

University College, Anuradhapura – 2018

1.1 Opinion

The audit of the financial statements of the of University College, Anuradhapura for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act No. 19 of 2018, section 47 (2) of the University of Vocational Technology Act, No. 31 of 2008, and Provisions in Section 17(2) of the University of Vocational Technology Ordinance, No. 01 of 2014 published in Gazette Extraordinary, No. 1882/51, dated 03 October 2014. My comments and observations which I consider should be tabled in Parliament appear in this report.

In my opinion, the financial statements of the University College give a true and fair view of the financial position of the Institute as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAS). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the College or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the College's financial reporting process.

As per Sub-section 16 (1) of the National Audit Act No. 19 of 2018, the College is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the College.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the College's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Institute to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the College, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the College has complied with applicable written law, or other general or special directions issued by the governing body of the College;
- Whether the College has performed according to its powers, functions and duties; and
- Whether the resources of the College had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Internal Control over the preparation of financial statements.

The College is required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

1.5.2 Non-compliance with the Sri Lanka Public Sector Accounting Standards

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
The Sri Lanka Public Sector Accounting Standard 19 states under 04 categories as to how the payments being made for the services obtained from the employees, are brought to accounts. The category 02 mentions the payments to be made after termination of service for the services provided at present, and payment of gratuity comes hereunder. As declared in the Standard, the payments to be made as gratuity for the employees in the future, should be computed by an	When the final accounts had been prepared for the year 2018, allocations for gratuity had been made based on the number of years completed by each employee as had been done in the preceding years. There are 34 permanent employees in the University College, Anuradhapura at present. By the end of the year 2018, there had been no employees completing a service period of 5 years with entitlement to gratuity. As the University College had been established in November 2014, the 07	Accounts should be prepared in accordance with the Sri Lanka Public Sector Accounting Standards.

Actuarier after carrying out an actuarial valuation. Nevertheless, the University College had not carried out such a computation on the employee gratuity to be made in the future.

employees in service since the inception of the Collage will be entitled to receive gratuity after 20 November 2019. As such, when accounts are prepared after the year 2019, action will be taken to make allocations for gratuity with computations done by an Actuarier.

1.5.2 Transactions without Authority

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
Library deposits amounting to Rs. 5,000 per student had been obtained during the year under review. The University College had not obtained a proper approval for collecting deposits in that manner. A sum totalling Rs. 1,520,000 obtained from 304 students as library deposits, had been invested in a fixed deposit in the month of December 2018.	A sum of Rs. 5,000 had been charged per student as a library deposit in accordance with a decision taken at a session of the Directors. This sum is refundable at the end of the course. As expensive books are allowed to be borrowed by the students, the deposit is obtained to cover the likely damages caused to those books. The approval of the Board of Management had been obtained to invest the deposits in a fixed deposit. Later on 2018.05.08, approval of the Board of Management had been obtained again to charge the library deposits.	Deposits should be charged after obtaining a proper approval.

1.5.4 Lack of Documentary Evidence for Audit

Subject	Amount Rs.	Audit Evidence not Made Available	Management Comment	Recommendation
Purchasing chemicals in the year under review for the laboratories belonging to the University College.	2,244,838	The chemicals purchased are given to the laboratories of the University College, but the laboratories did not have a formal methodology to record the receipt and issue of chemicals. Accordingly, it was not possible to verify the accuracy in the balance of laboratory	In the year 2018, a sum of Rs. 2,244,838 had been incurred on the purchase of learning instruments, and a sum of Rs. 712,814 had been spent on the purchase of chemicals for laboratories of post-harvest technology, and aquatic resources management. At present, a register in	Registers should be maintained relating to the receipt and issue of stores.

stocks amounting to Rs. 942,649 shown under laboratories to record the current assets in the receipt and issue of financial statements. maintained at those chemicals.

1.6 Non-compliances with Laws, Rules, Regulations, and Management Decisions, etc.

Reference to Laws, Rules, & Regulations, etc.	Non-compliance	Management Comment	Recommendation
a) Financial Regulation 754 of the Democratic Socialist Republic of Sri Lanka.	The inventories should be tallied at the end of the financial year, and the balance should be carried forward to the ensuing financial year. However, the inventories of the University College had not been tallied annually during the period of 2015-2018.	The inventories of the University College have been tallied by now.	The financial regulations should be followed.
b) Public Finance Circular, 05/2016, dated 31 March 2016.	Sections 3.1.6 & 3.2.7 The report of the Board of Survey for the preceding year should be furnished to the Auditor General prior to 17 March of every financial year. However, it had not been so done.	The University College had conducted a Board of Survey in the year 2017, and the reports had been furnished to the Audit Unit. The Board of Survey for the year 2018 has been completed by now, and the report thereof will soon be furnished to the Audit Unit.	The Circulars should be followed.
c) Declaration of Assets and Liabilities Amendment Act. No. 74 of 1988	The officers eligible for furnishing the declaration of assets and liabilities, should furnish their declarations prior to 30 June of the same year showing the position as at 31 March. However, it had not been so done.	The officers of the University College eligible for furnishing the declaration of assets and liabilities, have furnished their declarations to the College in terms of the said Act.	The declarations of assets and liabilities should be obtained on the specified date in accordance with the Declaration Of Assets And Liabilities (Amendment) Act (No. 74 of 1988).

