

University of Vocational Technology - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the University of Vocational Technology for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with the provisions of the National Audit Act No. 19 of 2018 and the Finance Act No. 38 of 1971. My comments and observations, which I consider should be submitted 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 University of Vocational Technology 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

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 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 University'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 intends 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 University's financial reporting process.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the University 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 Responsibility on 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 University'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 University'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 University 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 University, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the University has complied with applicable written law, or other general or special directions issued by the governing board of the University;
- Whether the University has performed according to its powers, functions and duties; and
- Whether the resources 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 Preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the Reference to Particular Standard	comment of the Management	Recommendation
As per paragraph 50 of Sri Lanka Public Sector Accounting Standard 07, assets amounting to Rs.4,532,897 were shown as other assets in the financial statements of the year under review without properly categorising of assets.	Assets which cannot be included to fixed assets category were stated as other assets and action will be taken to reclassify those assets in the financial statements of the year 2024.	Sri Lanka Public Sector Accounting Standards should be followed.

1.5.2 Accounting Deficiencies

Audit Observations	comment of the Management	Recommendation
(a) Equipment worth of Rs.60,498,450 had been procured for the multi-purpose studio complex in the years 2017 and 2018 and shown as work in progress in the financial statements without being accounted for as fixed assets. Further, a depreciation policy was not identified for the adjustments of depreciation.	Part of the equipment required to fulfill the desired objectives of the multi-purpose studio has been procured for Rs. 60.5 million and that equipment are unable to use presently.	The reply will not be able to accept and the accounting errors should be corrected as it is confirmed that the equipment is in use.

- (b) Although an amount of Rs. 1,327,606 was shown as amortization expenses relating to intangible assets (software) in the financial statements of the year under review, the related depreciation policy was not disclosed in the financial statements. The depreciation percentage was not included in the intangible asset note in the financial statements and will be included in the 2024 financial statements. All applicable policies should be disclosed in the preparation of financial statements.

2. Financial Review

2.1 Financial results

The operating result of the year under review amounted to a deficit of Rs. 60,583,178 and the corresponding deficit in the preceding year amounted to Rs. 57,072,162, thus observing a deterioration of Rs. 3,511,013 in the financial result. Increase in operating expenses had mainly attributed for this deterioration.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
Although it was decided in the board meeting dated 29 December 2022 that the results of the examinations conducted by the university should be handed over to the examination department within 03 months and the results should be released by the examination department within one month from that date, it had taken 06 months to release the results of the 09 examinations conducted in the year 2022/2023.	Due to the delay in handing over marks by some external lecturers and the shortage of internal staff, the release of exam results has been delayed.	Actions should be taken to release the results within the stipulated time.

3.2 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
Although it was decided in the meeting held on 18 May 2010 to obtain accreditation for the	A new accreditation manual was issued by the Sri Lanka Institute of Engineering in the	Necessary action for accreditation of degree courses should

Engineering degree courses middle of 2022 and according be done promptly.
 conduct by the university, more to the manual, the minimum
 than 10 years have passed since number of permanent staff to
 the inception of the university be employed in at least one
 as on 31 December of the year academic department has
 under review, but it was unable been specified as 08. Due to
 to obtain the accreditation due this requirement has not been
 to the inability to ensure the fulfilled by the university, the
 quality of the degree courses to accreditation process has
 the desired level. been suspended and
 discussions are being held
 with the officials of the Sri
 Lanka Institute of
 Engineering in this regard.

3.3 Delays in Projects or Capital Works

Audit observation	Comment of the Management	Recommendation
<p>(a) As per the Cabinet Decision dated 03 January 2017, the approval had been granted for the construction of a workshop, a hostel for 600 students and a cafeteria with 300 seats at an estimated cost of Rs.927.34 million for the university. Although a total sum of Rs. 281.36 million has been allocated for this project in the years of 2018, 2019 and 2020, only a sum of Rs. 22.5 million had been spent as consultancy fees. Due to action had not been taken by the higher management to commence the construction works on time, the estimated expenditure had increased up to Rs. 3,046.8 million or 300 percent at the end of the year under review.</p>	<p>According to the letter dated 04 May 2022 sent by the Ministry to the University of Vocational Technology, actions were taken to temporarily suspend the relevant project. The National Budget Department has informed that the government has decided not to allocate funds for building construction despite once again asked the Treasury for financial allocations for the 2024 financial year.</p>	<p>The relevant officials should be informed about the building expected to be constructed and the necessary financial facilities should be obtained and the construction work should be commenced.</p>
<p>(b) The approval of the Cabinet of Ministers had granted on 27 April 2011 to construction of a building with a multi-purpose studio complex and a lecture</p>	<p>The deficiencies in this building and the deficiencies in the air conditioning system of the studio have been almost completed and after the air</p>	<p>Budgetary allocations should be taken to complete the balance works of</p>

hall complex in the University of Vocational Technology and an amount of Rs 434.4 million was allocated by the Treasury and Sectoral Skill Development Project. Although a sum of Rs.304.5 million had been spent as at 31 December 2020, the building could not be utilized.

conditioning system is formally handed over to this university, a service and maintenance agreement will be entered with the relevant institution.

the project without delay.