

University of Vocational Technology – 2016

The audit of financial statements of the University of Vocational Technology for the year ended 31 December 2016 comprising the statement of financial position as at 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 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. My comments and observations which I consider should be published with the Annual Report of the University 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 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'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'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 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 Non-compliances with Laws, Rules, Regulations, and Management Decisions

The following non-compliances were observed.

<u>Reference to Laws, Rules, and Regulations, etc.</u>	<u>Non-compliance</u>
(a.) The University of Vocational Technology Act, No. 31 of 2008 Section 18	The Chairman of the Vocational Training Authority of Sri Lanka and the Secretary to the Ministry of Finance or his nominee should take part in the meetings of the Board of Governors. However, of the 11 meetings held in the year under review, the officer nominated by the Ministry of Finance had not attended 09 meetings, whereas the Chairman of the Vocational Training Authority of Sri Lanka had not attended 08 meetings. Accordingly, it could not be satisfied in audit as to the productivity of the decisions taken by the Board of Governors relating to the financial administration of the University.
(b.) Financial Regulation 571 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	Action had not been taken to credit the lapsed library, laboratory, and hostel deposits totalling Rs. 1,266,275 as at 31 December 2010 to the revenue.
(c.) Circular, No. 2013/2014 (ii) of the Ministry of Financial and Planning, dated 24 October 2013.	Despite being informed that a report on the programme in which all the officers who had completed a foreign training programme, had participated be furnished to the Head of the institution within a period of a month, 18 out of 21 officers who had proceeded abroad since the year 2013, had not furnished such reports.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result for the year ended 31 December had been a surplus of Rs. 214,709 as against the deficit of Rs. 3,054,300 for the preceding year thus indicating an improvement of Rs. 3,269,009 in the financial result of the year under review as compared with the preceding year. Although the cost on employees had increased by Rs. 16,552,372 whilst the grants from the Skills Sector Development Programme had decreased by Rs. 7,147,326, the said improvement had mainly been attributed by the increase in the recurrent grants of the year by a sum of Rs. 27,787,500.

The analysis on the financial results of the year under review and 04 preceding years indicated that the deficit in the year 2012 had become a significant surplus in the year 2013 that had decreased by the year 2014. The deficit in the year 2015 had become a surplus again in the year under review. However, once the employee remuneration and depreciation on non-current assets had been adjusted to the financial result, the contribution of the year 2012 amounting to Rs. 139,569,752 had become Rs. 216,650,852 by the year under review.

4. Operating Review

4.1 Performance

The following observations are made.

- (a.) To provide opportunities to engage in the higher education for those who have acquired diploma qualification in the field of technical and vocational education field had been the prime objective of the University of Vocational Technology. The other objectives include : contribution to the development of curricula for the technical and vocational education, supply of academic courses for the technical officers of intermediate level qualified enough to be enrolled for the University, presentation of courses required for those who earned National Vocational Qualifications to further their skills, and presentation of extension courses in view of continuous professional improvement. The following observations are made in respect of obtaining the quality standards relating to the achievement of the said objectives.
 - (i) The Admission, Accreditation, and Quality Assurance Council had been established in terms of Section 21 (1) of the University of Vocational Technology Act, No. 31 of 2008. As per the decision taken by the Council on 18 May 2010, it had been decided to accredit the degree courses relating to engineering conducted by the University through the Institution of Engineers, Sri Lanka whilst the other courses be accredited by the Universities of Moratuwa , Peradeniya, and Colombo in addition to obtaining accreditation from the reputed foreign Universities. However, even after a lapse of 07 years since the establishment of the University, action had not been taken to obtain accreditations for the degree courses as expected.

- (ii) Although provision amounting to Rs. 50,000, and Rs. 500,000 had been granted for the years 2015 and 2016 respectively in order to obtain accreditations from the Institution of Engineers, Sri Lanka, and local and foreign professional institutions for the courses being conducted by the University under the Skills Sector Development Programme, the University had failed to obtain accreditations even by 02 March 2017, the date of audit.
- (iii) In terms of Section 21(b) (II) of the University of Vocational Technology Act, No. 31 of 2008, the Admission, Accreditation, and Quality Assurance Council should comprise two representatives from the board nominated by the Board from amongst its appointed members, one of whom at least shall be the member appointed to represent either the Institution of Engineers, Sri Lanka or the Institution of Incorporated Engineers, Sri Lanka. However, only one representative from the board had participated in the meeting of the Council held in the year under review.

