

University of Vocational Technology - 2021

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the University of Vocational Technology for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance, statement of changes in net assets 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 Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with the provisions of the National Audit Act No. 19 of 2018 and the Finance Act No. 38 of 1971. Comments and observations, which I consider should be submitted to Parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the University of Vocational Technology as at 31 December 2021, 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 (SLAuSs). 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 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 University'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 Institute or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the University 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 Institute.

1.4 Auditor's Responsibility on 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 University'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 University'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 University 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

University, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the University has complied with applicable written law, or other general or special directions issued by the governing board of the University;
- Whether the University has performed according to its powers, functions and duties; and
- Whether the resources of the University had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Non-compliance to Laws, Rules, Regulations and Management Decisions

The following observations are made.

	Reference to laws, rules, regulations	Non compliance	Comments of the Management	Recommendation
(a)	Section 5.3 of Chapter 19 of the Establishment Code of the Democratic Socialist Republic of Sri Lanka	Action had not been taken to collect the rent of quarters from two officers who were entitled to get scheduled quarters from the date of their occupation.	Based on the approval of the Governing Board, it had been decided that not to pay rent for the officers for the posts of Registrar and Vice-Chancellor as per the policies followed by other universities.	Provisions of the Establishment Code should be followed.
(b)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i)	Financial Regulation 571	Action had not been taken regarding the retention money total amounting to Rs. 648,703 which was over 02 years from the date of deposit as per the Financial Regulations.	It will be taken into the income in the year 2022.	Should be dealt according to Financial Regulations.
(ii)	Financial Regulation 757 (2)	The board of survey was not conducted and a copy of the same was not submitted to the Auditor General for the year under review.	The Board of surveys were not conducted in 2020 and 2021 due to the acute covid epidemic situation.	Should be dealt according to Financial Regulations.

2. Financial Review

2.1 Financial results

The operating result of the year under review amounted to a deficit of Rs. 13,654,128 and the corresponding deficit in the preceding year amounted to Rs. 4,638,179, thus observing a deterioration of Rs.9,015,949 in the financial result.. The major reason for this deterioration was the increase in the Employee cost by Rs. 9,016,520.

3. Operational Review

3.1 Operational Inefficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) Regarding 53 examinations among the examinations conducted from the year 2019 to the year 2021, the percentage of students who appeared for the exam from the registered students and the pass percentage of students who appeared for the exam ranged from 17 percent to 73 percent. The management had not paid attention to find out the reasons for students not participating in the examinations and the reasons for the decrease in passing percentage.	While elder students are pursuing their studies, it is difficult for them to concentrate fully on their studies due to their personal problems. Due to this reason, there may be cases where appearing for the exams in the first instance and passing the exams in the first instance is not possible.	The students of the courses should be motivated to appear for the exams and work to find out the reasons for failure in the exams and find solutions to them.
(b) Although it was decided in the meeting held on 18 May 2010 regarding obtaining accreditations for the engineering and degree courses run by the university should obtain accreditations from the Sri Lanka Institute of Engineering, it was not possible to obtain quality certificates till the end of the year under review due to the lack of subjects in the degree courses at the desired level.	Request for accreditation of the engineering degrees offered by the university from the Sri Lanka Institute of Engineering is in progress.	Arrangements should be made to revise the subjects of the courses in such a way that accreditations can be obtained.

3.2 Ideal or Under-Utilization of Property, Plant and Equipment

The following observation is made.

Audit observation -----	Comment of the Management -----	Recommendation -----
141 items worth of Rs. 7,844,357 related to 13 categories and 102 items related to 17 categories which the value cannot be ascertained have not been used for a long time from the year 2016 to the end of the year under review were and still idle even as on 22 November 2021, the date of audit.	It was planned to dispose but could not be done due to the covid epidemic situation.	Arrangements should be made to utilize goods which can be used or dispose the items which should be disposed.

3.3 Delays in Projects or Capital Works

Audit observation -----	Comment of the Management -----	Recommendation -----
Construction of a workshop for the university, a hostel for 600 students and a canteen with 300 seats at a estimated cost of Rs. 927.34 million was approved by the Cabinet decision dated 03 January 2017. Although a total sum of Rs. 281.36 million have been allocated for this project from the year 2018 to the year 2020, only a sum of Rs. 22.5 million had been paid as consultancy fees. Meanwhile, the relevant projects had not been started till December 31 of the year under review.	The University constantly discussed with the relevant divisions of the Ministry about expediting of the work. Various reasons were given for the delay in the work. Also, the university informed in writing that funds can be provided and again informed in a letter asking to expedite the work.	Necessary action should be taken to start the project work immediately.

3.4 Procurement Management

The following observations are made.

Audit observation -----	Comments of the Management -----	Recommendation -----
(a) Procurements worth of Rs. 29.6 million, repairs worth of Rs. 2.5 million and training of employees worth of Rs. 0.3 million in the procurement plan of the university for the year 2021 were not executed during the year under review.	42.2 million rupees had been reserved for the capital expenditure of the university and the procurement activities were done and the relevant orders were given, but due to the prevailing epidemic situation, difficulties in getting	Action should be taken to implement the procurement plan.

raw materials and letters of credit (LC) from the banks were not possible.

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| <p>(b) An allocation of Rs. 02 million provided for the procurement of library books in the year under review was unutilized even at the end of the year under review.</p> | <p>Application for procurement of e-book was made along with capital goods procurement application on 19 July 2021. It was decided not to buy the e-book due to the impact of the epidemic situation in the country at this time and the policy of reducing public expenditure.</p> | <p>Action should be taken to implement the procurement plan.</p> |
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3.5 Deficiencies in Contract Management

Audit observation	Comment of the Management	Recommendation
<p>The contract for the renovation of the faculty building of the university was awarded to a private contractor for Rs. 14,506,548 on 10 September 2016 and an advance of Rs. 2,901,285 had been paid on 12 September 2019. Although the contract should have been completed by 22 November 2019, the related works had not been started by the end of the year under review. As such, the government's money had been held by an external party for more than 2 years. Also, the validity period of the performance security bond obtained for this contract had expired on 19 June 2021 and no arrangements have been made to extend it.</p>	<p>Although this contract should have been completed within a period of 60 days, the contractor was unable to deliver the entire work area on the scheduled dates due to the issues in allocating other places to the academic staff in the relevant faculty building. Also, the university was completely closed for several months due to the ongoing Covid epidemic situation.</p>	<p>Action should be taken to recover the given advance money to the government and carry out the repair works promptly.</p>

3.6 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
<p>Three officers were recruited for 2 posts which are not in the approved cadre without obtaining the approval of the Department of Management Services</p>	<p>The services of lecturers equipped with academic and professional knowledge are essential for the degree</p>	<p>Recruitment of employees should be done with the approval of</p>

and a sum of Rs. 11,612,706 had been paid as allowances till 30 October 2021, the date of audit.

courses related to the Management Services technical streams offered by Department. this university and the service of these instructors had been taken till the recruitment of persons with expertise skills for vacant lecturer posts considering the service requirement.