informed that arrangements had been made to analyze the data through external parties.	A methodology for evaluating of all lectures of all the lecturers should be formulated
f). A surcharge of Rs. 2,574 had been paid due to non-payment of contribution of Employees' Trust Fund on due dates.	Accepted. This had been referred to the Management Committee on 03.05.2019	The surcharge amount should be recovered from the responsible officer.

### 3.2 Operational Inefficiencies

<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
a). In terms of the Public Finance Circular No.1/2014 dated 17 February 2014, an Action Plan had been prepared for the year under review the approval of the Governing Body had not been taken.	Usually, annual Action Plan is prepared and submits for the Governing Body. The transfer of Assistant Registrar positions of the Institute during this period and due to the crisis situation it was not possible. Action will be taken to submit in future.	In term of the instructions of the circular relevant approval should be taken.
b). Student enrollment is done in April of each year, but students were enrolled for the year under review with a delay of six months.	The decision to take students was delayed due to the discussions held at the College Directors and Vice Chancellor meetings regarding the enrollment of students in all universities in onetime. Later, this idea was withdrawn and the decided to enroll students as per the college requirements. Therefore, It was delayed.	Take necessary actions and measures to enroll students on time.



<p>c). Even though 270 students could be enrolled for 19 courses, only 223 students were enrolled for the year under review. Out of that 08 students had left the course.</p>	<p>Students were enrolled through written test and an interview. Then the students are expected to be able to continue the course to some extent. But due to difficulties in studying in English medium and vacating for other jobs, have left the course.</p>	<p>Steps should be taken to enroll maximum number of students on appropriate procedures.</p>
<p>d). 104 students were enrolled for the year under review without any aptitude test.</p>	<p>Due to the difficulty of locating the College, the number of demand of students had limited. Applications for certain courses, such as air conditioning are very limited. This resulted to reduce the number of enrollment of students from the newspaper advertisements Enrolment through newspaper advertisements will take another 2.3 months. Therefore, students were recruited without an aptitude test with the approval of the Governing Body.</p>	<p>After verifying the enrolled students are eligible to follow the course, the student enrollment system should be tailored to suit each course.</p>
<p>e). Thirty Three students enrolled for 4 courses in 2015 had completed the course in the year under review, but no follow up action was done on their employment by the College.</p>	<p>The follow-up action should be carried out only after the getting of university certificates and TVEC oral examination. These days necessary activities are carrying out for the test. However, following the instructions of the Administrative Advisor of the college, documents had been obtained after conducting follow up.</p>	<p>Follow up action should be carried out on students leaving the vocational qualifications.</p>
<p>f). Out of the 781 students enrolled between 2015 - 2018, 112 students or 14 percent had left the course and were not focused on minimizing the situation.</p>	<p>The reasons for leaving the courses are the difficulty in understanding subjects like mathematics and teaching in English medium. Because of this, the English division had used additional hours in the English language and had conducted visiting lectures on mathematics by a lecturer from the Wayamba University</p>	<p>The reasons for leaving the course should be investigated and remedied</p>

<p>g). The results of three examinations conducted in 2017 and 2018 took a period of 07 months to 11 months and though six months had elapsed since three examinations conducted during the year under review, but no results had been released .</p>	<p>Examination results are checked for the first time in a month by the College and send to the TVEC for second checking. Delay is due to that TVEC is not sending the result immediately. This was informed to the SSDP project. After extensive discussions in this regards, the second checking is approved by own selected list of examiners and send to the TVEC</p>	<p>A methodology should be established for issuing results on time.</p>
<p>h). Even though was planned to purchase 345 books worth Rs. 02 million to the library in the year under review, the books had not been purchased even by the end of year under review.</p>	<p>Agreed. The order had been sent to purchase books worth of Rs. 07 million in 2018</p>	<p>Procurement should be done as per the procurement plan.</p>
<p>i). Out of the 152 students who appeared for 8 courses in the year under review, 41 students had passed all the subjects at once.</p>	<p>41 students had passed all the subjects at once. But other students had failed one or two subjects only. That will be faced and passed at the next year test.</p>	<p>Proper methods should be introduced to enhance the results</p>
<p>j). The government had incurred a loss of Rs. 398,424 in awarding the Cleaning Services Agreement due to the rejection of the lowest bidder Without providing sufficient and convincing reasons.</p>	<p>According to the Cleaning Services Agreement the procurement process i.e. the Technical Committee had dealt with correctly. However, It was hard to accept even though it was highlighted as a loss. This is essential service because of the fact that the cleaning contract is a very small unit of the company.</p>	<p>Procurement rules and regulations should be followed.</p>
<p>k). An advance of Rs.1,566,000 had been paid to the Department of Buildings for the building construction works without the approval of the Governing Body or the Ministry.</p>	<p>This contract had been awarded to a government agency of the Building Department. If inquiries are required, a letter can be sent to the Building Department asking for details.</p>	<p>Advance payment should be made with the proper approval.</p>

