

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the University of Vocational Technology for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 2022, 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

Reference to laws, rules, regulations	Non compliance	Comments of the Management	Recommendation
(a) Financial Regulation 752 (2) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	The board of survey had not been conducted by the University of Vocational Technology since the year 2020.	The Board of surveys was delayed due to the acute covid epidemic situation existed from time to time in the years 2020 and 2022.	Financial Regulations should be followed.
(b) Section II of the Vocational Technical Universities Act No. 31 of 2008	Action had not been taken to fulfill the objectives set out in section II of the Act from the year 2019 to the year 2022.	Courses related to construction, manufacturing and service sectors in engineering technology subject are being implemented. The courses related to the above mentioned fields and related to the service sector are also being conducted in all other faculties.	Action should be taken in a manner that fulfills the objectives stated in the Act.
(c) Section 04(i) of Management Services Circular No. 02/2014 dated 11 February 2014	Although officers eligible for research allowances should complete the research proposal and submit it to the Research Management Committee for	The research allowance for project proposals had been paid for 5 qualified staff members in 2020, 10 qualified staff members in 2021 and 5 qualified staff	The relevant payments should be made as per circular provisions.

approval, a total members in 2022. research allowance of Rs. 13,437,487 had been paid during the year under review to 43 officers who had not submitted research proposals.

2. Financial Review

2.1 Financial results

The operating result of the year under review amounted to a deficit of Rs. 57,072,162 and the corresponding deficit in the preceding year amounted to Rs. 97,201,012, thus observing an improvement of Rs.40,128,850 in the financial result. The major reason for this improvement was the increase in the recurrent grant by Rs. 50,380,825.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
In addition to the diploma holders produced by the University College, this university is a university built on the basis of students who wish to pursue higher education through the National Vocational Qualification (NVQ) system. Although awareness of the students could be done by popularizing this university in the school system, any program had not been implemented in this regard.	Awareness of the school system had also been done by the necessary social media programs, press conferences as well as through the professional guides of the district secretariats.	A program should be implemented to aware students in the school system.

3.2 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
According to the action plan for the year 2022, although under the introduction of new degree courses in collaboration with external parties, courses such as Bachelor of Textile and Garment Technology, Bachelor of Hospitality Management and Master of Education etc. have been introduced, action had not been taken to implement those programs.	That the Memorandum of Understanding signed on 23.03.2022 with Sri Lanka Textile and Garment Institute and Sri Lanka Tourism and Hotel Management Institute for these degrees had been unilaterally violated by these two institutes.	Action should be taken to start the introduced courses as soon as possible.

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

Audit Observation	Comments of the Management	Recommendation
(a) A sum of Rs. 4,003,504 had been spent in November 2018 to establish the e-library service, but the expenditure had become ideal due to the inability to maintain it actively. Further, 20 computers, 05 studio cupboards and 20 chairs removed from the e-library remained idle for more than a year.	The e-library service was established in another building outside the main library building. Allocating of staff to 02 locations will be so difficult as limited number of staff are employed at the library.	Resources should be used with maximum efficiency and effectively.
(b) Approval of the Cabinet of Ministers was given on 27 April 2011 for the construction of a multi-purpose studio complex and a lecture hall complex in the University of Vocational Technology and a sum of Rs. 434.4 million was allocated for that from the Treasury and the Sectoral Skill Development Project. Although out of that a sum of Rs. 304.5 million had been spent by 31 December 2020, the defects identified in this building had not been rectified. Further, this building had not been handed over to the university even by the end of the year under review.	The main studio of the relevant building has not been officially taken over until the defects identified by us have been corrected by the Engineering Consulting Bureau. But we use the main studio for students' practical studies in our university and university colleges. But the payments due to them have been suspended until the identified defects are rectified. Meanwhile, the Deputy General Manager of the Western Province of the concerned institution agreed to correct the errors immediately.	Action should be taken to use under the existing situation to make the best possible use of public expenditure.
(c) A bus insured value of Rs. 1,650,000 as of 23 June 2014 was parked idle from 21 March 2019 to the date of audit of 09 January 2023.	Although the Evaluation Committee had mentioned the estimated amount of Rs. 1.5 million for the repair of the bus, there was not enough funds allocated for it. That the National Budget Department had given approval to manage the related money from the provisions of the year 2021.	Repairs should be done immediately.
(d) Although a Computer System (EMIS) had been established for the works of the Examination Department of the Vocational Technology University, a proper	There is one admin user account in the computer system (Education Management Information System – EMIS) used for the	Action should be taken to improve and implement the relevant system in order to fulfill the objectives of