2. Financial Review

2.1 Financial Results

The operating result of the year under review had been a deficit of Rs. 3,705,727 as compared with the corresponding deficit of Rs. 7,936,933 in the financial result of the preceding year. As such, an improvement of Rs. 4,231,206 had been observed in the financial result. The increase in the revenue amounting to Rs. 16,846,166 despite the increase in expenditure by Rs. 12,614,959 as against the preceding year, had mainly attributed to the said increase in the deficit.

2.2 Analysis on the Trends in Main Revenue and Items of Expenditure

The categories of expenditure of the University College such as, cost on employees, travel expenses, and supplies & requirements, had increased by 13 per cent, 50 per cent, and 49 per cent respectively as compared with the preceding year.

2.3 Analysis on Ratios

The current ratio of the preceding year had been 1:0.16 and that value had reduced to 1:0.39 in the year under review. However, the quick ratio, as compared with the preceding year, had increased from 1:0.0310 to 1: 0.234.

3. Operating Review

3.1 Operating Inefficiencies

Audit Observation	Management Comment	Recommendation
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a) The percentage of passing the two examinations conducted in the year 2017, and the examination conducted in April 2018 for the students enrolled in the years 2015, 2016, and 2017, had remained low. The management had not taken action to identify the reasons for the failures in examinations thereby taking remedial action.	This information is not accurate. A report prepared with accurate information will be furnished to the Audit.	Action should be taken to improve the skill level of the students.
b) Of the number of hours that must be covered in regard to the 236 Modules belonging to 08 courses of the six month duration relating to the first and second levels of NVQ 5 and NVQ 6 as per the Curriculum Modules introduced to conduct the courses at the University College, the	That information is not correct as well. A report prepared with accurate information will be furnished to the Audit.	The number of required lecture hours should be covered ensuring the quality of the courses. The information furnished to the Audit should be accurate and timely.

number of hours that had not been covered with respect to 131 Modules ranged between 11 per cent and 100 per cent, thus observing that it was not possible to satisfy with the quality of the courses.

3.2 Procurement Management

Audit Observation	Management Comment	Recommendation
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a) A formal contract agreement should be prepared and signed for goods and services contracts over Rs. 500,000 in terms of Guideline 8.9.1 (b) of the Government Procurement Guidelines. Nevertheless, goods and services worth Rs. 2,348,970 had been procured in 3 instances without doing so.	Agreements have been obtained for some of them. Action will be taken in the future in accordance with Guideline 8.9.1 (b) of the Government Procurement Guidelines.	The Government Procurement Guidelines should be followed.
b) Final bills relating to the constructions had been settled without the completion report and the no claim certificate of the Engineer.	Action has already been taken to obtain the completion report and the no claim certificate in regard to the constructions that had been completed.	Payments should be made by obtaining the relevant certificates properly.

3.3 Human Resources Management

Audit Observation	Management Comment	Recommendation
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Eighteen vacancies existed at the University College as at the end of the year under review including the post of Assistant Registrar, 07 posts of Probationary Lecturer, 02 posts of Management Assistant, 04 posts of Laboratory Assistant & Maintenance Technician, and 4 posts in the permanent cadre & Demonstrators.	Not replied.	Vacancies should be filled with immediate effect.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Management Comment	Recommendation
An Internal Audit Unit should have been established in terms of Section 03 of the Guideline 2009(1) of the Department of Audit and Management, dated 09 June 2009. However, an Internal Audit Unit had not been established even after a period of 04 years since the establishment of the University College.	All of the University Colleges are administered by the University of Vocational Technology. The Internal Auditor thereof and the audit consultant appointed to the University Colleges, carry out audits. The relevant reports are furnished herewith.	An Internal Audit Unit should be established in terms of the Circulars.

4.2 Audit Committee

Audit Observation	Management Comment	Recommendation
The University College had not established the Audit and Management Committees in terms of the Public Enterprises Circular, No. PED/55, dated 14 June 2010.	The University of Vocational Technology had been requested to establish an Audit and Management Committee for the University College in terms of Circular, No. PED 55 of the Director General of Public Enterprises, dated 14 December 2010. Action will be taken in accordance therewith.	The Audit and Management Committees should be established in terms of the Circular.

4.3 Sustainable Development Goals

Audit Observation	Management Comment	Recommendation
Every Public institution should act in compliance with the “2030 Agenda” of the United Nations on Sustainable Development. The University College had not drawn attention adequately on the tasks under their scope in the year under review. As such, it could not be identified that activities in that connection had been included in the Action Plan for the year under review, and adequate provision had been made in the annual budget.	Taking into account the objective of this University College, it does not directly contribute towards the achievement of sustainable development goals and targets. Nevertheless, it is noted to act in the future in compliance with the Circular, No. N. P/S. C. P. 17 of the Secretary to the Ministry of National Policies and Economic Affairs, dated 2017.08.14.	The Public institutions should act in compliance with the “2030 Agenda” on Sustainable Development adopted by the United Nations.