

Sri Lanka Advanced Technological Education - 2018

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Advanced Technological Education for the year ended 31 December 2018 comprising the statement of financial positions as at 31 December 2018 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 Sub Sections 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, 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 2018, 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 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.

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.

1.5 Financial Statements

1.5.1 Internal Control over the preparation of financial statements

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

1.5.2 Non-compliance with the Sri Lanka Accounting Standards

Audit Observation	Management’s Comments	Recommendation
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In terms of s 14 (a) and (b) of Sri Lanka Public Sector Accounting Standards 17, the sum of Rs. 3,878,533 paid for the construction of buildings at the Advanced Technological Institute, Ampara has been included in the financial statements as buildings without accounting as work in progress which had not been completed.	I accept that it should be accounted as work in progress.	Cost of unfinished construction contracts should be recognized as work in progress according to the standard.

1.5.3 Accounting Deficiencies

Audit Observation	Management's Comments	Recommendation
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(a) Retention money paid to a contractor amounting to Rs. 58,360 in respect of a contract in the Vavuniya Institute of Advanced Technologies and completed in the year 2016 had been identified as assets in the year 2018.	As you have stated, Rs.58,360 was not properly accounted mistakenly for in the year, but was properly accounted for in the year 2018.	Action should be taken to account properly.
(b) Out of the mobilization advances of Rs. 203,175,119 given to contractors in the years 2017/2018 relating to 04 contracts, a sum of Rs. 105,480,744 has been settled from the bills and due to accounting that as Rs. 49,417,783 a sum of Rs. 48,276,592 had been understated the work in progress account balance and overstated the advance account balance.	I accept that the amount of Rs. 48,276,592 you have shown is denominated in current assets instead of shown in the non-current asset register. It was caused by an error.	Advance settlement Should be accurately recorded and current and non-current assets should be properly accounted for.
(c) A sum of Rs. 6,835,320 which was payable for obtaining cleanliness services for the Head Office and 6 Divisions of the institution in the year 2017 had been accounted as expenditure of the year under review and as a result the deficit had been increased by the same amount in the year under review.	The amount of Rs. 6,835,320 that you have pointed out had shown in the accrued expenses account correctly and it was erroneously accounted as an expenditure of the year under review.	Expenditure for the year only should be considered when calculating the surplus / deficit of the year under review.
(d) The building of the Advanced Technological Institute of Kandy was assessed by the Department of Valuation in 2017 for a value of Rs.105,563,000 but since it was identified as an asset in the year 2018, the amortization amount of Rs.5,278,150 for the year under review had not been accounted.	The building value of the current year had been included by the Advanced Technological Institute, Kandy and the valuation report had been received to the Head office after preparing the final accounts.	Depreciation should be properly accounted for in respect of assets.

- (e) Even though the interest income relating to 03 fixed deposits invested by the Jaffna Advances Technological Institute for the year 2018 was Rs.202,974, it was shown in the income statement as Rs.257,445 and as a result the profit for the year had been increased from Rs. 54,471.
- I agree that the Advanced Technological Institute of Jaffna had overstated the fixed deposits by Rs.54,471. I would kindly point out by an error that we have been unable to make an accurate calculation
- When identifying the surplus or deficiency of the accounting period, the income relating to that period should be clearly identified.
- (f) Even though, the payable amount with tax for 3,210 lecture hall chairs purchased during the year under review for 11 Advance Technological Institutions was Rs. 20,199,888, it was accounted as Rs. 16,798,630 in the furniture and creditors accounts in the statement of financial position. Accordingly, furniture and creditors amount had been understated by Rs.3,401,258 in the statement of financial position.
- As you have mentioned, there is a under calculation in purchasing furniture for the 11 Advanced Technological Institutions, which resulted under calculation of the creditor balance and as well as the furniture and office equipment account.
- The costs associated with the assets must be accurately identified and accounted for.
- (g) Even though Value Added Tax was exempted for supply and installation of Solar Power Systems, due to the amount payable for supply and installation of Solar Power Systems accounted with Value Added Tax for 3 Advanced Technological Institutions creditors and building value in the statement of financial position had been overstated by Rs.420,794.
- I accept that by an error the VAT calculation has been done for the supply of Solar Power Systems to Advanced Technological Institutions in Vavuniya, Ratnapura and Anuradhapura.
- Tax free payments must be clearly identified and accounted for when accounting for contracts.
- (h) Although the total payable amount in respect of the constructing the Building of Jaffna Advanced Technological Institution amounting to Rs.12,956,179, in the work in progress account and creditors account it was shown as Rs.39,008,253 and due to that creditors account and work in progress account had been overstated by Rs. 26,052,074 in the statement of financial position.
- The relevant accounts have been recorded based on the amount stated in the bill submitted by the contractor for the construction of the Jaffna Institute of Advanced Technological Institute and the contractor had not yet agreed for the deduction made by the Engineering Division of the Sri Lanka Institute of Advanced Technology.
- When accounting the cost of contract, the value of the bill submitted by the Contractor and certified by the Engineer/ Technical Officer should be considered.

