

University College of Batangala - 2017

The audit of financial statements of the University College of Batangala affiliated to the University of Vocational Technology for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 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 17(2) of the University of Vocational Technology Ordinance No.01 of 2014 and 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 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 judgment, 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 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 2017 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 Accounting Deficiencies

Following observations are made.

- (a) Even though provisions for gratuity should be made based on the last received salary in the year under review, provision for gratuity as at 31 December in the year under review had been shown in excess of amounting to Rs.43,487 due to the provisions made based on the salaries of the month of January 2018 in contrary to that.
- (b) Provisions had not been made for audit fees for the year under review.
- (c) Actions had not been taken to identify and account the value of 40 good items granted by Skill Sector Development Project on 14 October 2015 to the University College.
- (d) A sum of Rs.867,477 surcharge which imposed due to non-payment of Employees' Provident Funds and Employees' Trust Funds relating to the period of January 2015 to May 2017, had not been shown as an accrued expense in the financial statements.

2.2.2 Lack of Audit evidence

Even though it had been shown in the assets schedule presented to the audit by the project that 18 computers valued at Rs.1,916,590 and bought on 02 July 2015 by Skill Sector Development Project as it had been issued for the establishment of a Language Laboratory ("Mini" Language Laboratory) , physical existence of those computers were unable to confirm in audit.

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

The following Non-compliances were observed.

Reference to Laws, Rules, Regulations, etc.	Non-compliance
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	
(i) Financial Regulation 135	Even though it had been stated that activities relating to cash control should be divided among several parties as each transaction is checked by several officers, one officer had done activities such as preparing vouchers, recording in the cash book, writing cheques, preparing bank reconciliations and petty cash activities even there are two Management Assistant officers in the University College.
(ii) Financial Regulation 454	Even though it is required to maintain an inventory book regarding receiving and issuing of goods in each division, an inventory book had not been maintained regarding inventory items in the laboratories of Construction Technology, Farm Machinery Technology and Hospitality Management of the University College.
(b) Treasury Circular No. IAI/2002/02 of 28 November 2002	A fixed assets register for computer accessories and software had not been maintained.
(c) Section 7 of Stamp Duty Act (Special Provisions) No.12 of 2006.	Even though University College had been registered as a compounding authority for Stamp Duty, actions had not been taken to compound the relevant Stamp Duty and to remit that fees to Commissioner General of Inland Revenue within 15 days from the end of the relevant quarter.

2.4 Transactions not supported by Adequate Authority

In making the payments of this University College which conducts courses in Diploma level of National Vocational Qualification (NVQ) 5,6, even though payments cannot be made by considering equally with the national level universities which control under University Grants Commission and according to the circulars issued to those universities, amounting to Rs. 47,000 by Rs.1,000 per each and amounting to Rs.21,000 as transport charges had been paid for the selection committee members of the recruitment of Academic and Non-Academic staff based on the University Grants Commission Circular No.954 of 18 March 2011.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial results of the University College for the year ended 31 December 2017 amounted to a deficit of Rs.4,130,240 as compared with the corresponding financial result of a surplus of Rs.2,775,099 for the period of 01 June to 31 December of the preceding year, thus indicating an deterioration of Rs.6,905,339 in the financial result.

4. Operating Review

4.1 Performance

4.1.1 Planning

The following observations are made.

- (a) An activity about improving the laboratory facilities had not been included in the Corporate Plan prepared for the period of 2017-2022 by the University College and hence it was observed that laboratories for Quantity Surveying, Farm Machinery Technology and Construction Technology had not been prepared properly for the studies of the students. Further, training equipment valued at Rs.59,530,922 and granted to the University College had been remained idle from year 2015 to the year under review due to the laboratories had not been properly prepared.
- (b) As per the Procurement Plan, procurement activities of amounting to Rs.8.5 Million expected to be completed in the year under review had not been fulfilled and it was observed that Procurement Plan had not been used as a Management controller.

4.1.2 Operation and Review

Following observations are made.

- (a) This University College had been established under the University of Vocational Technology Ordinance No.01 of 2014 in order to conducting courses of National Vocational Qualifications level 5, 6 and 7 and other technical courses equal to that level. However courses had not been developed as it enables to achieve those targets even though two years had been elapsed of commencing courses. Due to that even though accreditation should be done in relation to 06 courses conducted by the University College according to the Tertiary and Vocational Education Act No.20 of 1990, accreditation of courses had not been so done.

