

Sri Lanka Institute of Advanced Technological Education - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Institute of Advanced Technological Education for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 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 accompanying financial statements give a true and fair view of the financial position of the Institute as at 31 December 2021, 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'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 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 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 Company 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 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 Audit Observations on the preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Audit Observation	Management Comment	Recommendation
Regarding the capital grants of Rs.125,576,971 received by the institute during the year under review, disclosures required to be made in the financial statements as per Sri Lanka Public Sector Accounting Standard 11 was not made	The Public Sector Accounting Standards Committee has presented Sri Lanka Public Sector Accounting Standards No. 11, not an amendment but a proposal. Therefore, this proposal was not taken into consideration while preparing the final accounts of the year 2021. If the Government Audit Office advises, I will proceed according to Public Sector Accounting Standard No. 11 from the year 2022.	Financial statements should be prepared in accordance with Sri Lanka Public Sector Accounting Standards.

1.5.2 Accounting Deficiencies

Audit Observation	Management Comment	Recommendation
(a) Although a sum of Rs.896,972 was payable as at the end of the year under review to a supplier who provided equipment to Galle Advanced Technological Institute, as it was accounted as Rs.4,940,400, the workshop and training equipment value and creditor balance was overstated by Rs.4,043,428 in the statement of financial position as on 31 December 2021. Also, due to the fact that a sum of Rs.9,804,922 paid for the training equipment purchased in the year 2018 and currently used by the institution, has been shown as an advance till	Among the laboratory equipment items given to the institution, the concerned supplier had been taken back. 02 items worth Rs. 4,043,428, assuring that 02 items of the standard would be returned due to the fact that 02 items were not in compliance with the proper standards. No proper authority has been obtained to set off the value of those equipments and reveal the value of the remaining Rs.896,972 from the accounts and I will take appropriate action in this regard in the future.	Goods receiving notes should be issued after checking whether the goods supplied to the organization conform to the relevant specifications before accepting them. Accordingly, the assets should be accounted for. Also, after purchasing assets, the advance should be settled and accounted for under assets.

the end of the year under review without transferring it to the relevant asset account, the value of the workshop and training equipment is understated and the advance balance is overstated by that amount in the financial statements.

1.5.3 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
Section 110(ii) of the Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	A register of damages was not maintained in respect of vehicle accidents.	The subject clerk was informed to maintain a register of vehicle accidents.	Arrangements should be made to maintain registers as per Financial Regulations.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.132,500,160 and the corresponding surplus in the preceding year amounted to Rs.45,556,263. Therefore, an improvement amounting to Rs.86,943,897 of the financial result was observed. The reasons for the improvement were increase in the recurrent grant and institutional income for the preceding year and decrease in operating expenses.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
(a) Although only three floors of the 05-storey Leadership Quality Development Centre building at the Dehiwala Advanced Technological Institution has been constructed at a cost of Rs. 113.8 million based on an estimate of Rs.512 million under the Higher Education Project for the 21 st Century (HETC) and handed over on 21 February 2017, due to the non-completion of the remaining 02 floors, the building remained idle till the date of the report.	In the progress review meeting held with the Secretary of the Ministry of Education on 26.03.2022, it was decided to complete the remaining works of the building and hand it over to Dehiwala Institute of Advanced Technological Education.	Necessary steps should be taken to put the idle fixed assets into usable condition and utilize them.