Accordingly, if the contractor agrees with the deduction with the engineering division of the Sri Lanka Institute of Advanced Technologies, they agree make changes and expect to do necessary adjustments.

1.5.3 Unauthorized Transaction

Audit Observation -----	Management's Comments -----	Recommendation -----
Even though when obtaining the services of visiting lecturers prior approval of those lectures should be obtained from the Director (Planning and Research) according to the transfer of powers. However, approval for the lectures done for the year under review at the Institute of Advanced Technological Institute Anuradhapura were requested from the Head Office on 1 July and 12 July 2018, since action had not been grant the approved until the end of November of the year, the services of visiting lecturers had been obtained without approval. Vouchers amounting to Rs.2,311,118 have been submitted to the Head Office for the lectures done by visiting lecturers.	Even though the timetables should be sent at least 02 weeks prior to the start of the study for obtaining approval for external lectures at the beginning of the semester, no timetables have been sent for such approval from any institutions. Therefore there is a delay in checking the schedules and approving the approved forms. All the Directors / Academic Coordinators of each semester have been informed this.	Due to the lack of permanent preachers, a methodology should be adopted to obtain the services of external lecturers with the proper approval and the when the requests received to the Head Office for approval, Decisions regarding approved / not approved should be communicated to the respective branches without delay.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs. 33,504,852 and the corresponding surplus in the preceding year amounted to Rs. 61,378,666. Therefore a deterioration amounting to Rs. 94,883,518 of the financial result was observed. The reason for the deterioration was mainly due to the increase in depreciation compared to other income increases in the year under review.

2.2 Ratio Analysis

The current ratio of the Fund was 1.05: 1 in the year under review, a 66 per cent decrease was observed when compared to the previous year.

3. Operational Review

3.1 Uneconomical Transactions

Audit Observation

Even though, a sum of Rs. 2.7 million was paid to Lanka Education and Research Network (LEARN) during the year under review to provide Internet facilities to the students and academic staff of the Sri Lanka Institute of Advanced Technological Education and divisions to obtain information related to their lectures, due to the slowdown in internet service provided by the company, it was observed that there were instances internet facilities had been obtained from the Sri Lanka Telecom spending an additional cost. Accordingly, the amount paid to LEARN for the year under review was a fruitless expense.

Management's Comments

Since the speed of the Internet service is not good and not enough for students and lecturers to use, it present have already been taken to increase it to 20Mbps. By now these facilities have been provided to the Badulla Institute of Advanced Technologies.

Recommendation

Management should focus on selecting an internet service company that can provide efficient service while reducing costs.

3.2 Management Inefficiencies

Following observations are made.

Audit Observation

(a) A mobilization advance of Rs.36,988,498 had been paid on 10 November 2016 to a private construction company to build a four-storied building for the Jaffna Advanced Technological Institute at a land which was not

Management's Comments

The transfer of land has not yet been completed and, The Land Commissioner General's Department is carrying out further work in this regard.