policy was not prepared to manage the users of the system. Further, no facility was provided in the system for auditing the system (Audit Trails). There were not enough facilities in the system to manage student affairs and examination affairs and the manufacturing institute was unable to rectify and modernize those deficiencies. Although a sum of Rs. 281,250 had been spent on the Human Resource Management Computer Software System (SUWAS), it had not been updated to operational level till the date of the report. Further, 08 computer laboratories in the university were underutilized.

examination department of the university and that account is held by the head of the examination department. The other officers of the department are allowed the access facility only to the respective sections of the system according to their scope of work. In addition, necessary arrangements have been made to keep the authority to remove or change existing information in the system only with the head of the department who keeps the admin account.

establishing the system.

It is not possible to maintain an activity log in the existing system and therefore it is not possible to obtain even basic information such as time and date of those who have performed the tasks of entering, changing or removing data.

3.4 Delays in Projects or Capital Works

Audit observation	Comment of the Management	Recommendation
<p>As per Cabinet Decision No. AMA/16/2673/720/030 dated 03 January 2017, an estimate of Rs.927.34 million had been approved for the construction of a workshop, a hostel for 600 students and a canteen with 300 seats for the university. Although a total sum of Rs. 281.36 million have been allocated for this project in the years of 2018, 2019 and 2020, only a sum of Rs. 22.5 million had been paid as consultancy fees. Even though more than 05 years had passed since the beginning of the project as of the year under review, this project could not be completed due to the lack of timely decision making by the top management. Further, the project was re-estimated for Rs 3,046.8 million in</p>	<p>We had identified the future requirements of the institute about six years ago and decided to build three buildings as a workshop, a hostel and a canteen as a solution. The related project proposal was submitted to the Ministry on 31 May 2016 and the relevant approval was obtained and due to various issues, it was unable to complete the work till now.</p>	<p>Action should be taken to use public funds with maximum efficiency and effectively.</p>

June 2022 and the cost was more than 300 percent higher compared to the project's initial period.

3.5 Human Resource Management

	Audit observation	Comments of the Management	Recommendation
(a)	An officer had been appointed from 30 December 2020 to 30 March 2022 and another officer had been appointed from 01 April 2022 to 30 November 2022 for a position called Director Staff Development Centre, which is not in the approved cadre without the approval of the Department of Management Services, and a total allowance of Rs.3,758,629 had been paid.	The staff development centre was established with the approval of the Governing Council to provide effective and efficient service with the expansion of the academic activities and physical development of this university and two internal senior lecturers were appointed as Director SDC to supervise the duties of the centre and only the telephone allowance, transport allowance and fuel allowance entitled for the official post had been paid. Other allowances are allowances related to the salary of the post of Senior Lecturer. Accordingly, only a sum of Rs 1,878,114.03 have been paid to the two officers.	The approval of the Department of Management Services should be obtained for the recruitment of employees.
(b)	The bond value receivable to the government from 04 officers who were on study leave for a period of 01 year to 2 ½ years with full pay was Rs.11,086,021 and action had not been taken to recover said money even till the end of the year under review. Further, one of the officers had resigned from the service.	The three officers who have taken study leave and have not yet completed their post-academic activities will be informed to complete their studies and the officers who are unable to complete studies will be act as per the agreement. A paper will be submitted to the Governing Council meeting conducting on 24-05-2023 for seeking advice regarding the recovery of bond value payable by the retired officer.	Should be act according to the relevant agreements.