

University College of Anuradhapura - 2015

The audit of financial statements of the University College of Anuradhapura of the University of Vocational Technology for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and the 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 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 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 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 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 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 Establishment

The University College of Anuradhapura was established as an affiliated institution of the University of Vocational Technology under the University College of Vocational Technology Ordinance No.01 of 2014 formulated by the Board of Governors of the University of

Vocational Technology to be in operation from 1 October 2014 under Sub- section (1) of Section 20 read in conjunction with Section 5(e) of the University of Vocational Technology Act, No.31 of 2008. The main objective is to conduct technological courses in Levels 5,6 and 7 and equal levels of National Vocational Qualifications approved by the University of Vocational Technology.

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 College of Anuradhapura as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Lack of Evidence for Audit

Attendance Registers for the confirmation of allowances amounting to Rs.48,000 paid to the members participated for the meeting of the Board of Management conducted on 4 instances in the year under review had not been made available to audit.

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

The following non- compliances were observed.

Reference to Laws, Rules and Regulations

Non- compliance

- (a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka
Financial Regulation 756

An Annual Survey of Goods of the Inventory Goods and the Stores of the University College had not been conducted.

(b) Treasury Circulars

- (i) Circular No.842 of 19 December 1978

A Register of Fixed Assets had not been maintained for the fixed assets valued at Rs.103,880,263 as at 31 December of the year under review.

- (ii) Circular No.IAI/2002/02 of 28 November 2002

A Register of Fixed Assets had not been maintained for computers, accessories and software valued at Rs.7,689,846 as at 31 December of the year under review.

- (c) Public Finance Circular No.393(1) of 26 February 2001 Even though it was stated that hotels should not be used for conducting meetings contrary to that, the meeting of the Board of Management for December of the year under review had been held in a private hotel in Anuradhapura and a sum of Rs.20,000 had been paid as hall fees.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result for the year ended 31 December 2015 had been a deficit of Rs.148,756. After making adjustments for depreciation for personal emoluments and the depreciation on the non- current assets the contribution of the Institution had been a surplus of Rs.27,643,516.

4. Operating Review

4.1 Performance

The main objective of the University College had been stated as conducting courses in Levels 5,6 and 7 of National Vocational Qualifications and conducting other Technological courses in equal levels of National Vocational Qualifications in terms of University College of Vocational Technology Ordinance, No.01 of 2014. However, even though a year had elapsed after the inauguration of courses, 47 students out of 156 students recruited for 07 courses in the year under review due to not developing courses in a manner that these objectives can be achieved. In considering each course individually, the percentage of leaving the course had ranged from 8 per cent to 50 per cent. However, action had not been taken by the management to minimize this rate by identifying reasons therefore and take remedial actions.

4.2 Management Activities

Action had not been taken to take over the land and the building in which the University College is maintained even by the end of the year under review.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

In terms of Public Finance Circular No.PF/PE- 21 of 24 May 2002 annual financial statements should be furnished to the Auditor General within 60 days after the close of the year of accounts. Nevertheless, the financial statements of the University College for the year ended 31 December 2015 had been furnished to the Auditor General only on 06 June 2016.

5.2 Action Plan

Even though an Action Plan inclusive of activities targeted to achieve the objectives of the Act with a long- term vision should be prepared in terms of Section 4 of the Public Finance Circular No.1/2014, an Action Plan had not been prepared for the year under review.

5.3 Internal Audit

A separate Internal Audit Unit had not been established for University College of Anuradhapura which commenced operational functions in the year under review and the responsibility of the internal audit functions had been entrusted to the Internal Audit Unit of the University of Vocational Technology. A separate audit plan had not been prepared for University College of Anuradhapura of the university of vocational Technology and an internal audit had not been carried out for making performance in targeted functions.

5.4 Audit Committee

Meetings had not been conducted in the year under review by establishing an Audit Committee in terms of Section 7.4.1 of Public Finance Circular No.PED/12 of 02 June 2003.

5.5 Budgetary Control

An Annual Budget with a Business Plan had not been prepared in terms of Section 5(e) of the University of Vocational Technology Act No.31 of 2008 and Paragraph 16(2)(d) and (e) of the University College of Vocational Technology Ordinance No.01 of 2014.

6. Systems and Controls

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

Area of Systems and Controls

Observations

(a) Accounting	Not taking action to maintain registers and books of account by updating.
(b) Assets Management	Failure to account for assets, maintain registers and the conduct of Boards of Survey.
(c) Control of Operations	Not operating a procedure to retain students enrolled for the courses.