Recommendation

Acquisition of land ownership of the branch offices should be expedited.

transferred the ownership legally. The Engineer had certified a Bill amounting to Rs.12,956,179 relating to the work completed by 24 July 2017. The court ordered not to enter to the relevant land from 09 March 2017, following a decision in a lawsuit filed by the land owner in the Jaffna District Court's against the institution. Further the buildings of higher education institutes of Labuduwa, Kandy (Ampitiya land), Ampara, Anuradhapura, Baticaloo, Vavuniy, Badulla (New land), Ratnapura (New Land), Nawalapitiya and Trincomalee (New Land) have been constructed, action had not been taken to transfer the legal ownership even up to the audit date of 31 May 2019.

- (b) The institute had paid Value Added Tax of Rs. 31 million to the contractor who had not registered for the Value Added Tax when settling bills, without verifying that he had obtained the Clearance Certificate relating to the VAT amount.
- M/S Okanda Construction had informed the Sri Lanka Institute of Advanced Technological Education that they had registered to pay Value Added Tax මකද the amount to be paid to the M/S Okanda Construction was Rs. 28 million and I would like to inform that the VAT overpayment amount of Rs. 13 million will be deducted from amount payable. Further, the Governing Authority instructed to Accounts Division that the VAT registry should be verified in the future to prevent any such shortcomings.
- In the procurement process, the Technical Evaluation Committee should verify the accuracy of the bidding documents and should pay on the approval of the Procurement Committee.

3.3 Operational Inefficiencies

Following observations are made.

Audit Observation -----	Management's Comments -----	Recommendation -----
<p>(a) According to the Mahapola Higher Education Scholarship Trust Fund Circular No. MIF / 1/1/11 (2015/2016) dated 08 June 2018, the institute shall apply for the monthly installment before the 15 of each month and payment for the students should be made before the 31 of the month. However, the first, second and third year students of the year 2018 of the Advanced Technological Institution in Kandy have not been paid till the end of the year under review. There has been a delay of more than one year in the payment of Mahapola Scholarship installments (2015-2018) for the students of all admission years.</p>	<p>The first-year students of 2018 were enrolled in March 2018 and in order to select the Mahapola Scholarship recipients, arrangements have been made for the students to apply for the Mahapola Scholarship through online system. The Mahapola Scholarship recipients will be selected by the Head Office after submitting their data to the Head Office and there is no possibility of applying for installments as the relevant selection have not been made by the date of the audit.</p>	<p>Selection of Mahapola Scholarship recipients should be done without delay by the Head Office and appropriate measures should be taken to prevent delay in payment of Mahapola inslatments.</p>
<p>(b) After enrolling full-time students for the first year of various courses at Advanced Technological Institutes, it was observed a significant number of students leave the course each year due to various reasons. Accordingly, 2,989 students have left the relevant courses in the Advanced Level Institutes in Gampaha, Anuradhapura, Kandy and Galle in respect of 5 courses during the year under review and last 03 years.</p>	<p>It is decided to upgrade the curriculum by improving the quality of the course and it also decides to charge the cost of a student who leaves the course to avoid leaving the course.</p>	<p>Identify the courses that are most likely to be dropped off and study the reasons for dropping out and provide relevant solutions quickly.</p>
<p>(c) Eleven permanent lecturers were lectured as visiting lecturers at the Gampaha Institute of Advanced Technology during their normal working hours and periodic lecturers were allotted time in the time tables</p>	<p>Permanent Lecturers engaged in external lectures have conducted their respective lectures in accordance with the requirements of the internal circulars.</p>	<p>Permanently attached lecturers of the institution should not be allowed to lecture as external lecturers during normal working hours.</p>

for visiting lectures during their regular working hours. Accordingly, the permanent lecturers of the Institute of Advanced Technological Education had been paid a sum of Rs. 539,240 to lecture as visiting lecturers during the year under review. Further, the numbers of lectures to be delivered in accordance with the time table for the lecturers were not covered.

