

## **Sri Lanka Institute of Advanced Technological Education - 2023**

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### **1. Financial Statements**

#### **1.1 Opinion**

The audit of the financial statements of the Sri Lanka Institute of Advanced Technological Education for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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, the financial statements give a true and fair view of the financial position of the Institute as at 31 December 2023, 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 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 had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## **1.5 Accounts Receivables and Payables**

### **1.5.1 Accounts Payables**

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
The total creditors balance at the end of the year under review was Rs.286,739,143 and there was a total creditor balance of Rs.113,713,579 exceeding 4 years, and the institution had not taken the necessary action to settle that creditor balance.	A committee, with the participation of the Deputy Director General (Finance and Control), has been appointed to work on the actions to be taken regarding creditors and its works are being currently continued.	Necessary action should be taken urgently to settle long-term creditors balances.

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

<b>Reference to Laws, Rules, Regulations etc</b>	<b>Non-compliance</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) Section 11 (a), (b) of the Finance Act, No. 38 of 1971	A total sum of Rs.203,876,407 has been invested in fixed deposits in the year 2019 and 2023 without obtaining the approval of the Minister of Finance and the concerned Minister.	That the surplus funds have been invested in three fixed deposit accounts and that all fixed deposits have been made in accordance with the Sri Lanka Higher Technical Educational Institutions Act No. 29 of 1995 and that due approval has been obtained from the Governing Council accordingly.	The provisions of the Finance Act should be followed.
(b) Financial Regulations 571 (2) and (3) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Action had not been taken in accordance with the financial regulations regarding the retentions of Rs.12,778,117 exceeding 2 years as on	Necessary instructions have been given to credit to the relevant account or take in to the state revenue after checking the suitability for deposits older than two	Financial Regulations should be followed.

- 31 December of the year years.  
under review.
- (c) Public Enterprises The institution had Transportation facilities Action should be  
Circular No. 01/2015 provided transport will be provided in taken to provide  
dated 25 May 2015 facilities to an officer accordance with the transportation  
who was not entitled to circular from now on. facilities in  
provide transport facilities since 2019 and accordance with the  
had incurred a fuel expenditure of circular.  
Rs.687,965 for that for  
the year under review  
alone.

## 2. Financial Review

### 2.1 Financial Results

The operating result for the year under review was a surplus of Rs.97,086,919 and corresponding deficit amounted to Rs.211,938,598 in the previous year, thus observing an improvement of Rs.309,025,517 of the financial results. The increase in capital allocations received through the Accelerating Higher Education Expansion and Development (AHEAD) project had mainly attributed to said improvement.

## 3. Operational Review

### 3.1 Management Inefficiencies

	<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a)	400 reading chairs and 200 reading tables purchased at a cost of Rs.7,981,000 in the year 2018 were not supplied in accordance with the prescribed specifications. As such, they had been kept in the hostel rooms of the Institute of Advanced Technology in Gampaha without being used from the date of purchase until the end of the year under review.	According to the recommendation of the Audit Committee, the supplier has been informed in a letter that the goods should be prepared according to the prescribed specifications and the money can be obtained. Otherwise, they should be removed or the necessary actions will be taken to handover them to the Institute of Advanced Technology.	The relevant institution should be informed to prepare the goods in accordance with the specifications or to remove the goods that have been held.
(b)	Solar panel energy systems had been installed at the Dehiwala, Kurunegala, Gampaha and Kandy Advanced Technology Institutes at a cost of Rs. 44,573,400 with the aim of minimizing electricity costs during the period 2017-2021. But the objectives and benefits of them could not be achieved due to the	No reply was made.	A formal agreement should be entered regarding the manner of obtaining the maximum benefits from the projects and the maintenance work to be carried out.

failure to obtain wholesale electricity connections and the failure to enter into agreements for maintenance.

