

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Advanced Technological Education for the year ended 31 December 2019 comprising the statement of financial positions as at 31 December 2019 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 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 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 2019, 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.

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 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 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 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 Accounting Deficiencies

	Audit Observation	Management’s Comments	Recommendation
(a)	Although, Institute owned 27 vehicles amounting to Rs.13.9 million in the financial statements of the year under review, had been revalued in the years 2017 and 2018 for Rs.85.3 million, action had not been taken to adjust those revalued amounts to the accounts.	These values could not be disclosed by the accounts due to incompleteness of the procedure of this revaluation	The revaluation values should be adjusted to the financial statements.
(b)	Although short-term investments and interest income receivables amount of Rs.230 million and Rs.10.4 million respectively of the year under review, should be stated separately in the financial statement, it had been shown under the cash and cash equivalent as at 31 December of the year under review.	The Institute continued to maintain accounts in this manner and will act in accordance with this audit report in the future.	Investment and related interest income should be disclosed separately in the financial statements.

1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations	Non-compliance	Management's Comment	Recommendation
(a) Financial Regulation 134(1) and Section 40(1) of the National Audit Act No. 19 of 2018.	Although there should be an internal auditor appointed by the board to conduct the internal audit of the institution, An Accountant in charge of Finance and Accounts of the Institute has been appointed as the Chief Auditor for the post of Internal Auditor which has been vacant since 12 July 2019.	Although the Cabinet approval has been obtained to call for applications and make recruitments, the recruitments have been suspended as per the letter No. DMS/ POLICY / requirements of the Secretary to the Treasury.	The Internal Audit Division should be strengthened by appointing an Internal Auditor in accordance with the provisions of the Financial Regulations and the National Audit Act.
(b) Public Enterprise Circular No. PED/31 dated 01 July 2005.	Although the Audit Committee should meet at least once every 03 months of the year, the Committee was limited to two meetings during the year under review.	No comments from management.	Arrangements should be made to hold the minimum number of meetings per year as per the circular.
(c) Section 2.14.1 of National Procurement Agency Circulars No.08	Although the procurement of Rs. 11.4 million relating to the Phase I of the Administration Division Renovation Project of the Institute of Advanced Technology, Anuradhapura should have been done through a Ministry Procurement Committee, the relevant procurement work had been done through a Departmental Procurement Committee.	Due to a misunderstanding of the procurement principles, when deciding the Procurement Committee, it has taken into account the estimated value of the tax-free engineering estimate. As a result, the Ministry Procurement Committee should be used for procurement, the Departmental Procurement Committee has been used for procurement.	Must act in accordance with National Procurement Agency Circulars.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs. 14.1 million and the corresponding deficit in the preceding year amounted to Rs. 33.5 million. Accordingly, it was observed that the financial result was increased by Rs. 19 million. This increase was mainly due to the increase in treasury allocations.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Management's Comments	Recommendation
(a)	A professor who was released from the permanent service of the University of Sri Jaywardenepura and appointed to the post of Director General of the Institute, had been temporarily removed from his post in 2018 due to allegations of violations of procurement rules and monetary regulations related to the procurement of cleaning services, the disciplinary action against him had not been completed till the date of the report.	No comment has been made in this regard.	Execution of relevant disciplinary action should be expedited against this officer who has violated procurement rules and Financial Regulations.
(b)	Although buildings have been constructed in 09 areas to maintain the Advanced Technological Institutes (ATI), no action has been taken to legally take over the ownership of those lands till the date of the report.	Work is in progress to regularize the ownership of the lands indicated in the report.	The legalization and acquisition of lands on which branch offices are maintained should be expedited.

3.2 Operational Inefficiencies

	Audit Observation	Management's Comments	Recommendation
	The Higher Education Project for the 21 st Century (HETC), which was launched in 2014 and 2015, provided Rs. 2.3 million to 10 officers of the Institute for	Action will be taken in future to recover the amount from the officers who have not completed the relevant degree within the stipulated time.	The development of human resources through postgraduate study opportunities provided under foreign aid projects should be facilitated to enhance

postgraduate courses. However, more than five years had elapsed by the end of the year under review and the relevant officers had not completed the degree courses.

the performance of the institution.

3.3 Idles or underutilized property, plant and equipment

Audit Observation	Management's Comments	Recommendation
<p>The contract for a toilet system at the Institute of Advanced Technological Education, Dehiwala was awarded to a private contractor on 07 March 7 2017 for Rs.9.6 million. However, due to the company only laying the foundations and abandoning the construction work in 2018, the amount of Rs. 2.5 million paid to the company had become a fruitless expense.</p>	<p>The toilet system project was implemented at the request of the institute and had to be halted due to strong protests from the residents living near the boundary wall of the Dehiwala Institute of Advanced Technology. At that time, the contractor had paid for the finished work items and the overhead wiring and I would like to mention that the raw material on the construction site will be used for future construction of the Dehiwala Institute of Technology.</p>	<p>After correctly identifying the need for a project, a feasibility study should be done before the project is implemented and the project should be initiated and implemented in accordance with the plans.</p>

3.4 Deficiencies in Contract Administration

Audit Observation	Management's Comments	Recommendation
<p>Although only three floors of the 05-storey Leadership Quality Development Center building at the Dehiwala Institute of Advanced Technology has been constructed at a cost of Rs. 105.8 million under the Higher Education Project for the 21st Century (HETC), due to the inability to use without the remaining 2 floors, the existing 3 floors and the installed equipment remained idle from 21 February 2017 until the end of the year under review. It was observed that not using the equipment installed in the building could cause problems for future operation and the warranty period of much equipment had expired.</p>	<p>Due to the work has not yet commenced on the second phase, so the additional work required for the use of the 03 floors has been identified and the engineering estimate required for its completion has been prepared and it has been referred to the Ministry for the necessary approval to implement it.</p>	<p>Arrangements should be made expeditiously to utilize the completed 03 floors of this building constructed under a foreign aid project and to complete the work on the remaining 02 floors expeditiously.</p>

3.5 Human Resource Management

Audit Observation	Management's Comments	Recommendation
At the end of the year under review, the total number of vacancies was 88. Also, due to the lack of an updated academic staffing plan according to the number of courses offered at each educational institution, more lecture hours had to be covered by external lecturers.	Action was taken to recruit 21 lecturers with the permission granted by the Ministry of Higher Education on 18 December 2019 to recruit academic staff. Recruitments were made under Circular No. 876 issued by the University Grants Commission and permission has been sought for recruitment in accordance with DMS / Scir / 2020 on 26 October 2020, in accordance with the powers vested in the Secretaries of the Ministries.	As soon as the relevant vacancies arise, action should be taken to fill those vacancies and action should be taken to avoid undue influence on the institution by creating vacancies.