- (d) The first year and second year students of the National Diploma in Agriculture conducted at the Advanced Technological Institute of Gampaha should be given 56 hours and 70 hours of practical training respectively. The unit was inactive due to the animals were sold in the Animal Husbandry Unit which was existed until 2017 to provide practical training and the students had to be taken to a private farm which is situated 16km away from the institute for practical training. Attention had not been made by the management to take action to purchase new animals and to operate the unit.
- At present, a Farm Manager is employed and in the future, I will take action to get the recommendations of the Farm Committee to ensure that the animals are re-used and kept active for the practical training of the students on the small farm scale
- Action should be taken to re-establish the Animal Husbandry Unit, so that students can receive practical training within the institution.
- (e) A total of 261 books value at Rs,65,089 were taken and not handover by the students of the Advanced Technological Institute of Kandy and it was revealed from the Annual Board of Survey conducted from 2007 to 2017 that the 233 books valued at Rs.64,655 have been lost. Further, 181 scrap books valued at Rs. 35,897 were retained in the library of that institute. Further, no action has been taken in respect of 56 such books in Anuradhapura
- The audit report stated that action had not been taken according to the circular relating to 261 books that had been lost by the students, but those 261 books were not been handed over to the library by the students. Reminder letters have been sent to all students who have not handed the library books.
- All certificates and results documents contained in the
- In the event of a delay in the proper return of the issued books, action should be taken as per the relevant circular.

Advanced Technological Institute. personal file of these students are issued upon the recommendation of the Librarian.

- (f) 290 books valued at Rs.578,950 had been purchased for the Advanced Technological Institute in Kandy, without having identified the requirements, in consultation with the Library Committee and the Librarian those books were kept in the library without been used. Books are purchased from the Head Office and are distributed to the library in each institution. Since there is no system to redirect resources which received to the library, although not required for readers to use, it is required to be stored in shelves after entering in the coding register for regulate library activities
- When purchasing books for branch libraries, it should be identified the need.

3.4 Transactions of Contentious Nature

Audit Observation	Management's Comments	Recommendation
Since, the former Director General of the Institute for the period of 01 February 2013 to 22 July 2018 has been accused of violating Procurement Rules and Financial Regulations relating to the procurement of cleaning services, action had been taken to remove the officer from the post but no disciplinary action had been taken even up to audit date of 30 June 2019.	Disciplinary action is being taken on the advice of the Governing Council as the findings of the audit report submitted by the Auditor General's Department confirm this. The Secretary to the Ministry of Higher Education has been informed in writing with recommendation.	Implement disciplinary measures should be expedited against this officer who has violated procurement rules and financial regulations..

3.5 Idled and Under Utilized Property, Plant and Equipment

Following observations are made.

Audit Observation	Management's Comments	Recommendation
(a) Even though Biological Microscope Equipment for the Agriculture Division of the Advanced Technological Institute of Gampaha were purchased on 9	Craftsmen have requested to the Director to provide the necessary facilities through the former Head of the Division (software, computer, projector and air	The infrastructure required to install these equipment should be completed immediately and utilized for practical training of the

September 2015 at a cost of Rs.760,000, the equipment had not been properly positioned and used for practical training until the end of the year under review, and by 9 September 2017, the warranty period of that equipment had been expired. conditioners). students.

- (b) Although a sum of Rs. 388,914 had been spent in 2015 to build a Protected House for the students to carry out their practical activities, by the time of the year under review, there had been problems in the usage of the house and all the equipment of the house had been dysfunctional from end of 2016 to even by the date of audit on 30 June 2019. The Lecturer in charge of the subject has submitted a project proposal for relocation and renovation of the safe house. Practical activities are carried out on existing facilities. Solve the location problem of using the currently underutilized safe house for training purposes and renovation and use of training facilities should be expedited.

3.6 Procurement Management

Audit Observation -----	Management's Comments -----	Recommendation -----
According to the National Procurement Agency Circular No.08, signing a formal agreement in terms of paragraph 8.9.1 (a), giving a minimum bidding period of 21 days for National competitive bidding in terms of paragraph 6.2.2 and obtaining a bond security in terms of paragraph 5.3.11 had not been done by the Sri Lanka Institute of Advance Technological Education relating to procurement of students identity card.	Although purchases of over Rs. 500,000 must be accomplished through a performance bond, I accept that contracts have been made without so done.	Procurement circulars should be complied with.

