

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the Sri Lanka Institute of Advanced Technological Education for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance, statement of changes in equity, and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information 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 reported 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 financial statements give a true and fair view of the financial position of the Institute as at 31 December 2024 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 Audit Scope ( Auditor's Responsibility on the Audit of 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 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 Audit Observations on the Preparation of Financial Statements**

### **1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards**

<b>Non-compliance with Reference to Relevant Standard</b>	<b>Management Comment</b>	<b>Recommendation</b>
<p>(a) Although transactions and events should be recognized and accounted for when they occur on an accrual basis in terms of Paragraph 07 of Sri Lanka Public Sector Accounting Standards 01, due to the fact that the total of Rs.1,563,677 in gratuity surcharge expenses, cleaning expenses, security expenses, electricity and telephone expenses related to the year under review had been accounted for in contrary to that, current liabilities had been understated and the surplus had been overstated in the financial statements by that amount.</p>	<p>All accrued payments have been accurately accounted for and no officer had to pay a surcharge in the current year.</p>	<p>Before certifying the financial statements, the accountant should ensure that the transactions and events are recognized and accounted for on an accrual basis when they occur, according to Standard No. 01.</p>
<p>(b) The residual value and useful life of an asset should be reviewed at least at the end of each annual reporting period according to Paragraph 65 of</p>	<p>Plans were made to revalue assets in accordance with Accounting Standards in 2024 and the valuation of Tangalle Institute building</p>	<p>Before certifying the financial statements, the accountant should ensure that the residual value and useful life of</p>

Sri Lanka Public Sector Accounting Standards 07 and if expected conditions differ from estimates, although those changes should be accounted for as a change in an accounting estimate, the organization had not taken action in accordance with the standards regarding 38 vehicles valued at Rs.11,904,168 used during the year under review.

has been initiated through the Valuation Department.

an asset are reviewed at least at the end of each annual reporting period and any changes in estimates are recorded to ensure that they are accurately accounted for according to Standard No. 07.

(c) Although the gross carrying amounts of property, plant and equipment that have been fully depreciated but are still in use should be disclosed in a note to the financial statements, according to Paragraph 92 (b) of Sri Lanka Public Sector Accounting Standards 07, the Institute had not acted accordingly and an updated Register of Fixed Assets had also not been maintained.

It has been decided to appoint a committee consisting of officers with expertise to calculate the carrying values of fully depreciated but still used property, plant and equipment and that activity could not be completed in the year 2024.

Before certifying the financial statements, the accountant should ensure that disclosures regarding property, plant and equipment that have been fully depreciated but are still in use have been made in the financial statements according to Standard No. 07.

(d) Although it has been stated that the present value of the defined benefit obligation at the reporting date should be determined using actuarial techniques when accounting for Defined Benefit Plans according to Paragraphs 61, 65 and 67 of Sri Lanka Public Sector Accounting Standards 19, actions had not been taken accordingly in respect of the provision for gratuity amounting to Rs. 324,972.

After carrying out a formal price call, steps will be taken to obtain the assistance of a suitable expert in the future to prepare a actuarial record and , prepare a board report and submit it to the Board of Directors of the Institute, and obtain the assistance of an expert after receiving approval for it.

Before certifying the financial statements, the Accountant should ensure that the entity has used actuarial techniques to value the defined benefit plan according to Standard No. 19 .

(e) Due to recording of Rs. 21,583,203 which should have been recognized as expenses incurred at the end of the year under review as

Actions will be taken to be recalculated through the financial statements of the year 2025.

Before certifying the financial statements, the Accountant should ensure that the payments that are not

intangible assets in contrary to Paragraphs 18 and 19 of Sri Lanka Public Sector Accounting Standards 20, the value of intangible assets had been overstated and expenses had been understated by that amount.

included in the definition of intangible assets were recorded as expenses, as mentioned in Standard 20.