(b.) Conducting Degree Courses

- (i) In the years 2010 in which student enrolment for degree courses had been commenced, and 2012, students had been enrolled for 07 and 08 full time courses respectively. However, by the year under review, students had been enrolled only for 05 courses thereof whilst no students had been enrolled for the other courses.
- (ii) Since the year 2013, students had been enrolled for weekend courses (part time) as well in addition to the full time courses, and by the year under review, 122 students had been enrolled for 05 full time courses whereas 462 students had been enrolled for 13 weekend courses. The management had not taken action to enroll students ensuring optimal utilization of resources by introducing new full time courses.
- (iii) Due to failure in enrolling at least the minimum number of students for each course, the non-enrollment of students had remained as low as 23 per cent - 100 per cent considering the student enrollments for 09 courses conducted in the year under review.
- (iv) A trend of leaving the courses was observed with the students enrolled to the University in the year under review. As such, 98 out of the 342 students enrolled for 11 courses had left the courses during the year. Considering the courses separately, the percentage of students leaving the courses ranged between 12 per cent to 67 per cent. The management had not taken measures suitable for alleviating this situation.

(c.) Conducting Diploma Courses

The following matters are observed in respect of the Diploma courses conducted by the University since the year 2012.

- (i) Although it is an objective of the University to provide academic courses for the technical officers of the intermediate level qualified enough to be enrolled for the University in accordance with the University of Vocational Technology Act, students had not been enrolled in the year 2015 for other Diploma courses except for the Diploma course (National Diploma in Technical Teacher Education) conducted under the Skills Sector Development Programme. No students had been enrolled for any Diploma course with respect to the year 2016.
- (ii) Action had not been taken even up to the end of the year 2016 to obtain the National Vocational Qualification for 02 Diploma courses of the NVQ Level 5 conducted by the University in the year 2013. Hence, the University failed to provide the students following the courses, with quality courses.
- (iii) It was revealed in the examination conducted on the students who had passed the Diploma courses that, except for 03 courses, the pass rate for other courses remained as low as 7 per cent - 47 per cent. There had been long delays in conducting repeat examinations for the students failed in those courses, and it was observed that the failure in conducting the courses continuously had caused this situation.

(d.) Implementation of the Skills Sector Development Programme

A sum of Rs. 254.2 million had been allocated in order to execute 10 activities in accordance with the Action Plan provided with the University for the year 2016 under the Skills Sector Development Programme being implemented for the betterment of vocational training, and a sum of Rs. 157.4 million had been spent by the University for the execution of 08 activities thereof. The following matters were observed in the audit examination conducted in that connection.

- (i) Although a sum of Rs. 01 million had been provisioned in the year under review for establishing private and PPP university colleges to offer demand-driven NVQ 5,6 level training programmes, the relevant activities had not been executed.
- (ii) Although a sum of Rs. 17 million had been allocated for 17 officers in the staff of the University of Vocational Technology including the staff of the University Colleges in order to obtain post graduate qualifications, no financial assistance had been provided for any officer in the year under review to obtain post graduate qualifications; instead, a sum of Rs. 10.7 million had been spent from those funds on 05 officers for whom provisions had been granted in the preceding year.
- (iii) Although a sum of Rs. 06 million had been allocated in the year under review for facilitating NVQ 5 for TVET Trainer, a sum of Rs. 4.94 million therefrom had been spent on 238 trainees enrolled in the year 2015. No trainees had been enrolled in the year 2016.

- (iv) Of the sum amounting to Rs. 01 million provisioned to develop curricula with industry inputs and guidance from reputed Universities, only the degree course on hotel management had been developed by spending a sum of Rs. 0.39 million.
- (v) Of the sum amounting to Rs. 5.5 million provisioned for establishing a mechanism to monitor academic and administrative quality in University Colleges, a sum of Rs. 5.496 million had been spent on a Video Conference System for the University. Nevertheless, the expected objective could not be achieved as such systems had not been installed at the Colleges functioning under the purview of the University. The sum of Rs. 20 million provisioned for the Video Conference Systems of the Ministry and the Colleges, had not been utilized.

4.2 Management Activities

The approval of the Department of Management Services required to be effective for the Establishments Code formulated in the year 2015 for the University, had not been obtained even by the end of the year under review.

4.3 Operating Activities

The following observations are made.

(a.) Appointment of Visiting Lecturers for the Degree Courses

The following matters are observed in respect of the expenses made on the visiting lecturers of the University of Vocational Technology since the year 2011.