3.7 Deficiencies in Contract Administration

Audit Observation	Management's Comments	Recommendation
Even though a solar power unit had been installed at a cost of Rs. 13.1 million for the purpose of reducing the cost of electricity of the Institute of Advanced Technological Institute, Gampaha without a proper feasibility study and completed by 8 May 2018, the purpose of installation of the system was not accomplished as there was a need to obtain a bulk electrical connection to operate the system.	No feasibility report has been made prior to the implementation of this project and I accept that due to practical difficulties these delays have occurred. However, I will ensure that such errors do not happen in the future.	A feasibility study should be carried out on the relevant projects prior to the commencement of the project and action should be taken to achieve the objectives of the project.

3.8 Human Resource Management

Audit Observation	Management's Comments	Recommendation
There were 134 vacancies in the institute at the end of the year under review and it is about 25 per cent of Senior-level staff who were directly involved in the decision-making process, 32 percent of tertiary-level staff and 30 per cent of Academic staff, and this situation had become a major obstacle in conducting studies.	Both Deputy Directors were recruited. All the posts of Director Grade I had been recruited and several posts had been directed for the Council approval.	As soon as the vacancies arise in each of the posts, action must be taken to fill the vacancies and to avoid the improper view of the institution by filling the vacancies.

4. Accountability and Good Governance

4.1 Annual Action Plan

Following observations are made.

Audit Observation	Management's Comments	Recommendation
<p>(a) The action plan prepared for the year 2018 was expected to be carried out 19 projects under 04 divisions of the institute during the year under review and it was planned to meet a financial target of Rs 154.65 million. However, the institute failed to implement any planned projects during the year under review.</p>	<p>The service period of the previous Director General of the Institute was terminated under the guidance of the Administrative Authority in July 2018. The Acting Director General appointed subsequently instructed to suspend all projects due to the project value was around Rs. 400 million by that time and delays in allocating funds by the Ministry of Finance also contributed.</p>	<p>In preparing the action plan, management must focus on identifying and achieving the targets that can be achieved during the year.</p>
<p>(b) A sum of Rs. 2 million had been paid to the National Apprenticeship and Training Authority to obtain NVQ VI level to 8 courses conducted at the institute and it was planned to obtain NVQ VI status for 06 of these courses by the end of March 2018, but could not be obtained that status until the end of the year under review.</p>	<p>It was requested to obtain NVQ VI level to 8 courses conducted at the Sri Lanka Institute of Advanced Technologies and The payment for this has been made to the National Apprentice and Training Authority (NAITA) in 2016. NAITA also mapped out these courses to see if they are at NVQ 06 level and these qualifications are offered by the Tertiary and Vocational Education Commission (TVEC). Although we provided all the necessary facilities, it was delayed due to some problematic delays in those two institutions. Since TVEC is authorized to issue NVQ 06, we are kindly informed that we are constantly monitoring the progress.</p>	<p>Action should be taken to achieve NVQ 06 status promptly by associated with the TVEC Institute.</p>

4.2 Sustainable Development Goals

Audit Observation	Management's Comments	Recommendation
Although the Institute is in aware of the 2030 Agenda on achieving the Sustainable Development Goals, action had not been taken to identify and included a programme in the budget the sustainable development goals, the targets and the milestones that should be achieved and the indicators for measuring the achievement of the targets.	Accordingly, the Sri Lanka Institute of Advanced Technological Education has identified the Strategic Goals of the United Nations 2030 Agenda for Sustainable Development Goals. (i) Creating approaches and opportunities for the advancement of the Sri Lanka Institute of Advanced Technological Education. (ii) Enhance the quality and employment of Diploma holders. (iii) Improve the conditions necessary for research development.	According to the United Nations 2030 Agenda it should identify the Sustainable Development Goals, targets and the indicators for measuring the achievement of the targets.