- (b) (i) As per the exam results issued in relation to the Foundation Level of the first category in year 2017, pass percentage of the students was in a range of 30 per cent to 63 per cent for 09 subjects in relation to 05 courses and attention of the Management had not been paid for taking necessary actions by checking the reasons caused to that.
- (ii) 153 students who follow the courses had faced the Occupational Safety and Health subject of the Foundation exam of the first category and out of that 73 per cent had failed or obtained weak pass. Results of the students had been lowered due to the recruitment of visiting lecturers for lectures without a proper pre evaluation.
- (c) Even though it had been planned to fulfill the activities such as obtaining accredits for the all courses, building a carpentry workshop, putting up a safety fence and dividing the office space into sections in the year 2017 which shown in the corporate plan, those activities had not been done.

4.2 Management Activities

The following observations are made.

- (a) Action had not been taken to take over 5 acres land carrying on University College and belongs to National Youth Services Council even by the date of this report.
- (b) Due to the problematic Situation faced by the University College regarding the drinking water, action had been taken to build a water well pump and amounting to Rs.315,380 had been expensed for that. Nevertheless, it also had been failed and issue on drinking water had not been so far settled.
- (c) Even though an officer had been recruited for the Post of Assistant Librarian on 01 January 2015, it had been unable to fulfill the duties of the library due to that officer had been appointed to the Post of Acting Assistant Registrar from 23 January 2017 and library books had not been issued to the students in the year under review.
- (d) Due to not having books in the library relating to 03 courses of Event Management, Hospitality Management and Tourist and Travel Management out of the 06 courses conducted by the University College, library usage of the students who follow those courses had been at a weak level and attention of the Management had not been paid regarding that.
- (e) Time period planned to issue the result of the students of each category had not been included in the study time table prepared by the University College and even though final result had been confirmed by checking answer sheets within 03 months of conducting exams of the Foundation Level of 2017, it had been spent over 07 months for submitting to the result committee and for issuing to the students.

- (f) Even though two Laptops of the HP model bearing No.5CD415FOMW and 5CD4092RGD had been granted to the University College by Skill Sector Development Project in 2015, such 02 Laptops were not in the University College and instead of that it was observed there was only one Laptop of Acer model bearing No. NXML TSG00850308AE13400. Issue in this regard had not been settled so far.

4.3 Staff Administration

The following observations are made.

- (a) Even though University College conducts 6 courses, only 05 lecturers had been recruited even by 18 March 2018 and amounting to Rs.2,151,700 had to incur for visiting lecturers due to non-recruitment of adequate amount of lecturers for the courses. Further, even though there are 05 demonstrator positions in the approved cadre, actions had not been taken to recruit up to now.
- (b) In recruiting lecturers with a General Degree it is required to have one year Postgraduate Degree (Master Degree) with the degree qualification and 05 years professional qualification after the graduation or 08 years professional qualification after the graduation unless there is no Doctorate Degree as per the Scheme of Recruitment of the University College. Nevertheless, two junior lecturers had been recruited for the courses of Farm Machinery Technology and Construction Technology even no above qualifications was satisfied.
- (c) Junior female lecturer recruited on 04 May 2017 for the Quantity Surveying course had graduated with a General Degree from a foreign university and as per paragraph 5.1.3 of the Scheme of Recruitment, it should have been obtained 02 year Postgraduate Degree including a research with the degree. Nevertheless, no information was revealed that this female lecturer had the Postgraduate qualification and it was observed that this appointment had been given even no minimum qualification had been satisfied.

5. Sustainable Development

5.1 Achieving Sustainable Development Goals

Even though it is required to take actions regarding the Sustainable Development by all public institutions as per the Letter No.NP/SP/SDG/17 dated 24 August 2017 issued by the Secretary to the Minister of the Ministry of National Policies and Economic Affairs and United Nations 2030 Agenda, actions had not been taken to identify the Sustainable Development Goals, Targets, Roadmaps for achieving those targets and Indicators for measuring the achievement of those targets by the University College due to not being informed on how should be implemented regarding the activities which comes under own scope relating to the year under review.

6. Accountability and Good Governance

6.1 Internal Audit

In terms of Section 7.4.1 of Public Enterprises Circular No. PED/12 of 02 June 2003 even though it is required to hold audit committee meetings once in 3 months after the establishment of an audit committee, it had not been so done.

7. 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

(a) Assets Management

Assets had not been accounted and registers had not been maintained.

(b) 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.