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| (c) | Procurement activities and entering into contracts had been done disregarding the estimated cost of security services of Rs.71,120,000 for the year under review. As such, an excess amount of Rs.20,691,402 had been paid over the estimated cost.   | Additional allocations of Rs.20.6 million could not be obtained from the treasury. Accordingly, action is being taken to cover the amount from the earnings of the institution.   | It should be ensured that procurement activities are carried out within the approved budget allocation limits.  |
| (d) | The institute had not accurately estimated the amount of money to be collected from students for the diploma convocation ceremonies held in the year under review and previous years. As such, an amount of Rs.15,507,633 of the collections had been retained in a savings account.  | It is stated that due to strict control of expenses by the management, the actual expenses were lower than the expected expenses. The amount charged from a student for the diploma award ceremony is done with the recommendations of the Academic Committee of the educational institute and the approval of the Governing Council.                                       | The amount of money to be collected from students should be accurately estimated and if there is any balance amount is available it should be refunded. |
| (e) | Issuing gazette notifications for enrolment to courses by the institute were delayed between 8 and 9 months and also, action had not been taken to select an effective advertising medium during the past 03 years. As such, the number of students applying for courses had gradually decreased to 28,000, 21,701 and 15,801 respectively. | Due to the spread of the Covid pandemic in the 2020/2021 two years, it was not possible to complete the courses on time. Therefore, the lack of space to enroll a new group of students led to a delay of 8 to 9 months in enrolling these students, and due to the economic difficulties in the country, there had been a decrease in students referring to these courses. | Target groups for courses should be identified and recruitments should be carried out through awareness programs.                                       |

### 3.2 Idle or underutilized Property, Plant and Equipment

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) An advance payment of Rs.36,989,498 in 2016 and an interim payment of Rs.13,941,163 in 2017 had been paid for a four-storied building proposed to be constructed by the Jaffna Institute of Advanced Technology without formally confirming the ownership of the land.	Construction works were started as per the confirmation given by the Divisional Secretary regarding the ownership of the land and at that time a questionable matter was raised in the court. The case pending in the Colombo Court of	After verifying the ownership, the requirement for the building should be identified promptly and construction should be started.

Accordingly, the expenditure incurred due to suspend the construction due to the lack of legal ownership of the land had become a idle expenditure. The performance security of Rs.8,330,743 and the advance security of Rs.33,322,972 related to this contract had expired on 21 October 2019 due to non-extension of the period. Although the litigation in this regard had been completed in October 2023, the management had not focused attention to commencing construction work even by September 2024.

Appeal in this regard has now been concluded and further actions are being taken on the case pending in the Jaffna District Court.

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| (b) | An initial deposit of Rs.1,000,000 was paid to the Urban Development Authority on 30 December 2016 for the land in Ratnapura worth of Rs.18,305,976 belonging to the Urban Development Authority for the construction of an official residence and a playground. However, due to the lack of financial provisions to pay the balance amount, no action had been taken to recover the amount paid. | It was decided at the Governing Council meeting that it was unnecessary to acquire this land and to look into whether it was possible to handover the land back to the Urban Development Authority and recover the paid sum of Rs.1,000,000. Accordingly, the relevant work is being carried out expeditiously. | Actions should be taken to recover the amount paid for the land.                    |
| (c) | Although a sum of Rs.1,013,315 was spent on installing the KOHA computer system to maintain library activities with new technology, the expenditure incurred had become an idle expenditure due to the system not being put into operational level.   | Another training workshop was scheduled to be held on the implementation of the system, but due to the Covid-19 pandemic and government expenditure restrictions, the workshop could not be completed and preliminary arrangements for holding the relevant training workshop are being made.                   | The system should be put into operation level and put into use as soon as possible. |
| (d) | The building, which was constructed at a cost of Rs. 20,486,321 on the premises of the Institute of Advanced Technology at Dehiwala with the aim of maintaining the head office, had completed 3 floors and handed over to the institute on 21st February 2017. However, due to the non-completion of the remaining two floors, the building had remained idle                                    | The construction work of the second phase was suspended due to lack of financial allocation and the Sri Lanka Army is carrying out the construction work with the consent of the Governing Council and is expected to complete it soon.   | Incomplete constructions should be completed and put into use as soon as possible.  |

since the date of handover. Due to the building not being completed as expected, the institution had to incur a rental expense of Rs.64,476,564 for the period from 2017 to December 2023 to maintain the head office. Furthermore, although Rs. 4,251,022 had been spent during the year under review to modernize the said building, the activities of the head office had not commenced in that building until 30 September 2024.