

1.1 Qualified Opinion

The audit of the financial statements of the Technology Institute of the University of Moratuwa for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 Section 20 of the Institute of Technology of the Moratuwa University Regulations No. 03 of 2000 enacted in terms of Section 18 of the Universities Act No. 16 of 1978 and provisions in the National Audit Act No. 19 of 2018. My comments and observations which I consider should be report 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 2019 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 Qualified Opinion

My opinion is qualified 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 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

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 Institutes' 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 Institutes' 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 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 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 particular Standard	Management Comment	Recommendation
Even though the property, plant and equipment valued for Rs. 15,625,781 had been totally depreciated, due to not reviewing the effective lifetime of non-current assets annually in accordance with paragraph 65 of Sri Lanka Public Sector Accounting Standards 7, they were still being utilized. This defect occurred in the estimation of depreciation had not been revised as per Sri Lanka Public Sector Accounting Standards no 03.	Noted to appointing a revaluation committee and done in 2020.	Action should be taken to compliance with the Accounting standards.

1.5.3. Accounting deficiencies

Audit Observation	Management comment	Recommendation
No provision had been made for the audit fees payable for the year under review.	Agreed. Payment will be done with the approval of the Board of Management from the total accrued provisions available for the year 2019.	Provision should be made available accurately for accrued expenses.

1.6 No compliance with laws, rules, regulations and management decisions

Reference to laws, rules regulations etc.	Non compliance	Management Comment	Recommendation
(a).Financial Regulation 1646 of Financial Regulations of Democratic Socialist Republic of Sri Lanka	Running charts and monthly summaries of 12 vehicles use by the institute had not been submitted to the Auditor General.	Daily running charts are already maintained and will be submitted to the Auditor General on monthly basis in future.	Action should be taken to compliance with the Financial Regulation.
(b).Para No.9.2 and 9.4 of section XXVII of the University Establishment Code	Inventory registers for vehicles were not maintained in accordance with referred regulations.	Action will be taken to prepare in future.	Should be act in accordance with the relevant regulations.
(c).State Accounts Circular No. 842 dated 19th December 1978	A fixed assets register had not been prepared by the institute.	A comprehensive register of all identified fixed assets and a code system for each item will be introduced soon.	Circulars should be followed.
(d). Public Enterprise Circular No. PED / 12 dated 02nd June 2003	A sum of Rs. 15,574,767 had been invested as at 31st December of the year under review without the prior approval of the Minister of Finance.	Action will be taken to get approval from the Ministry of Finance for all the investments in the future.	Circulars should be followed.

2. Financial review

2.1 Financial results

The operating result of the year under review had been a deficit of Rs. 30,082,608 as compared with the corresponding deficit of Rs. 74,313,847 for the preceding year, thus observing an improvement of Rs. 44,231,239 in the financial result of the year under review. Increase in recurrent grants by Rs. 143,935,000 and increase in personal emoluments expenditure by Rs. 99,822,282 as compared with the preceding year, had mainly attributed to the said improvement.

3. Operational review

3.1 Under - utilization of funds

Audit Observation	Management Comment	Recommendation
A total sum of Rs. 14,551,446 had in 07 funds had not been utilized for the intended purpose and remained ideal over a period from 11 years to 13 years as at 31 December 2019. Also, the total of 05 scholarship funds amounted to Rs. 675,650 had not been utilized for awarding any scholarship during the year under review.	The recommendations of the Finance Committee and the approval of the Board of Management for a guideline of utilization of funds had received in 2019 and action will be taken to utilize those funds in the future. Scholarships were not awarded for the 05 scholarship funds as there were no qualified students during the year under review.	Funds should be utilized for the intended purposes.

3.2 Ideal or Underutilized Property, Plant, and Equipment

Audit Observation	Management Comment	Recommendation
The audit observed that 5 rooms and the second floor of the shopping complex, which was built in 2018 as a revenue generating channel for the institute, were completely underutilized without leasing.	A shopping complex had also been included in the construction of the institutes' Diyagama premises and arrangements were made to lease the building in 2018 based on the value of the Government Valuation Department, but only 4 shops have been leased. The rest of the shops have been re-advertised for lease.	Action should be taken to lease rest shops.

3.3 Human Resources Management

Audit Observation	Management Comment	Recommendations
The approved cadre as at 31 December 2019 of the Technological Institute was 269 and the actual cadre was 171, thus there were 98 vacancies. Those vacancies were filled by recruiting 44 persons on contract and assignment basis.	Although newspaper advertisements were published on 11.08.2019 to fill the vacancies in the academic staff, the relevant activities could not be carried out due to election activities and restrictions on recruitment.	The balance vacancies should be filled immediately.

4. Accountability and Good Governance

4.1 Annual action plan

Audit Observation	Management Comment	Recommendation
Although it was expected to establish a center for maintaining the inter-cooperation between the Institute of Technology and the industry during the year under review, the relevant work had not been implemented.	Although it was unable to set up a separate center, each division will involve in their activities to get the contribution of the relevant field in the industry.	Action should be taken to achieve the objectives of the action plan.