

## **Sri Lanka Institute of Advanced Technological Education - 2012**

### **1 Financial Statements**

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#### **1:1 Qualified Opinion**

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In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the financial position of the Sri Lanka Institute of Advanced Technological Education as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

#### **1:2 Comments on Financial Statements**

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##### **1.2.1 Accounting Policies**

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According to the Accounting Policy No.1.7 of the financial statements, the assets obtained from Government are recognized as income during the effective life of those assets according to a systematic bases. Nevertheless, it had not been so done.

##### **1.2.2 Accounting Deficiencies**

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The following observations are made.

- (a) The computers, projectors and furniture valued at Rs.6,095,192 supplied by the Education for Twenty First Century Project in the year 2012 to the Sri Lanka Institutes of Technical Education had not been brought to account.

- (b) The depreciation of Property, Plant and Equipment had been understated by a sum of Rs.977,112
- (c) Interest on investments had been overstated by a sum of Rs.158,614 due to the failure to compute the interest on investments as at 31 December 2012 accurately.
- (d) The work-in-progress of buildings of an Advanced Technological Institute amounting to Rs.23,378,804 had been capitalised while the fully depreciated property , plant and equipment costing Rs.163,727,770 had not been revalued and brought to account.

### **1.2.3 Accounts Receivable and Payable**

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The following observations are made.

- (a) Action had not been taken for the recovery of the loan installments and interest on the distress loans amounting to Rs.134,395 granted in the year 2005 and 2006 to 04 officers who are at present serving in three Advanced Technological Institutes.
- (b) The creditors balance of Rs.12,627,188 appearing in the financial statements included debts older than 04 years payable to the Public Sector and the Private Sector amounting to Rs.6,795,503 and Rs.1,273,473.

### **1.2.4 Lack of Evidence for Audit**

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Confirmation of balances had not been furnished for the confirmation of creditors and debtors balances totaling Rs.13,958,556.

### **1.2.5 Non-compliance with Laws, Rules, Regulations and Management Decisions**

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The following non-compliances were observed.

Reference to Laws, Rules, Regulations, etc.	Non-compliance
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(a) Public Enterprises Circular No.116 of 24 January 1997	Even though three casual labourers recruited on contract basis had been released for service in the Ministry of Higher Education and paid salaries totalling Rs.618,979 in the year under review the formal approval for that had not been obtained.
(b) Sub – Paragraph 2.11 of paragraph 2.1 of Treasury Circular No. 842 of 19 December 1978	A Register of Fixed Assets had not been maintained for property, plant and equipment valued at Rs. 2,203,124,581
(c) Financial Regulations 135	The financial authorities of the Institute for the year 2012 had not been delegated.
(d) Chapter XII of the Establishments Code	The Leave Register of the Advanced Technological Institutes had not been mentioned in the updated manner. An instance of 44 ½ days of leave not supported by leave applications obtained by a Director of one of the Advanced Technological Institutes during the year under review was also observed.

- (e) Circular No.AI/02/15 dated 02 January 2008 of the Directors General of Sri Lanka Institute of Advanced Technological Education. The Register of Work Done of 02 Advanced Technological Institutes had not maintained properly in terms of circular to enable the examination of the lectures, delivered by the lecturers.

## **2. Financial Review**

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### **2.1 Financial Results**

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According to the financial statements presented, the financial result for the year ended 31 December 2012 amounted to a deficit of Rs.108,514,206 as compared with the corresponding deficit of Rs.101,085,841 for the preceding year. The deterioration of the financial result for the year under review by a sum of Rs.7,428,365 or 7 per cent as compared with the preceding year had been due mainly to the increase of the expenditure on personal emoluments, contractual services and the training and evaluation by sums of Rs.12,616,412, Rs.12,512,605 and Rs.11,601,443 respectively.

### **2.2 Legal Action against the Institute**

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As the possibility of payment of employees compensation amounting to Rs.342,960 in connection with the case against the Institute filed in a Court was probable, provision had been made in that connection.

## **3. Operating Review**

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### **3.1 Performance**

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The following observation are made.