## 1.5.2 Accounting Deficiencies

Audit Observation	Management Comment	Recommendation
(a) Although the interest income related to 04 fixed deposits was recorded as Rs.47,089,885 according to the Statement of Financial Performance , since the interest income calculated by the auditor as per the bank balance confirmation is Rs.37,309,482, interest income and interest income receivable for the year under review had been overstated by Rs.9,780,403.	The relevant details have been retrieved from the bank where the fixed deposits are held and a copy of it will be submitted.	The Accountant should ensure that income has been accurately accounted for before certifying the financial statements.
(b) Due to the fact that the balance of the savings account of Rs.359,667,810 as at December 31 of the year under review had been shown under non-current assets, the balance of non-current assets had been overstated and the value of cash and cash equivalents had been understated by the same amount in the statement of financial position.	As savings account balances have been consistently exceeding Rs.250 million for many years, and since it does not fall under current assets it has been decided to place the accounts under non-current assets.	The Accountant should ensure that the current assets are properly accounted for before certifying the financial statements.

### 1.5.3 Unreconciled Control Accounts or Records

Item	Value as per Financial Statements Rs.	Value as per Corresponding Records Rs.	Difference Rs.	Management Comment	Recommendation
Value of Gratuity Provision	57,038	1,104,322	1,047,284	Actions will be taken to correct the financial statements 2025.	The Accountant should ensure that employee gratuity allocations have been accurately accounted for before certifying the financial statements.

### 1.5.4 Lack of Written Evidence for Audit

Item	Amount Rs.	Audit Evidences Unavailable	Management Comment	Recommendation
Fixed Deposit value of the Jaffna Regional Office	2,657,318	Copies of Balance Confirmation and Fixed Deposit Certificates	The relevant details have been received again from the bank where the fixed deposits are held and a copy of it will be submitted.	Balance confirmations to verify the value of fixed deposits and copies of fixed deposit certificates should be submitted for audit.

## 1.6 Accounts Receivable and Payable

### 1.6.1 Accounts Payable

Audit Observation	Management Comment	Recommendation
Out of the total creditor value of Rs. 105.89 million, the value exceeding 04 years was Rs. 31.25 million and the Institute had not taken steps to settle the relevant creditor balances.	These balances cannot be removed and due to deficiencies in certain information to be submitted by creditors and deficiencies in capital provisions these balances could not be paid.	The Institute should take steps to settle creditor balances.

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

	Reference to Laws, Rules, Regulations, etc.	Non-compliance	Management Comment	Recommendation
(a)	Section 5 of Chapter XIX of the Establishments Code of the Democratic Socialist Republic of Sri Lanka	Although a married officer who is not entitled to scheduled houses should be charged 12.5 per cent of the salary and an unmarried officer should be charged 7.5 per cent or economic rent, in contrary to that, the rent for the official quarters belonging to the Ampara Hardy Institute of Advanced Technology had been charged as Rs.17, 31, 62, 92 and Rs.125 and actions had not been taken to update the rent charged after 1984, that is after about 40 years.	It has been sent to the Provincial Assessor to obtain a new assessment for the rent of official quarters, and if the rent increases, the occupancy of official quarters may decrease furthermore.	Rent for official quarters should be charged in accordance with the provisions of the Establishments Code.
(b)	Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka	Although all deposits that had lapsed 02 years from the date of deposit or the date of completion of the project should be credited to the relevant account or income, in contrary to that, 07 lapsed deposits valued at Rs. 1,437,593 had been shown under creditors.	Steps have been taken to be disclosed through the final accounts 2025 .	Actions should be taken in respect of all deposits that have been outstanding for more than 02 years. immediately.
(c)	Public Finance Circulars (i) Circular No. 445 dated 12 August 2010	Although pre-consultation with state-owned security service providers is required when obtaining security services for statutory boards and state corporations, without asking so, security services had been obtained from 02 private institutions from 15 March 2024 to 14 March 2024 and from 15 April 2025 to 14 April 2026 .	Quotations have been called for the coming year under the National Competitive Bidding System.	Prior inquiries should be made from government-owned security service providers when obtaining security services.

