

**1. Financial Statements**  
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**1.1 Opinion**  
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The audit of the financial statements of the University of Vocational Technology for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 Section 47 (2) of the University of Vocational. Technology Act, No. 31 of 2008 and 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. 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 2020, 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**  
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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**  
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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**

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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 Audit Observations in relation to the Preparation of Financial Statements**

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### **1.5.1 Internal Control over the Preparation of Financial Statements**

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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. Issues with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under this heading.

## **2. Financial Review**

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### **2.1 Financial results**

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The operating result of the year under review amounted to a deficit of Rs. 4,638,179 and the corresponding deficit in the preceding year amounted to Rs. 72,431,126. Therefore, an improvement amounting to Rs. 67,792,947 of the financial result was observed. The major reasons for the improvement are the increase in the recurrent grants by Rs. 16,615,455 when compared with that of in the preceding year and the reduction in the total operating expenses.

### 3. Operational Review

#### 3.1 Delays in Projects or Capital Work

Audit Observation	Comments of the Management	Recommendation
(a) As per the decision of the Cabinet bearing No. CP/16/2673/720/030 held on 03 January 2017, provision amounting to Rs.927.34 million was approved for the construction of a workshop, hostel and canteen for the University. Although a total of Rs.281.36 million had been allocated from the year 2018 to 2020 by the budget for this construction, only an amount of Rs. 22.5 million had been spent out of the amount as the consultancy fees and action had not been taken to commence the project even by the end of the year under review.	Cabinet approval has been granted for changes in the construction work and it has been proposed to make provision through the 2021-2023 medium term budget framework as per the Note to the Cabinet.	Provision should be utilized with maximum efficiency and effectiveness.
(b) The contract for the renovation of the faculty building of the University was awarded to a private company on 10 September 2016 for an amount of Rs.14,506,548. Although it had been informed that work would be finalized within 60 days and an advance of Rs.2,901,285 had been paid on 12 September 2019, work had not been completed even by the end of the year under review. Action taken in this regard had not been explained to the audit.	The remaining work is currently being carried out by the relevant contracting institute and it has been informed to finalize this project before the end of the second quarter of this year.	Action should be taken to expeditiously complete the work of the project.
(c) Approval of the Cabinet bearing No. CP/11/2152/539/017-1 dated 27 April 2011 had been granted for the construction of a building with a multifunctional studio complex and a lecture hall complex at the University of Vocational Technology. Only an amount of Rs. 304.5 million out of provision	It is informed that defects related to the construction of the studio have been identified and the Central Engineering Consultancy Bureau, which carries out technical consultancy and engineering activities of the building has been	Work of the studio should be completed expeditiously.

amounting to Rs.434.9 million, made by the Treasury and the Sectoral Skills Development Project, had been spent up to the end of the year under review. The multifunctional studio mentioned in the progress report of the building dated 10 March 2020 had not been made operational even by 15 February 2021, the date of audit due to defects prevailed in the studio. notified of the defects and the studio is being used as appropriate to the occasion while the relevant defects are being rectified by the Central Engineering Consultancy Bureau.

### 3.2 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
<p>(a) Two officers had been recruited for 02 posts of Consultant, which had not been included in the approved cadre, on contract basis in the years 2019 and 2020 without obtaining the approval of the Department of Management Services and they had been paid allowances amounting to Rs. 6,944,804 up to the end of the year under review.</p>	<p>Action has been taken to obtain the service of these consultants on contract basis until qualified persons are recruited for the vacancies in the posts of Lecturer subsequent to considering the requirement.</p>	<p>Prior approval of the Department of Management Services should be obtained for the creation of new posts and for making recruitments.</p>
<p>(b) A Teaching Assistant, who had taken foreign study leave to study for a postgraduate degree was considered to have vacated his post with effect from 01 January 2013 due to non-reporting for duty from 30 June 2012 after completing his foreign study leave. Accordingly, the necessary action had not been taken even by the end of the year under review to recover the bond value amounting to Rs.1,553,825 due from him.</p>	<p>A case was filed to recover the bond value.</p>	<p>Action should be taken to recover the bond value without delay.</p>