

## **Sri Lanka Institute of Advanced Technological Education - 2015**

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The audit of financial statements of the Sri Lanka Institute of Advanced Technological Education for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 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 was included in this report.

### **1.3 Management's Responsibility for the Financial Statements**

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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**

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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 Auditing 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 judgement, including the assessment of the risks of material misstatement 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**

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

## **2. Financial Statements**

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### **2.1 Qualified Opinion**

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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 2015 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**

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#### **2.2.1 Sri Lanka Public Sector Accounting Standards**

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The Accounting package valued at Rs. 1,394,400 received to the Sri Lanka Institute of Advanced Technological Education under project grants had been shown as computers and machinery instead of showing under intangible assets in accordance with Sri Lanka Public Sector Accounting Standard 01.

#### **2.2.2 Accounting Deficiencies**

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The following observations are made.

- (a) Even though the financial results of the year had been transferred to the Accumulated Fund at the end of every year, a credit balance of profit and loss amounting to Rs. 7,405,666 had been shown again at the beginning of the year under review. In addition to this, even though the total balances of the accumulated funds which existed in the name of the Advanced Technological Institutes was Rs. 110,895,717, it had been included in the financial statements as Rs.103,534,334.
- (b) In the preparation of the cash flow statement, a sum of Rs. 593,015 paid for the purchases in the preceding year had been included in the cash outflows from investment activities of the year under review.

#### **2.2.3. Unexplained Differences**

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Even though an adjustment of Rs. 44,285 had been made to the balance of Government grants existed as at the end of the year under review, no explanations had been given for that adjustment.

### **2.3 Accounts Receivable and Payable**

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The total sum of Rs. 1,641,988 recoverable from 15 officers of the Sri Lanka Institute of Advanced Technological Education who had left the service from the year 2000 to 2012 had not been recovered up to the end of the year under review.

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

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The following instances of non-compliance were observed.

<b>Reference to Laws, Rules, Regulations etc.</b>	<b>Non-Compliances</b>
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(a) Treasury Circular No. 842 of 19 December 1978	According to the audit test check, Registers of Fixed Assets had not been maintained by the Advanced Technological Institutes of Dehiwela, Anuradhapura and Mattakkuliya.
(b) Paragraph (h) (i) of the Trade and Investment Policy Circular No. 01/2013 of 02 August 2013 and Letter No. TIP/01/permit (xvii) of 26 August 2015 of the Director General of the Department of Trade and Investment Policies.	Concessionary motor vehicle import permits had been issued to three Welfare and Establishment Officers contrary to the relevant provisions.
(c) Section 3.4.2(b) of National Procurement Guideline No.08 of 25 January 2006	A water filter had been purchased for Rs. 1,154,400 to the Advanced Technological Institute Section of Anuradhapura deviating from the procurement procedure and it had not been fixed up to June 2016.
(d) Circular No.95 of the Department of Public Enterprises	Payments had been made for examination duties with effect from April 2013 based on the Internal Circular No. SLIATE/01/2013/EXAM of 15 November 2013 without an approval of the Treasury.

## 3. Financial Review

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### 3.1 Financial Results

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According to the financial statements presented, the financial result for the year under review had been a surplus of Rs. 16,516,167 as compared with the corresponding surplus of Rs.54,087,414 for the preceding year thus indicating a deterioration of Rs. 37,571,247 in the financial result of the year under review as compared with the preceding year. Even though the income of the year under review had increased by Rs. 139,530,767, the increase in personal emoluments, expenditure on contractual services, training and evaluations and depreciations by Rs. 176,212,355 had specially attributed to the deterioration of the financial result. However, a continuous improvement in the contribution was indicated after employees' remunerations and making adjustments for depreciation for non-current assets. As such, the contribution as at the end of the year under review was Rs. 874,964,704 and the increase in the contribution of the year under review was 14 per cent as compared with the year 2014.

### **3.2 Analytical Review**

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The current ratio and the quick ratio of the Institute in the year under review were 8:1 and that ratio had improved by 167 per cent as compared with the preceding year. Retention of money in the current accounts and the increase in short term investments had attributed to this improvement.

## **4. Operating Review**

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### **4.1 Performance**

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The objectives of the Sri Lanka Institute of Advanced Technological Education are the conducting, planning and co-ordination of Higher National Diploma and Diploma Courses and the regularization of the enrollment of students for Courses and the maintenance of academic and training standards in Advanced Technological Institutes and 17,605 students were engaged in studies under 11 Advanced Technological Institutes and 6 sections island wide with 14 Higher National Diploma Courses as at the end of the year under review.

The following observations are made in this connection.

- (a) In the examination of students' registration for 5 years according to each course conducted by the Sri Lanka Institute of Advanced Technological Education, a gradual improvement had taken place from the year 2011 up to the year 2015.
- (b) According to the examination results of the first semester of the academic year 2015 of the Sri Lanka Institute of Advanced Technological Education, the percentage of passing of students had ranged from 64 per cent to 90 per cent.
- (c) The following courses which had been conducted in the Advanced Technological Institutes and Divisions of the Sri Lanka Institute of Advanced Technological Education had not been conducted in the year 2015.
  - (i) Higher National Diploma in Accountancy (part time) at Advanced Technological Institutes in Tangalle, Kegalle, Ampara, Galle, Gampaha and Ratnapura
  - (ii) Higher National Diploma in English (part time) at Advanced Technological Institutes in Galle and Kandy
  - (iii) Higher National Diploma in Information Technology (part time) at Advanced Technological Institutes in Gampaha

### **4.2 Management Activities**

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The following observations are made.

