

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the the Institute of Technology, University of Moratuwa for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 202 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 Section 107 (5) of the University Act No. 16 of 1978 and National Audit Act No. 19 of 2018. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, the financial statements give a true and fair view of the financial position of the Institute as at 31 December 2022 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 Opinion

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 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 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 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 Responsibility of the Auditor on Audit 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 scepticism 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 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 Institutes' 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 documents 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 Audit Observations on the Preparation of Financial statements

1.5.1 Internal Control over the preparation of financial statements.

The Institute is 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

1.6 Accounts Receivables and Payables

1.6.1 Accounts Payables

Audit Observation	Comments of the Management	Recommendation
Total creditors balance of Rs. 1,251,747 between 01 year to 02 years and the total creditors balance of Rs. 4,967,589 over a period of 02 years as of 31 December 2022 had not been settled.	The institution does not have sufficient funds to settle the creditors balances.	Actions should be taken to settle creditors without delay.

2. Financial review

2.1 Financial results

The operating result of the year under review had been a deficit of Rs.18,959,131 as compared with the corresponding deficit of Rs.24,900,166 for the preceding year, thus observing an improvement of Rs.5,941,035 in the financial result of the year under review. Increase in recurrent grant provided by the government by Rs.51,733,000 and other income by Rs.7,599,668 despites being increased in personal emoluments expenditure by Rs.45,070, 187 had mainly attributed to the said improvement.

2.2 Trend Analysis of major Income and Expenditure items

The total income of Rs.1,191,481,015 in the previous year had decreased by 52 percent to Rs.557,759,632 in the year under review. Also, expenditure of Rs.1,216,381,181 in the previous year had decreased by 52 percent to Rs.576,718,763 in the year under review compared to the previous year.

2.3 Ratio Analysis

The current ratio was 0.73:1 and the quick ratio was 0.64:1 in the year under review, whereas in the previous year those ratios were 0.68:1 and 0.56:1 respectively. As such, a trend of a favourable condition of the current ratio and an unfavourable condition of the quick ratio were observed in the year under review compared to the previous year.

3. Operational review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Although a sum of Rs.25,000,000 was paid to Sri Lanka Broadcasting Corporation in the year 2007 to take over the ownership of the land on which the technological institute was established, the advance of Rs.25,000,000 paid was an uneconomical expenditure as the ownership of this land had been deviated from the Sri Lanka Broadcasting Corporation in the year 2009. Further, it was unable to obtain the legal ownership of this land even by the end of the year under review.	The rest of the money has not been given by the government and after that the technological institute has been re-established by the Ministry of Higher Education and other authorized institutions. The request letters had been made to the Divisional Secretary, Homagama on 02.02.2022 and 06.05.2022 to clear the issues related to land ownership. A discussion was held with all the relevant parties on 03.03.2022 and a request was made again on 13.03.2023 informing them to complete the relevant works and transfer the ownership to the institution.	Actions should be taken to obtain the legal ownership of the land as soon as possible.
(b) The total of 07 funds amounting to Rs.24,711,780 was not used for the related purposes for a period from 01 year to 11 years.	Requests were not received from the relevant departments to use the relevant funds during this period, and as they cannot be used outside of the established task and funds will be remained so.	The conditions regarding the utilization of funds should be reviewed periodically and action should be taken to utilize the unutilized funds.

3.2 Deficiencies in Contract Management

Audit Observation	Comments of the Management	Recommendation
The construction of 02 floors of 26 rooms each in 02 student hostel buildings, the partitioning of rooms in the two floors in the constructed 02 floors, and the construction of the roofs of the two buildings had been completely abandoned of the buildings worth Rs.8,821,053,785	The planning and development committee of the institute had informed to the competent authority about the incomplete construction of the respective hostel building complex (G and H hostels) On 01.12.2020.	Action should be taken to complete the uncompleted constructions promptly and put them to use in the institution.

handed over after the completion of constructions in the year 2017 under the project of relocating and developing the Institute of Technology. The former Director of the Institute of Technology had taken over the buildings in the year 2017 by issuing acceptance certificates to the construction company as the completed buildings without provide the wooden furniture and equipment which was supposed to be provided for the above rooms.

Since the roofs of the buildings were not constructed from the year 2017, when the buildings were handed over to the institute, until February 2023, there was a risk of damage to other structural parts of the buildings due to exposure to weather conditions for a long time.

Although the competent authority informed the contractor about it, the contractor had not given any reply in this regard. That a committee with the membership of the management board has also been appointed to find out the actions that can be taken at the institution level in this regard.

3.3 Transactions of Contentious Nature

Audit Observation	Comments of the Management	Recommendation
As per the Circular No. 04/2016 issued by the University Grants Commission dated 01 March 2016 for self-financing activities, the income of the course applications had been continuously distributed among the employees without preparing a formal mechanism for the selection of students for the courses and payment of the fees for the aptitude tests. Also, application income of Rs.6,195,437 received in relation to the period from 2020 to 2022 was stated in the current accounts for distribution.	The selection of suitable applicants from about 4500 applying students should be completed within a few months. Only the amounts related to the payments for these additional services were shown in current liabilities. That this has not been recognized as a self-financing activity at all and that the percentages as per the University Grants Commission Circular No. 04/2016 have been used only for allocations to its various funds (eg: directorate funds).	According to the Guideline Circular No. 04/2016 for self-financing activities, those who dedicate extra time should be identified and a special payment system should be prepared for them.

3.4 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation
A shopping complex and a guest house costing for Rs.205,322,908 were built in 2017 and 05 rooms out of 13 shops in the shopping complex	Although the applicants were conveyed, due to the reasons of the location, the situation of the Covid-19 epidemic and the economic crisis, the	Urgent action should be taken for utilization of underutilized

could not be rented out since 2018. shop buyers had not applied. assets
 Remaining buyers are also withdrawing due to lack of economic benefits. That the institute is continuously acting to find suitable applicants for the stalls.

3.5 Human Resources Management

Audit Observation	Comments of the Management	Recommendation
<p>Action had not been taken to fill the 14 vacancies in the approved academic cadre as on 31 December 2022 and 94 external lecturers had been recruited and a sum of Rs.9,297,282 had been paid as lecture fees during the year under review.</p>	<p>The recommendation of the Governing Council as well as the University Grants Commission to provide additional staff has been submitted to the government. As per the government policy, recruitments of employees are restricted, the external lecturers have been recruited to maintain the academic activities. They were paid based on the number of hours they worked. Expenditure for external lecturers can be reduced if permission is granted to fill up the vacancies.</p>	<p>Action should be taken to revise the approved cadre as per the requirement and fill up the vacancies.</p>