

**Institute of Technology – University of Moratuwa - 2013**  
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The audit of financial statements of the Institute of Technology - University of Moratuwa for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 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 and Section 20 of the Institute of Technology of the University of Moratuwa Ordinance No. 03 of 2000 enacted in terms of Section 18 of the Universities Act, No. 16 of 1978. My comments and observations which I consider should be published with the Annual Report of the Institute of Technology in terms of Section 108(1) of the Universities Act appear in this report.

**1.2 Management’s Responsibility for 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 Standards of Supreme Audit Institutions (ISSAI 1000 – 1810).

**1.4 Basis for Disclaimer of Opinion**  
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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, the statement of financial performance and the statement of changes in the net assets and the cash flow statement.

**2. Financial Statements**  
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**2.1 Disclaimer of Opinion**  
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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**

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### **2.2.1 Sri Lanka Public Sector Accounting Standards**

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Even though the contingent assets should be disclosed in the financial statements in terms of Sri Lanka Public Sector Accounting Standard No. 08, the sum of Rs.2,476,373 recoverable from a Lecturer who had breached the agreements and bonds had not been disclosed in the financial statements.

### **2.2.2 Accounting Deficiencies**

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The following observations are made.

- (a) The property, plant and equipment costing Rs.42,256,135 with zero written down value as at the end of the year under review and being used at present had not been revalued and brought to account.
- (b) The employees' gratuity provision relating to the year under review amounting to Rs.3,987,088 had been shown as other operating expenditure instead of being shown under the expenditure on remuneration of employees.
- (c) Motor vehicle depreciation for the year 2012 amounting to Rs.653,333 had not been brought to account and action for rectification had not been taken even in the year under review. As such the value of the motor vehicles and the balance of the General Reserve Account as at the end of the year under review had been overstated by that amount.
- (d) Lab and library deposits older than 02 years amounting to Rs.542,650 brought forward as at beginning of the year under review had been transferred to the Development Fund Account contrary to the Financial Regulations instead of being adjusted to income.
- (e) Lab and library deposits amounting to Rs.481,500 received from the students in the year under review had been shown in a new Fund Account as library and laboratory deposits instead of being shown under the Accounts Payable.
- (f) The balance of Rs.118,286 remaining from the donation made in the year 2010 by the National Diploma in Technology past students association had been shown under the Accounts Payable instead of being shown as donations.

### **2.2.3 Accounts Receivable and Payable**

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Action had not been taken for the recovery of staff loans amounting to Rs.98,940 recoverable from 2 officers who had resigned from service

#### 2.2.4 Lack of Evidence for Audit

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Correctness of the remunerations of the academic staff amounting to Rs.37,625,690 for the year under review could not be established due to the failure to furnish the records on the times of arrival and departure of the academic staff. The Attendance Registers of Students had not been furnished to audit to establish the correctness of the lecture hours performed by the Lecturers and as such that item could not be satisfactorily vouched.

#### 2.2.5 Non-compliance with Laws, Rules, Regulations and Management Decisions

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The following observations are made.

##### Reference to Laws, Rules, Regulations, etc.

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##### Non-compliance

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(a) Establishments Code of the University Grants Commission and Institutes of Higher Education  
Section 3.1 of chapter XX

Even though every officer in the service of every Institute of Higher Education should record the times of arrival and departure in an Attendance Register, the academic staff had not taken action accordingly.

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.  
(i) Financial Regulation 396(d)

Action in terms of the Financial Regulation had not been taken on 25 cheques valued at Rs.115,990 issued but not presented for payment for more than 06 months.

(ii) Financial Regulation 570

Even though action should be taken to write back lapsed deposits to income, action in terms of the Financial Regulation had not been taken on bid deposits older than 03 years amounting to Rs.42,250.

(c) Public Administration Circular No. 07/97 of 03 February 1997, Circular No. 707 of 01 April 1997 of the University Grants Commission and the Public Administration Circular No. 21/2013 of 07 October 2013.