- (b) According to the agreement reached with the contractor for the installation of the solar energy system in order to reduce the electricity cost of the Dehiwala Higher Institute of Technology, although the basic work related to the installation of the system was completed on June 07, 2019 at a cost of Rs.19.8 million, due to the fact that the institution has failed to obtain bulk electricity connection to operate the system up to the date of the report, the amount of Rs.3.4 million incurred for the institution's electricity from June 2019 to December 2021 had been fruitless expenses.
- To obtain bulk electricity connection for Institute of Advanced Technological Education, Dehiwala, quotations has been called properly and a supplier is selected and further procurement activities are being carried out.
- In carrying out the contract work, related works should also be directed to be completed without delay along with the contract work.
- (c) Although the Dambawela Advanced Technological Institute had been established under the Kandy Advanced Technological Institute, when there were no academic or administrative activities there, the expenses of Rs.4.9 million incurred for water, electricity, sanitation and security services for running the institute from January 2021 to May 2022 had been fruitless expenses.
- Buildings were constructed in this Dambawela premises was remained unused for more than a year and as administrative stability had to be established before the commencement of the study, the necessary staff were employed.
- The academic and administrative activities of the Dambawela Advanced Technological Institute should be started immediately and unnecessary expenses should be stopped.
- (d) When enrolling students for the year 2021, although the maximum number of students that can be enrolled for the civil engineering course and electronic engineering course of the Colombo Advanced Technological Institute is 260 according to its capacity, due to the withholding of applications by the management to admit an additional 640 students over and above those quotas, those additional students had lost the opportunity to enrol in the courses of Galle and Jaffna Advanced Technological
- I will make sure that such deficiencies do not occur in the future, and I will give instructions to the relevant institutions.
- The students applying for the courses of the institute should be given the opportunity to enroll in the courses based on their qualifications.

Institutes on second and third preference.

- (e) An advance payment of Rs.36.9 million was paid to a private construction contract company on 10 November 2016 for the construction of a four-storied building of the Jaffna Advanced Technological Institute and while carrying out the construction work, based on the decision of the case filed to the Jaffna District Court regarding the ownership of the land by a private party, the court had prohibited entry to the land in question from 09 March 2017. Due to this, the advance amount had not been settled till the date of this report and the construction work of the building had been further delayed.
- Agreed with the matters pointed out and no further settlement has been possible as the proceedings are pending.
- Construction work should not start without settling the ownership of land, and the construction of the four-storey building, which has become a source of litigation, as soon as the litigation on the land is settled, the related advance amount should be settled and the construction work should be completed promptly.
- (f) The lands where the Advanced Technological Institutes are maintained within a period of 03 years to 12 years after the construction of buildings in 8 districts, had failed to take over legally, till the date of the report.
- The legal acquisition activities related to land have been started since 2019, and steps have been taken to expedite those steps in 2021. Accordingly, the amount due for Badulla (new land) has been paid with the consent of the governing council and the legal takeover has come to the final authority. Urgent measures have been taken regarding other lands as well.
- Land regularization activities should be expedited and the concerned land should be handed over to the institution.
- (f) The equipment worth Rs. 4 million supplied to the institution by a private supplier in the year 2018, had been taken back by the supplier due to non-compliance with the specifications and workshop equipment worth 22.5 million rupees, which had been supplied to the institution in a defective condition, had been retained by the institution for 4 years as of the date of the report, but no action had been taken to utilize
- Officials from the company that supplied the goods visited the company and inspected the goods and promised to provide a schedule of defect rectification later. However, despite reminding them on several occasions in this regard, they have not responded so far, so it is not possible to proceed further. I will look into the measures to be taken in this regard.
- Following the procurement process, before accepting the goods supplied to the institution by the supplier, they should check whether they are in accordance with the relevant specifications and if there is any inconsistency, the relevant goods should be rejected.

or return the said equipment till the date of the report.

- (g) Although a Director General in the company was accused in 2018 of violating the procurement rules and financial regulations related to the procurement of cleaning services, even though the officer had been removed from post, the relevant disciplinary actions against him and the other officers who are accused in connection with it had not been completed till the date of the report.
- The disciplinary authority of that officer is the Vice-Chancellor of the University of Sri Jayewardenepura, and a formal disciplinary investigation has been conducted in relation to him, and the disciplinary investigation report has not been provided to our institution so far.
- Since the disciplinary authority related to the position of Director General is the Secretary to the Ministry, disciplinary action should be taken against the concerned officer through a formal disciplinary investigation conducted at the Ministry level.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Management Comment	Recommendation
----- According to the action plan of the year 2021, 157 procurement and operational tasks with an estimated value of Rs. 1,489 million, which were planned to be implemented in 19 institutions including the head office, were not implemented during the year.	----- Due to the unusual increase in prices due to the Covid-19 situation in the country and the fact that the suppliers did not submit the prices despite calling for the prices, it was not possible to implement these procurement and operational functions.	----- The activities of the organization should be managed in such a way as to achieve the goals of the annual action plan.