- (a) The percentage of enrolments for the overall courses conducted by the Advanced Technological Institute in the year 2011 had increased by 17 per cent as compared with the preceding year that had increased only by 9 per cent in the year 2012.
- (b) Out of the students who had sat the examination in the second semester of the year 2012, only 38 per cent had passed the examination. Details appear below.

<u>Higher National Diploma</u>	<u>Number who sat the Examination</u>	<u>Passed Number</u>	<u>Passes as a percentage of the Number who sat the Examination</u>
Accountancy	3234	1443	45
Management	774	342	44
Business Administration	187	66	35
Business Financing	63	37	59
English	1670	627	38
Information Technology	712	215	30
Tourism and Hospitality Management }	107	43	40
Food Technology	33	14	42
Engineering	897	114	13
Quantity and Surveys	79	19	24
Building Services Engineering	26	09	35
Technical (Agriculture)	<u>260</u>	<u>158</u>	61
<b>Overall Result</b>	<b><u>8042</u></b>	<b><u>3087</u></b>	<b><u>38</u></b>

### **3.2 Management Inefficiencies**

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The following observations are made.

- (a) Action had not been taken up to 31 December 2012 for the takeover of the lands used by six Advanced Technological Institutes.

(b) Diversifying the Courses, introduction of new courses, introduction of fee charging etc. are among the targets and objectives of the establishment of the Advanced Technological Institutes. Nevertheless, action had not been taken by the Institute of Advanced Technological Education up to 31 December 2012 to introduce the following academic courses included in the Action Plan for the year 2012.

- Higher National Diploma in Construction
- Higher National Diploma in Software Engineering
- Higher National Diploma in Communications
- Technological Certificate Course on Landscape Gardening
- Technological Certificate Course in Gemmology

The following observations are made in connection with the above matters.

- (i) Even though an Advanced Technological Institute had introduced the Higher National Engineering Diploma, permanent Instructors had not been recruited. Teaching according to the Course Outline had been resorted to in connection with the Tourism and Hospitality Management Course introduced. The Head Office had not taken action to supply adequate resources needed for the course even by the end of the year 2012.
- (ii) One Advanced Technological Division had not enrolled any students for the academic years 2012 and 2013. Even though only the External Lecturers had delivered lectures for the Higher National Accountancy Diploma Course conducted at present and a permanent place for delivering of those lectures was not available.

#### **4. Accountability and Good Governance**

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##### **4.1 Presentation of Financial Statements**

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According to Section 6.5.1 of the Public Enterprises Circular No.PED12 of 02 June 2003, the financial statements together with draft Annual Report should be presented to the Auditor General within 60 days after the close of the financial year. Nevertheless, the draft Annual Report for the year had not been presented to the Auditor General while the financial statements had been presented only on 28 May 2013.

#### **4.2 Corporate Plan**

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According to Section 5.1.3 of the Public Enterprises Circular No. PED12 of 02 June 2003, Corporate Plan should be presented to the Auditor General 15 days before the commencement of the financial year. Nevertheless, the Corporate Plan for the year 2012 had been presented to the Auditor General only in May 2013.

#### **4.3 Action Plan**

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Even though the Action Plan had been prepared it did not agree with the annual budget and the financial statements. As such the progress on the achievement of the targets of the Action Plan could not be examined in audit.

#### **4.4 Procurement Plan**

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Even though purchases amounting to Rs.138,963,492 had been made in the year 2012, a Procurement Plan in terms of the National Budget Circular No. 128 of 24 March 2006 had not been prepared

#### **4.5 Budgetary Control**

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The budget had not been prepared in concurrence with the financial statements in terms of Section 5.2.1 of the Public Enterprises Circular PED/12 of 02 June 2003. The variances between estimated expenditure and the actual expenditure ranged between 29 per cent to 56 per cent. As such it was observed that the budget had not been made use as an instrument of financial control.

#### **4.6 Tabling of Annual Reports**

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The Annual Reports for the years 2010 and 2011 had not been tabled in Parliament.

#### **5. Systems and Controls**

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Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Director General from time to time. Special attention is needed in respect of the following areas of control.

- (a) Inventory Control
- (b) Takeover of and Accounting for Lands and Buildings
- (c) Motor Vehicles Control
- (d) Library Administration
- (e) Hostels Control
- (f) Farms Control
- (g) Conduct of Examinations
- (h) Counterfoil Books