

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Institute of Advanced Technological Education 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 equity and cash flow statement for the year then ended, and notes to the financial statements, including 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 Finance Act No 38 of 1971 and the National Audit Act, No. 19 of 2018. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Institute as at 31 December 2022, 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

My opinion is qualified based on the matters described in paragraph 1.5 of this report.

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 qualified 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 Institute'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 Institute's financial reporting process.

As per Sub-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 Auditor's Responsibilities 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 audit 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 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 Institute's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit 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 audit report. However, future events or conditions may cause the Institute 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 on Preparation of 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.

1.5.2 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the Reference to the Particular Standard	Comment of the Management	Recommendation
According to Section 47 of Sri Lanka Public Sector Accounting Standard 7, although the fair value of property, plant and equipment items should be revalued in every 03 or 05 years, the institute's assets were not revalued.	Due to revaluation process is more expensive, problematic to carry out it.	According to Sri Lanka Public Sector Accounting Standards, action should be taken show the fair value of assets in the financial statements.

1.5.3 Accounting Deficiencies

Audit Observation	Comment of the Management	Recommendation
(a) Non-financial assets worth of Rs.667,177,005 received from the Higher Education Expansion and Acceleration Development Program (AHEAD) project from 2017 to 31	Equipment can be accounted for in postgraduate programs, due to building works have not yet been	Non-financial assets received from the project should be accounted for.

December 2022 had not been completed and handed over for civil works, accounted for. accounting for was problematic.

- (b) The values of 118 types of items in the stores and office which were damaged by the sudden flood in the Institute of Technology, Kandy in December of the year under review had not been identified and the relevant adjustments had not been made and disclosed in the financial statements.
- Adjustments will be made to the financial statements based on the valuation values in the future.
- Damaged items should be identified and adjustments should be made in the financial statements.

1.5.4 Unreconciled Control Accounts or Records

	Item	Value as per Financial Statements Rs.	Value As per corresponding Record Rs.	Difference Rs.	Comment of the Management	Recommendation
(a)	Machineries computers, furniture and office equipment	45,678,090	633,670	45,044,420	Necessary steps have been taken to avoid such omissions in the future.	Omissions should be avoided and accounts should be kept properly.
(b)	Distress loans	38,052,194	38,657,905	605,711	This was happened due to a differences in the schedule prepared by the Subject Management Assistant.	The balances should be compared with the financial statements and corresponding reports.

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

Reference to Laws, Rules, Regulations etc	Non-compliance	Comments of the Management	Recommendation
Paragraph 502(2) of the Financial Regulations of the Democratic Socialist Republic of	A fixed asset register had not been maintained for property, plant and equipment costing	That arrangements are currently being made to maintain a fixed asset register	A fixed asset register should be maintained in order to ascertain the value of the assets held

Sri Lanka Rs.10,098,028,652 at the in accordance with by the institute.
 end of the year under F.R. 502 (2)
 review. paragraph.

1.7 Financial Management

Audit Observation	Comments of the Management	Recommendation
When checking the bank statement from January 2022 to April 2023 of the current account used for transactions of the Institute of Advanced Technology, Kegalle, it was revealed that a balance in the range of Rs.02 million to Rs.06 million remained in each month. Since no interest amount was received for the current account balances, the management had not focused on investing the excess money in a savings account or a short-term fixed deposit on proper approval after keeping enough money for daily requirements in the account.	No reply was made.	Action should be taken to use the underutilized money for the objectives of the organization or invest.

2. Financial Review

2.1 Financial Results

The operating result for the year under review was a surplus of Rs.115,032,758 and corresponding surplus amounted to Rs.132,500,160 in the previous year, thus observing a deterioration of Rs.17,467,402 of the financial results. The increase in salary expenditure, contractual services, maintenance expenditure and training expenditure had mainly attributed to said deterioration.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) An advance amount of Rs.36,989,498 and an interim payment of Rs.13,941,163 had been made to a private construction contract company in the year 2016 for the construction of a four storied building of the Jaffna Higher Institute of Technology. Due to the legal issues that arose regarding the ownership of the land, the construction work had been suspended since 2017 and the institution had unable to take effective measures in this regard.	The legal officer has held a Zoom discussion in this regard with the Attorney General's Department and other stakeholders involved in the case on 23 December 2022. That the Attorney General's Department has informed that the case will be called again on 27.07.2023.	Necessary action should be taken against the officials who authorized the construction without confirming the ownership of the land.

