

1.1 Opinion

The audit of financial statements of the University of Vocational Technology for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 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 provisions of the National Audit Act, No. 19 of 2018 and Section 47(2) of the University of Vocational Technology Act, No. 31 of 2008. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, the financial position of the University as at 31 December 2019 and of its financial performance and its cash flows for the year then ended give a true and fair view 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 determines 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 matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the University 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 Sub-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 University.

1.4 Auditor's Responsibility 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 skepticism 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 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 body 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 Financial Statements

1.5.1 Internal Control over the Preparation of Financial Statements

Entities are 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.

2. Financial Review

2.1 Financial Results

The operating result for the year under review was a deficit of Rs. 25,112,634 as against the surplus of Rs. 10,632,874 for the preceding year, thus indicating a deterioration of Rs. 35,745,508 in the financial result. Even though the recurrent grant had increased by Rs. 61,500,000 compared to the previous year, decrease in skills sector development grants by Rs. 26,407,134, increase in cost of employees by Rs. 75,920,245 and increase in cost of service by Rs. 18,878,206 had been the main reasons for the said deterioration.

3. Operational Review

3.1 Management Inefficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) In the absorption of the staff of the National Institute of Technical Education of Sri Lanka to the University of Vocational Technology on 12 October 2012, 10 officers had been recruited to the post of Senior Lecturer II under the personal to the holder basis, contrary to the letter No. DMS / E4 / 47/2/280/1 of the Department of Management Services dated 27 July 2009 and nevertheless, 06 officers of the above had not acquired the necessary qualifications until now. However, in order to eliminate the salary anomaly, action has been taken to make payments as per the decision of the Governing Body in accordance with the University Grants Commission Circular No. 17/2016 dated 05 December 2016, without the approval of the Salaries and Cadre Commission with effect from 01 January 2016. Accordingly, total sum of Rs. 5,638,012 had been paid as salary arrears, additional allowances, academic allowances, research allowances and entertainment allowances by the University for the period from January 2016 to September 2019.	Based on a request made by them, permission for the relevant conversion had been given by the 93rd Board of Governors until the relevant salary scale is given to them by the Department of Management Services.	Salary should be paid with the proper approval after completing the required qualifications for the post.
(b) 6 consultants and an auditor had been appointed to the University Colleges by the letter of the Ministry of Finance and Planning No. DMS / 1670 dated 22 January 2014, which was in the approved cadre of the Department of Management Services. These officers were given appointments extending	The services of these consultants were selected on a contract basis by following the procurement process. Due to the post of Senior Assistant - Internal Auditor had not been approved by	The prior approval of the Department of Management Services should be taken to .Create and recruit of new posts.

their contract period from June 2017 to July 2019 and a total sum of Rs. 9,903,309 had been paid as consultancy fees.

the Department of Management Services relevant services were obtained for conducting internal audits in the University, including the University Colleges, on contract basis to perform the relevant functions.

3.4 Human Resource Management

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) A total sum of Rs. 2,726,253 had been paid as allowances for 02 officers recruited on contract basis in two occasions, for the posts of consultants which was not in the approved cadre, on a decision of the Governing Body during the year under review.	The services of these two academic staff members were obtained with the aim of utilizing the knowledge of experts in the field and obtaining a more effective and useful expert service, with the approval of the Board of Governors, for the preparation of the syllabus to be included in the new courses expected to be started in the University of Vocational Technology, for the commencement of these degree courses, for conducting lectures on relevant subjects after the commencement of those degree courses.	The prior approval of the Department of Management Services should be taken to .Create and recruit of new posts.
(b) An Assistant Lecturer who had taken with pay foreign study leave for postgraduate studies from 25 January 2011 to 31 July 2012 had not reported	This had been referred to the Attorney General's Department on 07.05.2015 for legal	Action should be taken to recover the due bond value.

for duty after the end of the study leave and action had not been taken to recover the bond value of Rs. 1,553,825 due to breach of bond agreements by the end of the year under review.

action regarding the money due to the University. According to the letter of the Attorney General's Department dated 12 August 2020, the relevant complaint has been forwarded to the University by the Attorney General's Department by the letter dated 12.08.2020 to be submitted to the Mount Lavinia District Court. Action had been taken to hand over the complaint and the relevant documents to the Lawyer nominated by the Attorney General's Department.

3.5 Delays in Projects or Capital Work

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) The Cabinet of Ministers had approved a provision of RS. 927.34 million On 03 January 2017 for the construction of a workshop, hostel and cafeteria for the University. A total sum of Rs. 268 million had been allocated in the budgets of the year 2018 and 2019, and although a sum of Rs. 23,600,993 had been paid as consultancy fees in the year 2018, the project had not commenced even by the end of the year under review.	The subcommittee appointed by the Vice Chancellor, on the constructions of the University, had Recommended to construct of a single building for the intended purpose instead of constructing of three buildings and the approval of the Cabinet of Ministers should have been sought again on the approval of the Vice Chancellor. Cabinet approval was delayed	Provided funds should be used with maximum efficiency and effectiveness.

on several occasions due to changing the Ministries and Secretaries and the Corona situation.

- (b) Approval of the Cabinet of Ministers had given to construct a building with a multi-purpose studio complex and a lecture hall complex in the University of Vocational Technology in April 2011 and, accordingly, a sum of Rs. 434.9 million had been allocated from that year to the end of the year under review by the Treasury and Sectoral Skills Development Project. Out of that a sum of Rs. 304 million had been spent by the end of the year under review, but the studio was not in the operational level by the end of the financial year.
- Construction works of the studio complex was suspended following a notification given by the Ministry of Skills Development and Vocational Training due to a funding problem during the construction. Procurement of a part of the equipment and construction of a part of the building for the studio has already been completed and action have been taken to make the studio in to usable condition so that the expenditure incurred can be utilized for the purpose of the institution.
- Prompt action should be taken to convert the studio in to usable condition.