

## **University College of Anuradhapura – 2016**

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The audit of financial statements of the University College of Anuradhapura of the University of Vocational Technology for the year then ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of comprehensive income, statement 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 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 University of Vocational Technology Act appear in this Report.

### **1.2 Management's Responsibility for the Financial Statements**

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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 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 University College's preparation and fair presentation of 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 the 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

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### 2.1 Opinion

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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 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

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#### 2.2.1 Accounting Deficiencies

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The following observations are made.

- (a) As a result of capitalizing the installation expenses of the CCTV Camera System valued at Rs.421,500 under buildings of which should be capitalized under the Computers, the value of Buildings had been overstated and the value of Computers had been understated by the same amount.
- (b) The value of the building where the University College is situated and being used from the month of January 2016 had not been identified and taken into accounts under the Non-current Assets in the financial statements.

#### 2.2.2 Lack of Evidence for Audit

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Even though according to the bid documents a 05 years warranty certificate should be produced for 02 Digital Oscilloscope equipment purchased to a value of Rs. 730,000 the warranty certificates had not been obtained for those equipment purchased.

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

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The following non-compliances were observed.

#### Reference to Laws, Rules and Regulations

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#### Non-compliance

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| (a) Section 5 (e) of the University of Vocational Technology Act, No. 31 of 2008 and Paragraph (e) and 16(2) (d) of the University College of Vocational Technology Ordinance No.01 of 2014 | A Business Plan had not been prepared with the Annual Budget Estimate. |
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(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka  
Financial Regulations 756(1)

Formal registers relating to Inventory Items had not been maintained and a Board of Survey had not been conducted for the year under review.

Public Administration Circular No.07/2009 dated 16 April 2009

Even though the finger print machines should be used to mark the arrival and departure of the employees of the institution, the finger print machines had not been used to mark the arrival and departure for the 34 staff academic and non-academic staff of the University College.

e-Public Policy No. 010106 for the Policy and Procedures for the Usage of Information Technology in Public Sector dated 02 December 2009.

Even though it should be obtained the consultancy service from the Consultancy Information Communication Technology Agency for the projects of information technology for more than Rs. 2 million Consultancy from Information Communication Technology Agency had not been obtained for information communication technology purchased for Rs. 13,724,870.

### **3. Financial Review**

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#### **3.1 Financial Results**

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According to the financial statements presented, it was observed that the financial result of the University College for the year ended 31 December of the year under review had been a surplus of Rs. 453,080 as against the deficit of Rs.148,756 for the preceding year thus indicating an improvement of Rs.601,836 in the financial result for the year under review as compared with the preceding year. Even though the expenditure for employee remuneration, supply, service and depreciation had been increased by Rs.10,134,353 compared to the preceding year, the increase in government recurrent grant by Rs.11,354,434 had mainly attributed to the improvement of financial results.

After the employees' remuneration and making adjustment in the depreciation for the non-current assets the contribution of the year under review and the preceding year amounted to Rs.38,650,689 and Rs.27,643,516 respectively. Therefore, it had been shown an increase of Rs. 11,007,173 in the contribution for the year under review.

## **4. Operating Review**

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### **4.1 Performance**

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- (a) According to the Ordinance prepared by the Board in terms of University College of Vocational Technology, No. 01 of 2014, it was mentioned that the objectives of the college were conducting courses in Levels 5, 6 and 7 of National Vocational Qualifications and conducting other Technological Courses in equal levels. In this regard the following matters were observed at the examination conducted.
- (i) Even though it had elapsed 02 years after the commencement of courses, action had not been taken to obtain the Certificate of Professional Quality Control (accreditation) in respect of 5,6 and 7 level (NVQ) from the Tertiary and Professional Education Commission for the 8 courses conducted by the University College.
  - (ii) It was observed that there was a considerable delay in issuing results in respect of the examinations conducted relating to each courses in the University College. Accordingly, the results of the Foundation Examination conducted in the year 2015 and the Examination for the First Six Months had been delayed by one year and the delay in issuing of results in other examinations conducted in the years 2015 and 2016 had been exceeded 06 months.
- (b) According to the Corporate Plan 2016 – 2018 prepared and approved by the institution it had not been reached to the following activities which should be fulfilled during the year under review.
- (i) Although the number of students expected to be recruited should be improved up to 270 by increasing the number of courses from 08 to 09 existed in the year under review, 258 students had been registered only to the existing 08 courses and 54 students out of that had left the course. Accordingly, the number of students engaged in the educational activities in 08 courses had been decreased to 204.
  - (ii) Even though it should be established the Career Guidance Unit and the Student Counseling Unit relating to the improvement of the educational environment of the University College, those units had not been established the end of the year under review.

### **4.2 Staff Administration**

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The approved academic cadre of the University College as at the end of the year was 27 and the actual cadre was 15 and although there had been 12 vacancies action had not been taken to fill those vacancies. Hence, it was impossible to commence the courses which had been expected to be commenced and it was observed that a considerable delays had occurred for the issuance of the examination results relating to the courses conducting.

### 4.3 Identified Losses

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As a result of not submitting reports which should be submitted by the University College in terms of 37 (a) of Employees' Trust Fund Act No. 46 of 1980, a surcharge amounting to Rs. 6,093 for the year 2015 and also a surcharge amounting Rs. 4,201 had been paid from the Fund of the University College due to the delay in payment of contribution .

### 4.4 Procurement and Contract Procedure

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According to the specifications furnished by the bidder and the recommendations of the Technical Evaluation Committee, the 06 laboratory equipment (Oscilloscope Analogue) purchased for the Electronic Courses during the year under review valued at Rs.1,500,000 should be productions in Taiwan. However, it was observed at the physical examination that those equipment were Chinese productions.

## 5. Accountability and Good Governance

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### 5.1 Audit Committee

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The Audit Committee had not been established by the University College in terms of Public Enterprises Circular No. PED 55 dated 14 December 2010.

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

<b>Area of Systems and Controls</b>	<b>Observations</b>
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(a) Inventory Control	Updated Inventory Registers had not been maintained for each Divisions.
(b) Assets Management	Assets not taken into Accounts and Non-maintenance of Registers
(c) Vehicle Control	Non-maintenance of Running Charts properly including the running details related to the pool vehicles belonging to the institution.