The officers of the University of Moratuwa who had worked on public holidays in the University of Moratuwa and obtained holiday pay had worked on public holidays in the same calendar month in the Institute of Technology as well exceeding the limit by 01 day to 07 days and obtained holiday pay amounting to Rs.20,992.

### 3. Financial Review

#### 3.1 Financial Results

According to the financial statements presented, the operations of the Institute for the year under review had resulted in a surplus of Rs.2,804,799 as against the deficit of Rs.3,510,686 for the preceding year.

### 4. Operating Review

#### 4.1 Performance

The particulars of enrollment of students by the Institute, the number students who pursued learning and the number of students who left as diplomates and annual revenue expenditure during the past 05 years are given below.

	2009	2010	2011	2012	2013
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Total Number of Students	987	987	1,016	1,043	1,037
Enrollments	360	360	358	352	347
Number of Students who were out of the Institute as students undergoing training externally in the final year	295	310	329	347	344
Total number of Students learning in the Institute	692	677	687	696	693
Diplomates	336	299	296	289	315
Annual Revenue	Rs. 78,644,210	83,482,537	90,462,255	99,252,520	121,024,043
Cost per Students	Rs. 113,648	123,312	131,671	142,604	174,638
Number of Students receiving Mahapola	206	204	208	210	210
Number of Students receiving Bursaries	451	494	499	475	441

The following observations are made.

- (a) The Institute conducts 09 Diploma Courses and out of the 360 students enrolled in the year 2009 the number of students who passed the Diploma in the year 2013 had been 315 or 88 per cent.
- (b) The number of students enrolled in the year 2000 in which the Institute was established had been 350 while 347 students had been enrolled in the year 2013. Despite the elapse of 13 years after the establishment of the Institute, lack of improvement of enrollments was observed.

**4.2 Management Inefficiencies**  
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The following observations are made.

- (a) A sum of Rs.1,618,050 received in the years 2009 and 2010 for the Distant Education Modernization Project had been shown as other funds in the statement of financial position without carrying out the objective related activities.
- (b) Even though the Polymer Short Term Course commenced in July 2010 should have been completed in 10 months, a period of 23 months had been taken for its completion. Even though a newspaper advertisement for commencing the Polymer Course in the year under review had been published at a cost of Rs.84,336, the Institute could not enroll students due to the loss of confidence of the students due to the above reason.

**4.3 Underutilization of Funds**  
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The following observations are made.

- (a) A grant of Rs.113,971 received as a donation to the Scholarship Fund from a private company for the grant of scholarship payments to students had not been utilized in the year under review.
- (b) None of the activities had been carried out during the year under review from the funds amounting to Rs.7,970,715 received for external activities.

**4.4 Personnel Administration**  
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The particulars relating to the approved staff and the actual staff of the Institute as at 31 December 2013 are given below.

(a) **Academic Staff**  
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	<b>Number Approved</b>	<b>Actual Number</b>	<b>Number of Vacancies</b>
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(i) Lecturer	27	18	9
(ii) Probationary Lecturer	17	13	4
(iii) Engineering Teaching Assistants	15	02	13
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Total	59	33	26
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**(b) Other Staff**  
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	Number Approved	Actual Number	Number of Vacancies
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(i) Staff Grades	5	5	-
(ii) Non-Staff Grades	29	16	13
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Total	34	21	13
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Vacancies existed in 33 per cent of the posts of lecturer, 23 per cent of the posts of Probationary Lecturer and 86 per cent of the posts of Engineering Science Teaching Assistants.

**5. Accountability and Good Governance**  
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**5.1 Corporate Plan**  
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Even though a Corporate Plan for the period 2011/2015 had been prepared, the approval of the Board of Management for that had not been obtained up to date.

**5.2 Action Plan**  
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Even though every institution should prepare an Action Plan in terms of Section 5.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the Institute had not prepared Action Plans from the year 2011 up to date.

**6. 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 Director of the Institute from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Subsidiary Registers
- (c) Staff Loans
- (d) Accounts Receivable and Accounts Payable
- (e) Budgetary Control
- (f) Assets Control
- (g) Internal Audit
- (h) Advances