- (i) Foreign scholarships had been granted simultaneously to 10 underqualified officers absorbed into the academic staff of the University of Vocational Technology, in respect of post graduate studies over a period of 01 year 09 months and 22 days since 09 August 2010. Accordingly, in view of proceeding with the academic activities of the University during that period, the University had to incur additional costs amounting to Rs. 2,799,119 and Rs. 5,210,428 in the years 2011 and 2012 respectively on the visiting lecturers.
- (ii) Although promotions had been granted for 17 persons in respect of the post of lecturer (probationary) in the year 2013, the expenditure on the visiting lecturers in that year had been as high as Rs. 8,043,300 which is an increase of 54 per cent when compared to that of the preceding year amounting to Rs. 5,210,428.
- (iii) The contribution of the visiting lecturers in the year under review had been 55 per cent of the total lecture hours recommended for each degree course. The University had incurred a sum of Rs. 17,266,578 in the year by way of payments on the visiting lecturers, indicating an increase of Rs. 6,874,366 as compared to the year 2015. Accordingly, the contribution of the academic staff of the University to the courses conducted by the University, had remained low.

- (b.) Action should have been taken to establish ethics for the academic staff in the University in terms of the Circular, No. UGC/AC/QA/Gen of the University Grants Commission dated 07 May 2015 under the title “Ethics and Academic Accountability for Academic Staff in the Sri Lankan University System”. However, due to failure in doing so, the opportunity to obtain an even efficient and productive contribution from the academic staff had been deprived of.
- (c.) Payment of Research Allowances
- (i) In terms of Section 4(ii) of the Department of Management Services Circular, No. 02/2014, dated 11 February 2014, an interim report should be furnished to the Committee within a period of 06 months from the date of commencement of the research by providing details on the progress of the research report. However, the officers had not furnished reports in such a manner.
- (ii) An officer had been paid a sum of Rs. 469,523 during the period from March 2015 to September 2016 by way of research allowance for conducting researches. But, even by 27 August 2017, the final research report had not been furnished in terms of Section 4 (iii) of the said Circular. However, this officer had resigned from the University service on 13 September 2016.

4.4 Idle and Under Utilized Assets

The official residence of the Director General belonging to the University had remained idle without being used from November 2012 up to the end of the year under review.

4.5 Contract Process

Approval had been granted to provide a sum of Rs. 17.9 million initially in the year 2011 whilst the balance will be provided annually through estimated provisions up to 3 years from the year 2012 for the Learning Resources Development Centre proposed to be built at a cost of Rs. 359.9 million including a sum of Rs. 150 million for equipment under the objectives of increasing the number of students enrolled for the University of Vocational Technology, enhancing the capacity of the institution, maintaining the learning environment, and conducting post graduate courses. It had been informed through the Cabinet Decision, No. අමෙ/11/2152/539/017-1 that the construction of the building complex should be done by managing the funds in a manner not exceeding the provisions. By the end of the year 2016, a sum of Rs. 206.5 million had been spent on the constructions though, approval of the Cabinet had not been granted for the expense on the additional works of the building complex that had exceeded the approved provision by a sum of Rs. 75 million. As such, the construction works had not progressed in the year 2016. Nevertheless, it was observed in audit that the project had been delayed due to failure in taking action efficiently without proper planning.

4.6 Staff Administration

The following observations are made.

- (a.) When absorbing the staff into the University of Vocational Technology on 12 October 2012 contrary to the Letter, No. DMS/E4/47/2/280/1 of the Additional Director General of the Department of Management Services, dated 27 July 2009, ten members of the academic staff had been absorbed in a manner personal to holder basis of post although they had not met the minimum requirements necessary for the post in accordance with the approved Scheme of Recruitment, but approval of the Department of Management Services had not been obtained in that connection. Furthermore, the qualifications of 05 of the said lecturers had not been verified through the relevant Universities.
- (b.) A lecturer placed in the post of senior teaching assistant in a manner personal to holder basis, had left for Thailand to follow a post graduate course having received a foreign scholarship under the Technical Education Development Project, but failed to complete the degree within the specified duration. However, no action whatsoever had been taken by the University to recover the sum of Rs. 3,876,544 spent on that scholarship along with additional academic expenses amounting to Thai Baht 154,503.43 (Rs. 34,170).
- (c.) Although qualifications had not been met in accordance with the Scheme of Recruitment, and without verifying the qualifications through the relevant Universities, a teaching assistant had been appointed to the post of lecturer (probationary) in the information technology division with effect from 01 September 2013.
- (d.) Action had not been taken to verify the validity of the degree and the results of a lecturer who had completed the post graduate degree of 2 years in a University in India, through that University.
- (e.) When appointments and promotions are made with respect to the posts belonging to the academic category in terms of Section 5.4 (i) of the approved Scheme of Recruitment of the University, the compliance with the said Scheme had been stated to be necessary. Contrary to that, a lecturer who had not completed post graduate qualifications had been appointed as a lecturer (probationary) for the Bachelor of Technology in Building Services Technology with effect from 01 June 2016.
- (f.) According to Section 5.4.1 of the Scheme of Recruitment for the post of assistant bursar, appointments should be made from external applicants for 60 per cent of the existing vacancies. Nevertheless, internal officers had been appointed for 3 posts that had remained vacant in the approved cadre.