- (a) Fifty official quarters are owned by the Ampara Advanced Technological Institute and out of them, 27 quarters are occupied by the officers of the Advanced Technological Institute, other public officers and external parties and 19 quarters of them had fallen into an unusable state. The Management had not paid attention in taking action to repair the dilapidated quarters and make use of them.
- (b) Action had not been taken even by 31 December 2015 to acquire the lands with buildings belonging to the Advanced Technological Institutes at Labuduwa, Badulla, Ampara, Jaffna, Anuradhapura, Batticaloa, Samanthurai, Tangalle, Naiwala, Vavuniya, Kurunegala, Ratnapura and Kandy of the Sri Lanka Institute of Advanced Technological Education.
- (c) Despite having notified to revise the insurance value on the market value of motor vehicles each year by the insurance company which insures the motor vehicles of the Sri Lanka Institute of Advanced Technological Education, the Institute had paid over insurance premiums based on the basic insured value, itself.
- (d) As the Technical College is located in the same land where the Advanced Technological Institute of Ampara is located, the same electricity meter is used for both the institutes and 65 per cent of the electricity bill had been paid continuously without comparing the units consumed by this institute. As such, electricity charges amounting to Rs. 2,246,216 had been paid from January to November in the year 2015 and the Management had not taken action to get separate electricity meters installed for the 02 institutes.
- (e) The insurance company had agreed to pay a sum of Rs. 3,100,000 as total loss or a sum of Rs. 1,300,000 for repairs for the motor vehicle bearing number KI 0645 which had met with an accident on 18 April 2015. Even though the Institute had decided to obtain a sum of Rs. 3,100,000 from the insurance company and dispose of the motor vehicle, it was failed to settle the relevant matters and to obtain the insurance indemnity up to June 2016.

### **4.3 Utilization of Funds**

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Even though capital grants amounting to Rs. 445 million had been given to the Sri Lanka Institute of Advanced Technological Education in the year under review, only a sum of Rs. 204 million or 46 per cent of it had not been utilized. The grants so remained and a sum of Rs. 341,522,161 out of the income obtained as institutional income had been retained in the current accounts and savings accounts as at the end of the year under review without utilizing for an effective purpose.

### **4.4 Idle and Underutilized Assets**

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The following observations are made.

- (a) According to the audit test check, assets valued at Rs. 9,994,548 granted to 03 Advanced Technological Institutes had been lying underutilized in the stores.
- (b) Fifty five computer chairs purchased for a sum of Rs. 827,556 on 05 March 2014 for the Advanced Technological Institute of Dehiwela had become unusable by the end of the year under review due to not being up to the standard.

- (c) A colour laser printer, 02 photocopying machines and 02 colour scanning machines valued at 648.11 Euros received on 23 February 2011 from the improving and upgrading of Technological Education Project to the Advanced Technological Institute of Mattakkuliya had been lying underutilized in the stores without being repaired.

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

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### **5.1 Action Plan**

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According to paragraph 04 of the Public Finance Circular No. 01/2014 of 17 February 2014, the Annual Action Plan had not been prepared.

### **5.2 Procurement Plan**

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In terms of the National Budget Circular No. 128 of 24 March 2006, a Procurement Plan for the year 2015 had not been prepared

### **5.3 Budgetary Control**

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The budget had not been prepared in terms of paragraph 5.2.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003 and in line with the financial statements and variances between the budgeted expenditure and the actual expenditure ranging from 133 per cent to 859 per cent were observed, thus indicating that the Budget had not been made use of as an effective instrument of management control.

## **6. 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.

<b>Areas of Systems and Controls</b>	<b>Observations</b>
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(a) Control of Advances and Petty Cash	<ul style="list-style-type: none"> <li>- Granting of sub imprests exceeding the limit stated in Financial Regulation 371(2)</li> <li>- Granting advances again to the same officer despite the advances obtained earlier had not been settled.</li> <li>- Improper reimbursement of petty cash</li> </ul>
(b) Control of Motor Vehicles	<ul style="list-style-type: none"> <li>- Non completion of the Register of Motor Vehicles and the Log Books properly</li> </ul>
(c) Control of Operations	<ul style="list-style-type: none"> <li>- Failure in returning library books on the due date and non-completion of the Accession Register</li> </ul>

- Improper implementation of agreements on security services and cleaning services

- Existence of variances between the number of hours to be covered by lecturers and the number of hours actually covered.

- Failure in proper approving and updating registers relevant to the attendance of students and conduct of lectures.

(d)Accounting Systems

- Failure in making use of the facilities of the Accounting Package even though it can be used for several operating activities.

- Failure in applying security methods for preventing access without proper authority.

- Failure in accounting income and expenditure relevant to advanced technological divisions in the General Ledger, separately.

- Issuance of several vouchers by the same number and the failure in signing by the officers who prepare the vouchers and the officers who check them.

- Serialized journal vouchers had not been prepared for journal entries and non- inclusion of supporting documents required thereon as well.

(e)Control of Stores

- Failure in balancing the Inventory Books and retention of goods too, of which the guarantee period had expired without being made use of.

- Non-inclusion of items accurately in the Stock Register owned by the Computer Laboratory.

(f)Internal Control

Inadequate assignment of duties in respect of course fees and control of income.