

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Arthur C. Clarke Institute for Modern Technologies (“Institute”) for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, 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 Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

The accompanying financial statements give a true and fair view of the financial position of the Institute as at 31 December 2023, 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

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 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 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 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 Accounts Receivable and Payable

1.5.1 Receivables

Audit Observation	Management Comment	Recommendation
(a) Actions have not been taken to settle the outstanding balance of Rs.3,152,164, which has remained for more than 03 years.	The balance represents the amount due for services provided to government institutions and private companies. Some government institutions are currently non-operational. It is expected to conduct a re-analysis on this matter and take actions on recoverable balances.	Debtor balances should be analyzed and necessary actions taken to recover them.
b) Fees receivable related to projects and courses conducted by the institute for external parties from 2018 to 2023 amounting to Rs.2,469,031 has not been collected.	Reminder letters have been sent to clients to collect the amounts due for the invoices, and arrangements will be made to collect the money as soon as possible.	Actions should be taken to recover the receivables.

1.5.2 Payables

Audit Observation	Management Comment	Recommendation
10 balances from unfinished projects, totaling Rs.792,500, have not been settled within the relevant year and have remained in the deferred income account for over 03 years.	This amount recorded as deferred revenue represents balances of invoices that cannot be recovered due to the non-operation of institutions and projects, non-participation of paid applicants, and invoices that need to be canceled.	Actions should be taken to recover the payables by informing the relevant parties.

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

	Reference to Laws, Rules Regulations etc.	Audit Observation	Management Comment	Recommendation
	Financial Regulations of the Government of the Democratic Socialist Republic of Sri Lanka			
(a)	Financial Regulation 134(1)	For the year 2020, duty of the post of Director (Finance) has been covered up by the Director (Internal Auditor). Covering on that post has an impact of the independence of the internal auditor position.	Since urgent steps need to be taken to fulfill the duties of the Deputy Director (Finance) position, an officer has been appointed to perform those duties with the approval of the Board of Directors. In the future, newspaper advertisements will be published, and recruitment will take place.	Actions should be taken to ensure the independence of the internal auditor in accordance with the financial regulations.
(b)	Financial Regulation 371(2)	Although sub-imprests should be given only to staff officers, non-staff officers were also awarded sub-imprests totaling Rs.2,357,200 in 63 instances.	Non-staff officers have also had to be issued due to the shortage of existing staff, various requirements and urgent requirements of the staff. However, in the future, it will be noted to issue advances only to staff officers whenever possible.	Sub-Imprest should be given only to staff officers in accordance with the financial regulations.
(c)	Financial Regulation 756(2)(a)	Although the boards of survey should consist of two members, the institute appointed 05 members for one board. Accordingly, Rs.416,850 has been paid to 33 members	A survey panel of at least five members was appointed, considering various factors such as organizational structure, nature of goods, capacity, and technical requirements. For this, a daily payment is made, subject to a maximum of 21 days, upon	Appointment and payment for the Board of Survey committee should be made in accordance with the Financial Regulations.

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2. Financial Review
2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.23,433,105 and the corresponding surplus in the preceding year amounted to Rs.31,554,058. Therefore a deterioration amounting to Rs.8,120,953 of the financial result was observed. The reasons for the deterioration are project income increased by Rs 13,546,295 compared to the previous year but, course income decreased by Rs. 14,443,475 and government grants decreased by Rs 8,551,600.

3. Operational Review
3.1 Management Inefficiencies

	Audit Observation	Management Comment	Recommendation
(a)	Although an expenditure of Rs.13,171,672 was incurred on the production of the tea color sorting machine, this expenditure has become futile due to the lack of the Field Programmable Gate technology required for implementation, as the technology could not be exposed and sold to the market.	As the officers who worked on the project left the post continuously, new engineers and assistant engineers had to be continuously employed for the project. The project was completed, including equipment training, by the end of 2023. The products should be discussed with interested parties prior to their market release.	Actions should be taken to ensure projects are completed within the stipulated time and that desired objectives are achieved.
(b)	Based on the nature of the projects, there are inventory items valued at Rs.2,518,049, accessories worth Rs.199,218 and tools worth Rs.1,392,997, totaling Rs.4,110,264 in immovable stock. These items have been maintained for over 05 years due to occasional need, but they have not been engaged in any tasks before their expiry.	Most of the bulk items are electronic items which are used from time to time depending on the nature of the projects. If these technical and electronic items are purchased from the market, their prices will be several times higher than this.	Actions should be taken to utilize immovable stock or to conduct an analysis and initiate disposal.

3.2 Idle or underutilized Property, Plant and Equipment

	Audit Observation	Management Comment	Recommendation
(a)	02 devices worth Rs.1,375,400, purchased for the library automation system, have remained idle since 2018 without installation. Additionally, the light measurement system, valued at Rs.17,348,222, which was installed in 2015, has been idle since 2022.	The above items were intended to complete the module that automates the operation of the library MIS system. Despite discussions with a local software developer regarding the 'system firmware' and 'library database system' needed to complete this project, progress could not continue due to funding constraints. Some components of the Illumina Clus light measurement system, installed in Sector 15D in 2015, intermittent malfunction in 2022. A report with a proposed course of action, following a thorough feasibility study, was submitted in 2024.	Actions should be taken to ensure the effective utilization of the relevant equipment.
(b)	Rs.110,320 had also spent to operate an unmanned aircraft, valued at Rs.10,564,677, purchased in 2016 for the purpose of taking photographs for archaeological exploration and excavation work on behalf of the Department of Archaeology. Though, the necessary training and permission to fly had been obtained for that the amount spent has become an idle expenditure, as it has remained unused for its intended purpose since the date of purchase.	As a substitute for satellite imagery of development projects in various fields were imported, subject to the Ministry of Defense's approval of a maximum flight height of 150 meters (492 ft). Limiting the maximum flying height to 60 meters (200 ft) hindered its use for the intended purpose. Additionally, when the new legislation allowing a flight height of 400 feet was introduced in 2022, the flight planning system could not be used for its intended purpose due to an error detected in the related software.	After a thorough assessment of the needs and capabilities to meet the objectives, the goods should be purchased, and necessary arrangements should be made for the use of this aircraft.

3.3 Human Resources Management

Audit Observation	Management Comment	Recommendation
Out of the 177 approved positions of the institute, there were 95 numbers of vacancies, which accounted for 54 percent. 56 percent of the vacancies were in the technology category, which is related to the main functions of the organization.	Engineers, scientists, and technicians resigned for various reasons, and some senior technical officers retired. Although newspaper advertisements were published for technical category positions, recruitment could not proceed due to a lack of qualified applicants and issuance of circulars to stop new recruitment from 2019 to 2024.	Actions should be taken to fill essential staff vacancies without delay.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Management Comment	Recommendation
11 sub-activities of the action plan for the year under review were not completed. Additionally, 11 planned activities did not reach their expected targets.	Out of the 22 activities not carried out 5 are procurements and 17 are technical projects and training programs. 05 procurements could not be completed due to delays in the receipt of capital. Only 06 out of 17 projects and training programs could not be implemented. Although significant progress could be achieved in 04 projects and moderate progress was achieved in 07.	The action plan should be developed by considering the practical circumstances and actions should be taken to carry out the planned activities.