(g.) Appointment of Director (Admission, Accreditation, and Quality Assurance)

- (i) According to Section 16(1) of the University of Vocational Technology Act, No. 31 of 2008, The Director, Admission, Accreditation, and Quality Assurance of the University shall be appointed by the Board upon recommendation of a Selection Committee, and shall function as a full-time Officer of the University. However, through the Letter, No. UNIVOTEC/AC/SAL/112, dated 28 August 2014, a senior lecturer of grade II had been appointed to the post of director of the University for a period of 3 years on personal to holder basis in addition to his current position with effect from 01 September 2014. Furthermore, approval of the Department of Management Services had not been obtained on the Scheme of Recruitment relating to the said post even by the end of the year 2016.
- (ii) According to Section 13.1 (a) of Chapter II of the Establishments Code of the Democratic Socialist Republic of Sri Lanka, every acting appointment should be made with the approval of the Cabinet when it becomes essential for a public officer to perform the full duties of an additional post or of the duties of more than one post. On the contrary, one officer had been assigned to perform duties of two full time posts of lecturer, and director. As such, in addition to the salaries and allowances for the post of lecturer, vehicle and fuel allowance, peculiar to that post, had also been paid since September 2014. The sum paid in such a manner up to April, 2017, the date of audit, totaled Rs. 942,180.

(h.) Appointment of an Acting Director to the University College of Ratmalana

- (i) According to the Sections 13.1.2 and 13.4 of Chapter II of the Establishments Code, when an officer is recommended for an acting appointment, the officer should be qualified in all respects for appointment to the post in terms of the approved Scheme of Recruitment. However, a lecturer appointed to the post of lecturer, grade II on the personal to holder basis, had been appointed to the post of acting director of the College with effect from 15 July 2016 although he had not qualified enough for the post of director. The amount paid by the College as acting salary and fuel allowance, totaled Rs. 179,100.
- (ii) Section 9.3.1 (vi) of Public Enterprises Circular, No. PED/12, dated 02 June 2003, states that an acting appointment should not be made for an unspecified period, but such appointments had been made for unspecified periods in accordance with the Letter of Appointment, No. UVT/Admin/SAL/111, dated 14 July 2016.

5. Accountability and Good Governance

5.1 Internal Audit

An adequate staff had not been attached to the Internal Audit Unit of the University, whereas only two officers of the posts, internal auditor and clerk had been attached. The following matters are observed in that connection.

- (a.) Failing to consider the Letter, No. DMA/ADM/2011/1-26 of the Director General of the Management Audit Department, dated 23 December 2011, and the Financial Regulation, 133 (2) (a) (i), the internal audit had not been planned covering the areas such as, achieving the targets of the Colleges and the University, performance, and evaluation of internal control of the accounting, financial and administrative divisions. Out of the 14 areas expected to have been covered in accordance with the audit plan prepared for the year under review, 11 audit reports had been issued in the year relating to 02 areas audited. However, 05 reports therefrom had been issued on the decision of personal salaries.
- (b.) Although this Division had been assigned with the responsibility of conducting internal audits of 06 University Colleges established under the purview of the University of Vocational Technology, no audit had continuously been carried out on the University Colleges, and only the University College in Anuradhapura had been audited thereby issuing a report in the year under review.

5.2 Tabling of Annual Reports

In terms of Section 6.5.3 of the Public Enterprises Circular, No. PED/12, dated 02 June 2003, the annual report including the annual final accounts prepared in three languages, should be tabled in Parliament within a period of 150 days from the close of the financial year together with the audit report. However, the annual report of the University for the Accounting Year 2015 had not been tabled in Parliament.

6. Systems and Controls

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

<u>Areas of Systems and Controls</u>	<u>Observation</u>
(a.) Financial Control	Failure to utilize the funds of the Skills Sector Development project effectively and productively.
(b.) Stores Control	Failure to follow a proper methodology when issuing goods to the officers.
(c.) Staff Administration	Failure to verify the qualifications of the officers through the relevant institutions/universities. Failure to take action in accordance with the Scheme of Recruitment.
(d.) Conducting Courses	Failure to conduct courses with optimal capacity and evaluate the performance of the lecturers.
(e.) Internal Control	Lack of duty assignment among the officers. Failure in maintaining the Register of Movements in an up-to-date manner.