- (b) The Director General and 08 officers were accused of violating the procurement rules, regulations and financial regulations related to the procurement of cleaning services in 2018. Although the Director General was removed from post and the 08 officers were transferred, the relevant disciplinary actions were taken against those officers were not finished even by 09 June 2023.
- The Ministry of Education handle the action on the Director General of the institution and the formal disciplinary investigations against the other 8 officials have already been completed and the disciplinary investigation officers have been informed to submit the report as earliest as possible.
- Appropriate action should be taken against the concerned officials for violation of rules and regulations.
- (c) Although a sum of Rs.1,371,400 was paid to 04 officers in 2014 and 2015 by the Higher Education Project for the 21st Century (HETC) for pursuing of postgraduate courses, those officers had not completed the courses even by 31 December 2022 and action had not been taken to recover the amount spent.
- Action will be taken to recover.
- Action should be taken to recover the amount without delay.
- (d) The solar energy system installed at Kandy Higher Institute of Technology in the year 2016 at a cost of Rs.5,915,000 had been inactive since October 2021. Although the company that installed the system had given a 10 years warranty for manufacturing defects and a 25 years warranty for more than 80 percent power efficiency, the institution had not taken action to restore the system. Accordingly, the company had not been able to get the expected benefits and had only received an electricity generation income of Rs.1,056,918 in the 6 years of operation.
- Although J. Lanka Company, which installed the solar energy system, was informed to perform the related services and upgrades properly, their interest in it is not at a satisfactory level.
- Defects should be rectified during the warranty period and action should be taken to get maximum benefit from the system.
- (e) Although the construction of a building of the Dambawela Higher Institute of Technology was completed and handed over to the institution on 18 September 2020, due to the delay in starting its academic and administrative activities until June 2022, a sum of Rs.4,983,214 spent on water, electricity, sanitation and security services from January 2021 to May 2022 was an idle expenditure.
- Due to the spread of the Covid-19 epidemic situation, students were not called in all the high technology institutes of the island and from September 2022 students were called and studies were conducted.
- Measures should have been taken to minimize expenses during the time when academic activities were limited.

3.2 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
In order to reduce the cost of electricity in Dehiwala Higher Institute of Technology, the initial activities related to installing a solar energy system was completed on 07 June 2019 at a cost of Rs.19,784,000, but the institution was unable to get the bulk electricity connection to operate the system until 09 June 2023. As such, the institute had to pay an amount of Rs.4,445,646 for electricity from June 2019 to 31 December 2022.	According to the instructions given by the governing council, the pre-procurement process related to getting bulk electricity connection has been cancelled and approval has been given for the selection of a consultant and a contractor for this project through a new procurement process. That a request has been made to the Ministry to appoint the new Chairman of the Procurement Committee.	Necessary action should be taken urgently to reduce the institute's electricity expenditure by obtaining bulk electricity connection as soon as possible.

3.3 Underutilization of Funds

Audit Observation	Comments of the Management	Recommendation
(a) Although a sum of Rs.1,000,000 had been paid on 30 December 2016 to the Urban Development Authority to be used for the construction of an official residence and a playground in the land in Ratnapura worth of RS.18,305,976 owned by Urban Development Authority had become an idle expense due to not being able to pay the remaining amount by 09 June 2023 and inability to complete the construction within a period of 06 years.	That this delay has occurred because the Treasury has not released enough money to pay the remaining Rs.17 million.	Government funds should not be spent idly.
(b) Although a sum of Rs.1,013,315 had been spent for the procurement of equipment and for conducting of workshops for the KOHA computer system in order to maintain the library activities with new technology, due to the non-operation of this system, this expense had become an idle expense even by the end of the year under review.	Conducting workshops and procuring equipment related to the KOHA computer system was done from the head office, and data entries related to the workshops conducted regarding the computer data system have been completed by now.	Government funds should not be spent idly.

3.4 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation
<p>A five-storied building was constructed in two phases at the Institute of Advanced Technology, Dehiwala with the aim of maintaining the head office under the Higher Education for the 21st Century project. The construction works started on 26 August 2015 and was completed at a cost of Rs.20,486,321 and handed over to the institute on 21 February 2017. Due to non-completion of works of the remaining 02 floors, the building remained idle from the date of handover. Due to the non-completion of the building as expected, the institute had to incur a rental expense of Rs.55,101,948 for the period from March 2017 to December 2022 to maintain the head office.</p>	<p>In order to make the three floors of the first phase usable, some more work needs to be done in the building. A committee has been appointed to discuss the matter in the agreement of the building on rental basis, and further actions are expected to be taken according to the recommendation of the committee.</p>	<p>Action should be taken to fulfil the desired objectives of Construction of buildings.</p>