

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Arthur C Clarke Institute for Modern Technologies 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 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 and Finance Act, No. 38 of 1971. My comments and observations which I consider should be reported to Parliament, appear in this report.

In my opinion, the financial statements give a true and fair view of the financial position of the Institute as at 31 December 2021, and its financial performance and 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 Institute 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 intend 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 Institute financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Institute 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 Audit Scope (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 Company'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 Company'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 Company 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 Institute, and whether such systems, procedures, books, records and other documents are in effective operation;

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

1.5 Audit Observations relating to the Preparation of Financial Statements

1.5.1 Internal Control over the Preparation of Financial Statements

The Centre 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.

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

Reference to Laws Rules, Regulation etc	Non Compliance	Comments of the Management	Recommendation
Section 13.3 of Chapter II of the Establishment Code of the Democratic Socialist Republic of Sri Lanka.	The acting appointments should be made as a temporary remedy until regular appointments are made and if the post requires the services of a full-time officer, although regular appointments should be made immediately, for 03 posts from the years 2013 and 2015 up to the date of audit 20 May 2022, acting appointments had been made but vacancies had not been were filled.	Since the year 2013, the number of posts that had not been filled is 02. Acting appointments have been made since 2013 and due to non-receipt of qualified applications as per the newspaper advertisement for appointing full-time officers, full-time officers have been failed to be appointed.	Vacancies should be filled up for smooth running of the institution.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a surplus of Rs. 5,349,487 and corresponding surplus in the preceding year amounted to Rs. 2,509,743. Therefore, a improvement amounting to Rs. 2,839,744 of the financial result was observed. This growth was mainly due to the 5 percent increase in government grants and 93 percent increase in other revenues.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation

A memorandum of understanding was entered into with a Chinese agency for a project to establish a national center for receiving and distribution of Earth observation data. Due to the non-fulfillment of the tasks as planned, the 12-acre land in Talagala area, which was selected for this project, has been underutilized since the year 2019, and this project, which was planned since the year 2013, could not be started by the year 2022. Also, before acquiring this land, the Urban Development Authority had been chosen outside of the procurement process to build a fence around the 10-acre land in Homagama, Pitipana, which had been selected without a proper feasibility study at the beginning of the project. The total contract value of Rs. 3,543,744 was paid to the concerned institution without any security even though an advance could have been given to start the construction of the fence. The land had been handed over to the Urban Development Authority again, but the Institution had failed to recover the money given for the construction of the fence.

Comments of the Management

The Arthur C. Clarke Institute negotiated with the Aerospace Information Research Institute of China (AIR-CAS, formerly RADI) to agree to serve as a collaborative partner for this satellite facility. For that purpose, 10 acres of land at Mahenwatta, Pitipana was allocated by the Urban Development Authority (UDA) for establishing this satellite centre. The land was handed over to the Urban Development Authority for construction of a protective fence around it. According to the representatives of the Chinese company, the said land is unsuitable and it was suggested to look into the possibility of getting an alternative land. In the year 2019, a new land of 12 acres was allocated for the satellite center site from the "Talagalawatta" land in Homagama Talagala area. The earlier land was handed back to the Urban Development Authority. A request has been made to the Urban Development Authority to pay back the amount spent on constructing the fence around the land.

Recommendation

The assets reserved for the projects should be properly utilized by carrying out the tasks as planned and before starting the projects, a feasibility study should be done properly, the procurement process should be followed properly and the money given for the construction of the fence should be recovered.

3.2 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The total is Rs. 2,290,168 receivable balances since more than 02 years had not been collected at the end of the year under review.	In the year 2020, reminders have been made for invoices on 04 occasions and the relevant sections have also made the same awareness.	Balances due should be recovered as soon as possible.
(b) The immovable stock of Rs.4,110,264, which has been unused for more than 02 years, had not been used for a useful purpose in the institution or was not sold or transferred according to a prescribed method to other institutions that need the remaining stock except the essential stock for research.	Most of the inventory items mentioned in the audit observation are electronic items related to research and development projects which, due to the nature of the projects, require periodic use. As indicated in the audit observation, stock items that have not moved for a long period of time will be identified and removed.	Appropriate action should be taken on unused stocks.

3.3 Abandoned or underutilized property, plant and equipment

Audit Observation	Comments of the Management	Recommendation
For the purpose of obtaining photocopies for archaeological research and excavation on behalf of the Department of Archaeology, the value of Rs. 10,564,677 an unmanned aircraft was purchased in August 2016. Before purchasing the aircraft, two officers were given foreign training at a cost of Rs. 110,322 and it was observed that the relevant aircraft had not been put into use by the date of audit, 25 May 2022.	<p>The Arthur C. Clarke Institute of Advanced Technology (ACCIMT) was initiated to introduce the new technology to remote sensing and geographic data systems (RS/GIS) projects in various fields. The Q-200 AGRI PRO UAV manufactured by Questaav Ltd of the United Kingdom, which was selected for this purpose in the relevant procurement process, has a safe flight height of 122 meters (400 feet) recommended by the manufacturer for flying.</p> <p>The approvals that should have been obtained during the importation of this aircraft for the above uses, namely Ministry of Defense approval, Sri Lanka Telecommunication Regulatory Commission approval and Import and Export Control approval were formally obtained. The Ministry of Defense approved its import subject to a maximum flying height of 150 meters (492 ft) in use. Permission had been given from the Sri Lankan Civil Aviation Authority to fly the aircraft and a maximum limit of 60 meters (200 feet) was imposed. The flight height of</p>	Necessary actions should be taken to put into use the relevant aircraft.

60 meters recommended by the Civil Aviation Authority is not at all sufficient for the safe and optimal use of such a UAV aircraft. Because of this, it has not been able to be used for its expected purpose.

3.4 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
<p>In the year under review, there were 45 vacancies in staff-level positions, 18 vacancies in non-staff-level positions and 12 vacancies in other staff positions, but the relevant recruitments had not been done by 25 May 2022, the date of audit.</p>	<p>Since the year 2013, the number of posts that have not been filled is 02. Acting appointments have been made since 2013 and efforts had been made to appoint full-time officers to those posts in 2016, 2017, 2019, 2020 and 2021 by publishing newspaper advertisements. Due to non-receipt of eligible applications as per the newspaper advertisement, there has been failure to appoint full-time officers for these acting posts so far.</p>	<p>The necessary staff should be maintained to be able to run the affairs of the institution properly.</p>