

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the University of Vocational Technology for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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. My comments and observations, which I consider should be report 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 2024, 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 University.

1.4 Audit Scope

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 had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

2. Financial Review

2.1 Financial results

The operating result of the year under review amounted to a deficit of Rs. 51,460,124 and the corresponding deficit in the preceding year amounted to Rs. 60,583,175. Therefore an improvement amounting to Rs.9,123,051 of the financial result was observed. The increasing total income by Rs.68,092,034 had mainly contributed to this improvement.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
The management had not taken action, even by 31 December 2024, to start the degree course of Master's Programme in Education Management, which was planned to be commenced in 2020.	Although it was decided to start the Master's programme in 2020 as a result of the introduction of the fourth year in degree programs by the Academic Council, the Academic Council advised not to start the Master's program in 2022. As a result, the master's program has not been begun until 2025.	Action should be taken to commence the courses as planned.

3.2 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The applications of 07 students who applied to register for the	This degree course was planned to be run as a	Actions should be taken to attract

	<p>B.Tech (Hons) in Industrial Management Technology Degree course were rejected due to the failure to receive applications from at least 15 students. Due to the failure of the University to implement any program to attract applicants for the relevant degree program, the University had failed to conduct the planned course and therefore the students' aspirations were also not fulfilled.</p>	<p>weekend (B2) group. The Academic Council had decided that 15 students should be sufficient to cover all the necessary expenses. Therefore, the necessary arrangements were made for these 07 students who applied, to join the next group and study the course. However, some students had requested to cancel their registration for personal reasons.</p>	<p>students to the courses.</p>
(b)	<p>Although more than 15 years had passed, by the year under review deciding to obtain accreditation from the Sri Lanka Institute of Engineers in 2010 for four engineering degree courses run by the university, the relevant certificate had not been obtained due to the failure to meet the requirements to the desired level for obtaining accreditation.</p>	<p>The Engineering Council of Sri Lanka was referred to deal with the accreditation of engineering degree programs offered by the University of Vocational Technology. The Engineering Council of Sri Lanka had informed to this University that there are issues with the current criteria of the IESL Sydney Accord regarding the accreditation of degree programs, and it is necessary to conduct a review of those criteria and identify the correct accreditation criteria.</p>	<p>The relevant accreditation activities should be carried out expeditiously.</p>

3.3 Delays in Projects or Capital Works

	Audit observation	Comment of the Management	Recommendation
(a)	<p>As per the Cabinet Decision No. CMP/16/2673/720/030 dated 03 January 2017, the approval had been granted for the construction of a workshop, a hostel for 600 students</p>	<p>Although financial allocations were requested from the Treasury in the financial year 2024 with the aim of initiating the relevant</p>	<p>Funds should be obtained for this project and necessary action should be taken to</p>

and a cafeteria with 300 seats at an estimated cost of Rs.927.34 million for the University. Although a total sum of Rs. 281.36 million had been allocated for this project in the years of 2018, 2019 and 2020, only a sum of Rs. 22.5 million had been spent as consultancy fees. Due to action had not been taken by the higher management to implement and complete the construction works on time, the estimated expenditure had been of Rs.3,046.8 million by the end of 2023 and it had increased by 300 percent more than the original estimate. Accordingly, the consultancy fee of Rs.22.5 million incurred for this project had also become a useless expense.

project, It was stated at the meeting held on 25th August 2023 with the participation of the Additional Director General of the National Budget Department and other officials, that the money could not be allocated because there was no change in the government's decision not to allocate funds for building construction.

After the construction of this building in the future, the money paid for consulting fees will not be a useless expenses.

construct the building.

- (b) The approval of the Cabinet of Ministers had been granted on 27 April 2011 to construct a building with a multi-purpose studio complex and a lecture hall complex in the University of Vocational Technology and a sum of Rs.304.5 million had been spent for this purpose as at 31 December 2020 from the Treasury and Skills Sector Development Project. However, the contractor had not completed the construction work to make the studio fit for purpose, it need to be re-procure to make it usable. In the year 2024, although Rs.84 million was allocated for studio equipment and renovation works, due to the high estimated prices received from tender quotations, the procurement work had not been completed during the year under review, therefore the utilization of the multi-purpose studio and lecture hall complex was not at the expected level.

Provision of Rs. 84 million was received for the purchase of multi-purpose studio equipment for the year 2024. Accordingly, bids were called and tenders were conducted. The values of all the bids submitted were over Rs. 160 million. Due to the increase in current prices, the prices had increased by a larger amount than the estimated price. Therefore, the procurement process had not been carried out.

Although the quotations were invited again to obtain a some of the equipment, not sufficient suppliers had not submitted quotations.

Budgetary allocations should be taken to complete the remaining works of the project without delay and the multipurpose studio and lecture hall complex should be utilized.

3.4 Human Resource Management

Audit observation	Comment of the Management	Recommendation
(a) The management had failed to take formal action to recover the total amount of Rs.12,735,992 due as salaries and bonds of four lecturers who had left the university service during the year under review and one lecturer who had left the service in the previous year.	Although the two senior lecturers, who had resigned without informing 3 months' prior notice of their resignation, have been informed to pay their salaries again, they have not yet done accordingly. The dismissed lecturer (probationary) had been given a period of 24 months to pay the relevant bond value, which will be valid until 10-09-2025. At the request of the lecturer (probationary) who left the service in the previous year, advice had been sought from the Ministry's Legal Officer regarding the value of the bonds to be collected.	Action should be taken to promptly recover the money due from the officer who had breached the bonds.
(b) Due to the injustices that occurred when the National Institute of Technical Education of Sri Lanka was converted into a university on 12 October 2009 and the absorption of employees, legal actions taken by the relevant employees regarding employee issues between the university's top management and staff, although 15 cases are pending in the University Appeals Board and one case is pending in the Mount Lavinia Court since 2020, these cases remained unresolved until the end of the year under review.	Out of the 16 cases pending before the Board of Appeals, the Administration Division provided observations to the Board of Appeals for 01 appeal, and further work is being carried out in accordance with a request made by the Secretary of the Board of Appeals to provide the necessary observations for 04 cases to be scheduled in the future. A case filed in the Mount Lavinia court is presently under examination.	Action should be taken to resolve the relevant cases without wasting time.