(ii) Financial Regulations 756 (6) as amended by Circular No. 01/2020 dated 28 August 2020

The Board of Surveys of an institution which is having provincial or regional offices shall be appointed on or about the 15th day of December of each year and shall report as soon as possible after the 31 day of December, the Institute had not appointed the Board of Survey for the year under review before that date. Although the Board of Survey activities should be completed before 15 March of each financial year, the Board of Survey activities for the year 2023 had not been completed at the Head Office and 16 Regional Centers by 30 June 2025.

The Board of Surveys are being done in such institutions by now and these activities have been completed in certain institutions.

Board of Surveys should be done after the appointment date of the Board of Surveys according to Financial Regulation 756.

(d) Section 5(1) of the Payment of Gratuities Act, No. 12 of 1983

Although gratuity payment should be made within 30 days from the date of completion of service, payments of Rs. 5.68 million had been made to 11 employees after a delay of between 21 and 821 days.

It is mentioned that no officer had to pay any surcharge during the reporting year.

Gratuity payment should be made in accordance with the Gratuity Payment Act.

## 2. Financial Review

### 2.1 Financial Results

The operating result for the year under review was a deficit of Rs. 121,947,713 and the surplus as against to that was Rs. 97,086,919 for the previous year. Accordingly, a decline of Rs. 219,034,632 was observed in the financial result. The increase of maintenance expenses and other expenses had mainly contributed to this deterioration.

## 3. Operational Review

### 3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
By keeping a cash balance for working capital needs, the Institute had lost income that could have been earned by investing the excess cash in	Currently, 03 fixed deposits are maintained and another fixed account is planned to be opened.	The Management of the Institute should act to manage the financial affairs of the Institute

short and long-term investment flows from the balance of Rs.359,667,810 in the Institute's savings account as at 31 December.

in a manner that is most beneficial to the Institute.

### 3.2 Project or Capital Work Delays

Audit Observation	Management Comment	Recommendation
(a) Out of the 08 projects mentioned under work-in-progress, although 07 projects valued at Rs.111,366,561 have been implemented for a period of between 04 and 11 years, the Management had not taken steps to complete the remaining work of those projects and achieve the expected benefits for the Institute.	Answers have not been given.	Actions should be taken to achieve the desired benefits by completing remaining works on projects stated under work-in-progress.
(b) Due to the termination of the remaining work on the completion of 02 new four-storey buildings constructed at a cost of Rs.39,444,781 at the Hardy Institute of Advanced Technology premises in Ampara since 2020, the cost incurred thereon for that had been in vain.	The remaining 10 per cent of the construction of these two buildings is being carried out with the labor contribution and consultancy of the Sri Lanka Army by now.	Actions should be taken to complete the remaining works of the projects and achieve the expected benefits.
(c) Due to the non-completion of internal electrical wiring work related to the solar panel energy systems installed at a cost of Rs.19,076,807 and Rs.20,584,622 in the Dehiwala and Mattakkuliya Institutes of Advanced Technology between 2017 and 2021 with the aim of minimizing electricity costs, the cost incurred for that has been useless since 2021.	Financial provisions have been approved through the Procurement Plan 2025 to select a contractor to obtain wholesale electricity supply and the relevant procurement process is currently being done.	Actions should be taken to complete the internal electrical wiring installation work related to solar panel energy systems and obtain the relevant benefits promptly.

- (d) Although an advance payment of Rs.36,989,498 was approved in 2016 and a payment of Rs.13,941,165 in 2017 for the four-storied building proposed to be constructed by the Jaffna Institute of Advanced Technology without formally confirming the ownership of the land, the construction work had been stopped due to the failure to formally confirm the ownership of the land. Furthermore, although the judgment in the case filed by a private party for the ownership of the land was received in October 2023, the Institute had not taken steps to take over the relevant land belonging to the government and resume construction or recover the advance even by the date of audit date of 11 July 2025.
- The construction was temporarily stopped in 2017 based on an order issued by the Jaffna District Court and the relevant land has not been fully released to the Jaffna Institute of Advanced Technology for construction.
- The ownership of the land should be formally acquired and construction work should be started.