

## **Sri Lanka Institute of Advanced Technological Education - 2013**

---

The audit of financial statements of the Sri Lanka Institute of Advanced Technological Education for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of financial performance, statement of changes in equity, and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, 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 the Section 13(1) of the Finance Act, No. 38 of 1971 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 published with the Annual Report of the Institute in terms of Section 14(2)(c) of the Finance Act appear in this report.

### **1:2 Management's Responsibility for the Financial Statements**

---

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

### **1:3 Auditor's Responsibility**

---

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards, consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**1.4 Basis for Qualified Opinion**

---

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

**2. Financial statements**

---

**2:1 Qualified Opinion**

---

In my opinion, except for the effects of the matters described in paragraph 2.2 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 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

**2:2 Comments on Financial Statements**

---

**2:2:1 Sri Lanka Public Sector Accounting Standard**

---

**Sri Lanka Public Sector Accounting Standard No.02**

---

The cash flow statements had not been prepared in accordance with the Standard to reflect the cash outflows and the cash inflows during the year under review. The following weaknesses were observed in the cash flow statement prepared.

- (a) The assets valued at Rs.2,529,547,742 received from two projects in the year had been shown as cash generated from investment activities in the cash flow statement.
- (b) The assets valued at Rs.3,568,211 received by the Institute in the preceding year from the Higher Education for the Twenty-First century Project had been included as the assets generated from investment activities in the year under review in the cash flow statement.
- (c) The sums totaling Rs.573,525,100 including the provision for depreciation adjusted to the accumulated profit in the year under review as prior year adjustment and the other adjustment made to the Accumulated Fund had been adjusted to the loss for the year under review in the cash flow statement.
- (d) Adjustments amounting to Rs.1,273,790,250 including the rectification of the errors of prior years, receipts of assets from projects and other unexplained transactions which do not relate to the cash outflows and inflows had not been included in the cash flow statement.

### 2.2.2 Accounting Deficiencies

---

The following observations are made.

- (a) Disclosure had not been made in the financial statement in respect of 03 cases without determined financial values filed against the Institute in the Labour Tribunal and 07 complaints made to the Human Rights Commission of Sri Lanka
- (b) Even though 03 officers of the Academic Staff had proceeded abroad after obtaining leave, the sum of Rs.1,526,314 receivable by the Institute from them for the breach of agreements had not been disclosed in the financial statements.
- (c) A sum of Rs.31,447 had been credited as the contributions for the Employees' Provident Fund and the Employees' Trust Fund in respect of an officer in service in the Labuduwa Advanced Technological Institute who had obtained no-pay leave from June to November 2013.
- (d) Even though the rectification of errors of the preceding year had been adjustment to the Accumulated Fund with retrospective effect, the prior year figures in the statement of financial position had not been restated accordingly.
- (e) Even though an asset should be depreciated from the time the asset was brought to usable condition, contrary to that, an accounting policy of not providing for depreciation in the year of the purchase of assets had been followed.

### 2:2:3 Accounts Receivable

---

Action had not been taken for the recovery of the distress loans totaling Rs.495,441 granted to 07 Officers of the Sri Lanka Institute of Advanced Technological Education, who had left the Service and one interdicted Officer and the interest thereon.

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

---

The following non-compliances were observed during the course of audit.

<b>Reference to Laws, Rules, Regulations etc.</b>	<b>Non-compliance</b>
(a) Trade Tariff and investment Policy Circular No. 01/2010 of 10 December 2010 Paragraph (1) (e)	Even though the Officers who have completed an active service period of 12 years are entitled to obtain Concessionary Motor Vehicle Import Permit under this Scheme, a Concessionary

- Motor Vehicle Import Permit had been issued to an officer who had obtained no-pay leave for one year for a private purpose during the 12 years period taken into consideration.
- (b) Section 3.8.9 of the Public Enterprises Circular No.PED/12 of 02 June 2003 and the Public Enterprises Circular No.116 of 24 January 1997. Three Casual Labourers of the Institute of Advanced Technological Education had been deployed in the duties of the line Ministry and the Institute had paid a sum of Rs.623,720 as the wages in this connection as at 31 December 2013.
- (c) Financial Regulation 135 of the Democratic Socialist Republic of Sri Lanka. The financial authorities of the Institute for the year 2013 had not been delegated.
- (d) Establishments Code of the Democratic Socialist Republic of Sri Lanka. Chapter XIX Sub-section 5.2.1. Ten per cent of the basic salary of officers occupying official quarters and if married 2 ½ per cent of the salary of the spouse amounting to 12 ½ per cent of the basic salary should be recovered as the total rent. Even though the former Director of the Labuduwa Advanced Technological Institute had occupied the official quarters from 05 March 2012 to 25 March 2013 action had not been taken to make such recoveries.

