

University College of Batangala Affiliated to the University of Vocational Technology 2016

The audit of financial statements of the University College of Batangala of the University of Vocational Technology for the year ended 31 December 2016 comprising the statement of financial position as at the year ended from 01 June 2016 to 31 December 2016 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 University of Vocational Technology Ordinance No.01 of 2014 . My comments and observations which I consider should be published with the Annual Report of the University College appear in this report.

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 misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 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.

1.4 Establishment of the University College

The University College of Batangala had been established as an affiliated institute therein under the University of Vocational Technology Ordinance No.01 of 2014 prepared by the Board of Governors of the University of Vocational Technology as enforced from 01 June 2016 under Sub –section (1) of Section 20 read in conjunction with Section 5(e) of the University of Vocational Technology Act, No.31 of 2008. The main objective is to conduct the technical courses of National Vocational Qualifications level 5,6 and 7 and the technical courses equal to that level approved by the University of Vocational Technology .

1.5 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2 Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the University College of Batangala affiliated to the University of Vocational Technology as at 31 December 2016 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 Sri Lanka Public Sector Accounting Standards

In terms of Sri Lanka Public Sector Accounting Standard 07, depreciation of an asset begins when it is available for use . However, a sum of Rs.1,696,441 had been depreciated relating to the accounts period for the training equipment totaled Rs.84,529,310 which had not been prepared as usable for the course.

2.2.2 Unexplained Differences

Even though according to the schedule presented by the Skill Sector Development Project ,fixed assets amounting to Rs.98,693,921 had been granted to the University College during the year 2015, it was Rs.94,090,956 according to the schedule presented by the University College thus a difference of Rs.4,602,965 was observed. The reasons for the difference was not defined.

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

The following Non-compliances were observed.

Reference to Laws, Rules and Regulations	Non-compliance
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(a) Financial Regulations 756 and 757 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Reports had not been furnished to the Auditor General by conducting a Board of Survey in relation to the assets and stores items at the end of the year under review in terms of Financial Regulations .
(b) Treasury Circular No.842 of 19 December 1978	A Register of Fixed Assets had not been maintained by the University College in term of the Circular.
(c) Treasury Circular No.IAI/2002/02 of 28 November 2002	A Register of Fixed Assets had not been maintained in terms of the Circular in relation to the computer accessories and software amounted to Rs.3,904,303 at the end of the year under review.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial results of the University College for the period from 01 June 2016 to 31 December 2016 amounted to a surplus of Rs.2,775,099 . Even though the employee cost in the year under review amounted to Rs.5,270,505 , receiving of Government grants of Rs.13,151,154 had been the main reason for the surplus.

4. Operating Review

4.1 Performance

The following observations are made.

- (a) Even though as per the Gazette Notification dated 29 June 2016, the University College of Batangala should have been enforced from 01 June 2016, the academic activities commenced only on 14 October in the year under review.
- (b) Even though according to the Tertiary and Vocational Education Act, No.20 of 1990, registration and accreditation of training institutions for the conduct of courses with National Vocational qualifications should be done, action had not been so done in relation to 06 courses commenced by the University College.

4.2 Management Activities

The following observations are made.

- (a) As per Paragraph 10 of the Circular No.4/2010 dated 29 December 2010 of the Secretary to the Ministry of Environment ,the timber removed from the government lands should be handed over to the State Timber Corporation. However, the timber removed in the construction of the University College had been sold at Rs.41,918 to a private Institution by the University College.
- (b) Action had not been taken to take over the 2 vehicles granted to the University College on 18 August and 03 October 2016 by the Ministry of Skill Development and Vocational Training and the value of one vehicle out of that had not been brought to account.
- (c) The ownership of the land of 5 acres in extent obtained for the maintenance of the University College from the National Youth Services Council through the Land Survey Office at Kegalle had not been vested to the name of the University College even by 31 December 2016.

4.3 Procurement and Contract Procedure

The University College had selected two Private Institutions for obtaining security and sanitary services contrary to the Government procurement procedure and a sum of Rs.2,307,641 had been spent for obtaining services during the period under review extending the service period of these services without an approval of the Board of control.

4.4 Idle and Underutilized Assets

It was observed at the physical audit examination carried out on 31 May 2017 that the training equipment valued at Rs.84,529,310 which had been granted by the Skill Sector Development Project during the year 2015 to the University College of Batangala was remained idle due to the planned courses had not been commenced as scheduled.

4.5 Cadre Administration

The following observations are made.

- (a) Four and 14 Officers had been recruited to the University college on 01 January and 02 July 2015 respectively for the non-academic staff before establishment of the University and had been attached to the other Institutions belonging to the Ministry from that date. Accordingly, an expenditure amounting to Rs.10,282,015 had been incurred from the Sector Development Project Fund as salaries and allowances and other recurrent expenditure by deploying more than a period of 17 months the 18 Officers of the Staff who are belonging to the various categories.

- (b) Two Officers had been recruited for the posts of Assistant Bursar and Assistant Librarian which were not belonging to the approved cadre of the University College by the Letter No.DMS/1670 dated 22 January 2014 of the Director General of the Department of Management Services. As such, the Officer who was recruited as the Post of Assistant Librarian had been recruited to the post of Acting Assistant Registrar of the University College and as a result of that ,the duties of the post of Assistant Librarian had not been fulfilled properly.

- (c) Even though the cadre had been approved for the University College as per the Letter mentioned above (b), A Scheme of Recruitment had been approved only for the two Posts of Chief Executive Officer and the Lecturer . However, filling the vacancies of the other cadre, the University College had followed the approved Scheme of Recruitment of the University of Vocational Technology. However, recruitments had been made for 02 Posts of Consultants during the year under review without any Scheme of Recruitment.

- (d) Action had not been taken by the University College to verify the Degree Certificates from the Institution which the certificates issued for two Officers who hold foreign Degrees and had been recruited as Probationary Lecturers.

5. Accountability and Good Governance

5.1 Internal Audit

A separate internal audit unit had not been established for the University College of Batangala which the operational activities commenced since October 2016. The responsibility of the internal audit activities had been entrusted to the internal audit unit of the University of Vocational Technology. However, an internal audit had not been carried out in respect of the University College relating to the period under review.

5.2 Corporate Plan

A Corporate Plan had not been prepared in a manner to reflecting the vision of the University College in terms of Section 5.1 of the Public Enterprises Circular No.PED 12 dated 02 June 2003.

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

Areas of Systems and Controls

Observations

- | Areas of Systems and Controls | Observations |
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| (a) Accounting, maintenance of books and Registers | The Cash Book had not been maintained up to date, Registers for Petty Cash and Advances had not been maintained. |
| (b) Assets Management | Accounting of assets and registers had not been maintained. Action had not been taken to conduct Annual Boards of Survey . |
| (c) Staff Administration | Recruitment of the staff had not been done properly and action had not been taken to maintain the personal files in an updated manner. |