

1. Financial Statements

1.1.1 Opinion

The audit of the financial statements of the Sri Lanka Advanced Technological Education for the year ended 31 December 2020 comprising the statement of financial positions 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 provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Section 19 of the Sri Lanka Institute of Advanced Technological Education Act, No.29 of 1995. 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 Institute 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

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 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 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’s 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 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 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 skepticism 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 Institute'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 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 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 document shave 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.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a surplus of Rs. 45.6 million and the corresponding deficit in the preceding year amounted to Rs. 14.1 million. Therefore, an improvement amounting to Rs. 59.7 million of the financial result was observed. Increase in the recurrent grants of the year was the main reason for this improvement.

3. Operating Review

3.1 Management Inefficiencies

	Audit Observations	Management's Comment	Recommendation
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(a)	Although the 5 storied Leadership Quality Development Center building at the Dehiwala Institute of Advanced Technology is yet to be completed under the Higher Education Project for the 21st Century at an estimated cost of Rs. 512 million, only 3 floors were completed at a cost of Rs. 113.8 million and handed over to the company on 21st February 2017. Due to non-completion of work on the remaining two floors, the building remained idle until the audit date of 30 September 2021, the warranty period for the equipment installed in the building had expired.	The second phase of the project had to be completed for the proposed project to be implemented. This is because some of the work related to the first three floors had to be done during the construction of the other floors.	The idle building should be put to use as soon as possible.

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| (b) | No action had been taken to take over the legal ownership of the lands on which the buildings of 9 districts were constructed and the institutions of higher technical education were run. | Agree with the land matters pointed out and necessary steps are being taken to legalize the lands and take over to the institution. | The process of taking over the legal ownership of land by the institution should be expedited. |
| (c) | A sum of Rs. 6,987,493 had been paid to as value added tax (VAT) to a private contractor who was not registered for value added tax with the Inland Revenue Department, for contracts obtained for 08 Advanced Technological Institutions during the period from 2014 to 2018. No action had been taken to recover the amount so paid till the end of the year under review. | At present, Value Added Tax (VAT) of Rs. 6,038,581.36 has been paid and the contractor has also been informed to pay the further Value Added Tax (VAT) amount of Rs. 6,987,493.14 to the Inland Revenue Department. | Payments must be made after confirmation of registration, before paying Value Added Tax (VAT). |

3.2 Idle and Under Utilized Property, Plant and Equipment

Audit Observations	Management's Comment	Recommendation
(a) Although Rs. 19.8 million had been paid to the Contractor on 07 June 2019 for the completion of the initial work of installing a solar power system to reduce the electricity cost of the Dehiwala Institute of Advanced Technological Education, the system could not be activated due to failure to obtain bulk electricity connection till 30 September 2021. The institute had incurred an idle expenses of Rs. 2.5 million as electricity expenses for the period from June 2019 to December 2020,	Four other similar projects were launched simultaneously and the solar power systems of the Advanced Technological Institutes in Kandy, Ampara and Galle are now successfully operational.	In connection with the installation of solar power systems, plans should be made to obtain bulk electricity connections in parallel.

3.3 Delay in Procurement

Audit Observations	Management's Comment	Recommendation
During the year under review, 47 procurement activities valued at Rs. 135.6 million were planned to be carried out in 17 departments and institutions, including the head office of the Institute of Advanced Technology, but no work was completed till the end of the year.	Due to the epidemic situation in the country, the procurement plan that was expected to be implemented during the period from September to December could not be completed. But with the exception of a few items, steps have been taken to start the procurement process.	Efforts should be made to achieve the goals of the approved procurement plan