<p>l). An excess sum of Rs. 1,276,385 had been paid as a result of purchase of a generator assembled in China by refusing Indian products without adequate reasons.</p>	<p>The decision had been taken by the Technical Committee of the University College on a certificate obtained from the Wayamba University. Also, it had been accepted by the Procurement Committee of the University College. The Technical Evaluation Committee was chaired by the former General Manager of the Ceylon Electricity Board, who is highly technical.</p>	<p>Works and services should be obtained in accordance with the accepted procurement procedures</p>
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### 3.3 Procurement Management

#### Audit Observation

- a). In accordance with the National Budget Circular No. 128 of 24th March 2006, an Annual Procurement plan should be prepared at the beginning of the accounting year but a procurement plan for recurrent expenditure of Rs. 6,057,000 had not been prepared.
- b). Construction of two contracts worth Rs. 6,693,000 had been awarded to the Department of Buildings, deviating from the procurement process and without signing contracts. The approval of the Governing Body or the Ministry had not been taken.

#### Management Comment

As per the approved Treasury provisions the budget for recurrent expenditure will be prepared .However, a procurement plan can also be prepared if needed.

The contract was awarded to the Building Department by the Director / CEO of Dr. Samitha Hettige in his letter No. K/U/L/D/I/R on 03.09.2010. The main reason for awarding the contract was that the University College did not have the services of an engineer and no facilities were available for BOQ preparation. However, the contract had been handed over to a government agency. We will act according to your instructions regarding future contracts.

#### Recommendation

The procurement plan should include all procurements.

When awarding contracts, the procurement guidelines should be followed and agreements should be signed with the proper approvals.

c). The Procurement Committee of the Institute had procured the generator for Rs. 4,773,535 exceeding the approved procurement limit of Rs. 4 million.

The value of the generator was less than Rs. 04 million. Other prices include the cost of installing the machine. However, if the total of these all costs need to be considered, will follow your instruction in future.

The Procurement Committee should not exceed the procurement limits.

### 3.4 Human Resources Management

#### Audit Observation

a). According to the approved cadre, there were 09 vacancies in 02 posts of Academic staff, 02 vacancies in excess, and 11 vacancies in 03 posts in non-academic staff positions.

b). Due to non-recruitment of Lecturers for vacancies, a sum of Rs. 3,440,281 had to pay for Visiting Lecturers during the year under review.

c). Due to the lack of a recruitment procedure for the post of Maintenance Technician, recruitments of those suitable could not be made.

d). 25 were recruited for the position of Lecturer from 2014 to the end of the year under review, but eight of them had left the service.

#### Management Comment

It had been stated that action is being taken to fill the existing vacancies

#### Recommendation

Vacancies should be filled promptly to carry out the objectives and functions of the College effectively.

#### 4. Accountability and Good Governance

##### 4.1 Internal Audit

###### Audit Observation

Although an Internal Audit Unit should be established in terms of the paragraph 03 of the Audit and Management Department Guidelines DMA / 2009 (1) dated 09th June 2009, four years had elapsed since the establishment of the University College but no internal audit unit had been established.

###### Management Comment

An Internal Audit Unit will be conducted by the University of Technology once in three months. The committee is comprised of a group of officials from all universities. However, it is highly advisable to maintain an internal audit unit in the University College.

###### Recommendation

An Internal Audit Unit should be established in terms of the circular and the National Audit Act.

##### 4.2 Audit Committee

###### Audit Observation

In terms of paragraph 7.4.1 of the Public Enterprise Circular No. PED/12 dated 02 June 2003, an Audit Committee had not been appointed.

###### Management Comment

An Internal Audit Unit will be conducted by the University of Technology once in three months. The committee is comprised of a group of officials from all universities. However, it is highly advisable to maintain an Internal Audit Unit in the University College.

###### Recommendation

Action should be taken in term of circular provisions to strengthen internal control

##### 4.3 Budgetary Control

###### Audit Observation

In accordance with the Paragraph No. 5.2 of the Public Enterprises Circular No. PED / 12 dated 02 June 2003 the budget should be prepared and submitted for approval three months before the beginning of the accounting year, but the budget had been approved on 22 December 2017.

###### Management Comment

Audit instructions will be followed for preparation of upcoming budgets.

###### Recommendation

Action should be taken to adhere to existing rules, regulations and circulars and utilize the budget as a controlling strategy. .

#### 4.4 Sustainable Development Goals

<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
a). While identifying Sustainable Development Goals and Targets, although the targets should be identified to ensure a comprehensive, equitable, quality education and to provide life-long learning opportunities for all, had been identified only the objectives of eliminating poverty. Further, indicators for measuring identified goals and targets had not identified and baseline years and baseline data had not identified.	Agreed.	Apart from the objective of alleviating poverty, the existing objectives should also be achieved.
b). Due to the lack of qualified human resources and physical resources, action plans for achieving the relevant objectives and targets had not been prepared and the College had not identify the parties involved and informed them through the awareness programmes or circulars during the year under review and.	Agreed	Apart from the objective of alleviating poverty, the existing objectives should also be achieved.