### 3. Financial Review

---

#### 3:1 Financial Results

---

According to the financial statements presented, the financial results of the Institute for the year ended 31 December 2013 amounted to a deficit of Rs.46,681,748 as compared with the corresponding financial result amounting to a deficit of Rs.108,514,236 for the preceding year. The deficit for the year under review, as compared with the preceding year, had decreased by a sum of Rs.61,832,488 and the decrease of the expenditure on training evaluation by a sum of Rs.2,957,062 and the amortisation of assets from the year 2013 had specially affected that decrease.

#### **4. Operating Review**

---

##### **4.1 Performance**

---

The following observations are made.

- (a) The percentage of enrolments for the Courses conducted by the Institute of Advanced Technological Education in the year 2013, as compared with the preceding year had decreased by 18 per cent.
- (b) The overall passes percentage of the examinations of 12 Advanced National Courses conducted by the Institute of Advanced Technological Education in the second semester of the year 2013 had been 48 per cent.

##### **4.2 Management Inefficiencies**

---

The lands on which the buildings of the Advanced Technological Institutes at Ampara, Mattakkuliya Labuduwa, Badulla, Kandy, Kegalle, Jaffna, Anuradhapura, Batticloa, Samanthurei, Thangalle, Rathnapura, Vavuniya and Naiwala of the Sri Lanka Institute of Advanced Technological Education are situated had not been vested in the Institute up to 31 Deember 2013.

##### **4.3 Transaction of Contentious Nature**

---

The following observations are made.

- (a) Teachers serving in the Universities had been recruited for 02 posts of the Sri Lanka Institute of Advanced Technological Education. In view of the difference between the salaries and allowances (approximately) entitled to those posts in accordance with the approved Schemes of Recruitment and the salaries reimbursable to the Universities, salaries amounting to Rs.1,802,281 exceeding the salary entitlement according to the Scheme of Recruitment had been paid in the year 2013. Instead of appointing the Directors of the Institute internally through promotions, external parties had been recruited on the secondment basis at salaries and allowances higher than the salaries and allowances of the posts and as such it was observed that the practice adopted deprived the opportunities of the officers of the Institute expecting promotions.
- (b) According to the Board of Control meeting No.15/137 of the year 2013, the Director of the Institute of Advanced Technological Education, Naiwala appointed as on secondment basis had been paid the full salary in the in the year under review instead of the salary entitled under the secondment basis.
- (c) According to the financial statements of the Higher Education Project for the Twenty First Century project, that computers and software valued at Rs.20,057,993 had been supplied in

the year under review for the Sri Lanka Institute of Advanced Technological Education, Nevertheless according to the financial statements of the Sri Lanka Institute of Advanced Technological Education, that value amounted to Rs.18,160,652.

#### **4.4 Deficiencies in Contract Administration**

---

The construction work of the Advanced Technological Institute commenced on 31 December 2012 and scheduled for completion on 31 December 2013 had not been completed even by 31 July 2014. The Physical Progress thereof at end of the year under review had been 60 per cent and the financial progress had been 17 per cent.

#### **4.5 Staff Administration**

---

The approved cadre of the Academic Staff as at 31 December 2013 had been 264 and the number of vacancies had been 41. The approved cadre of the Non-academic Staff had been 292 and the number of vacancies had been 57. As such the overall number of vacancies in the staff had been 98.

### **5. Accountability and Good Governance**

---

#### **5:1 Corporate Plan**

---

The Organization Chart of the Institute, the operating results of the three preceding years and the Action Plan (including the officers responsible) that should be included in the Corporate Plan in terms of the Public Enterprises Circular No PED/12 of 02 June 2003 had not been included in the Corporate Plan of the Institute.

#### **5.2 Action Plan**

---

Even though the Action Plan had been prepared it did not concur with the annual budget and the financial statements and as such the progress of achievement of the targets of the Action Plan could not be examined.

#### **5.3 Procurement Plan**

---

Even though fixed assets costing Rs.75,094,057 had been purchased in the year 2013, a Procurement Plan for the year under review had not been prepared in terms of the National Budget Circular No.128 of 24 March 2006.

#### **5.4 Tabling of Annual Reports**

---

The Annual Report for the year 2012 had not been tabled in Parliament.

**6. Systems and Controls**

---

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) Accounting.
- (b) Stock Control.
- (c) Library Control.
- (d) Formulation of Syllabus, Enrolment of Students and Conducting Lectures.
- (e) Hostels Control.