

National Institute of Language Education and Training - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Institute of Language Education and Training for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 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 Finance Act No. 38 of 1971. 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 2020, 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 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 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 Responsibility in Auditing 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 Audit Observations on the preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Following observations are made.

Audit Observation	Management Comment	Recommendation
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(a) Although fixed assets valued at Rs. 12,285,304 had been fully depreciated but, they were continuously to be used due to non-review of the effective life time of non-current assets annually in accordance with paragraph 65 of the Sri Lanka Public Sector Accounting Standard No.07. No action has been taken to rectify the estimated error occurred by that in accordance with the Sri Lanka Public Sector Accounting Standard No.03.	Request has been applied for revaluation to the department and necessary adjustments could not been made in financial statements due to relevant work has not been done yet. Necessary adjustment should be done as soon as the valuation reports received.	Action should be taken in accordance with the Sri Lanka Public Sector Accounting Standards.
(b) Although a case has been filled against the Institute in labour court. it had not been disclosed a brief description of the nature of the contingent assets at the reporting date and where practicable and estimate of their financial effect and period of setoff and	Action will be taken to include the relevant accounting discloses in the future accounts.	Action should be taken to disclose in accounts correctly.

reimbursement in financial statements according to the standard No.08.

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| (c) The cost value of the land which the Agalawatta Tanning centre is located about 01 hectare has been stated as Rs. 615,000 in the financial statements, the fair value of the land had not been shown in the financial statements. | Necessary adjustments will be made as soon as the valuation reports are received. | Action should be taken to revalue and account correctly. |
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1.6 Receivable and Payable accounts

1.6.1 Receivable amounts

Audit Observation -----	Management Comment -----	Recommendation -----
Receivable amount of Rs.2, 290,285 had not been settled for more than 2 years from the abolished Ministry of National Integration, Official Languages, Social Progress And Hindu Religion Affairs and it was shown as a balance of receivable in the financial statements.	This shown the balance to be received after deducting the received amount during the year 2019 from the balance of receivable amount as at 31 December 2018 for the settlement of liabilities in respect of the programs carried out on the provisions of the Ministry then in existence in the year 2018.	Action should be taken to charge the receivable amounts.

1.6.2 Payable amounts

Audit Observation -----	Management Comment -----	Recommendation -----
A sum of Rs.11, 335,467 has been existence for more than two years. out of Rs.13, 524,317 of trade and other payables included in the Financial Position statement as at 31 December 2020 and action had not been taken to settle those balances.	Further these balances are shown in the accounts due to non – receipts of necessary allocations.	Action should be taken to settle the balances.

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

 Following observations are made.

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Section (e) of the paragraph 6 of the National Languages Education and Training Institute act No.26 of 2007.	Action had not been taken to invest the balance of Rs. 62,204,717 in the savings account in short term and long term securities as at 31 December 2020. Further, the money had been kept in a general savings account for several years without any investment and the high interest income had been lost that could have been obtained by investing that money in a fixed deposit.	Action will be taken to invest in a fixed deposit.	Action should be taken to invest the excess money in fruitful investment with proper approval.
(b) Financial Regulation of the Democratic Socialist Republic of Sri Lanka Financial Regulations 571 (2) and (3)	The deposits exceeding 02 years were Rs. 107,000 out of the refundable deposit balance of Rs. 870,600 which was deposited by suppliers as at 31 December 2020. Action had not been taken with regarding those deposits as per financial regulations.	Action will be taken as per Financial Regulations 571 (2) and (3)	Action should be taken as per Financial Regulations
(c) Section 21.1 and 23.2 of the paragraph XLVIII of the Establishment code of the	Although any unpaid wages during the period of suspensions should be ordered to be paid after a formal disciplinary	There are about 1.5 million public officers to impact second language proficiency and Director General	Action should be taken as per Establishment code.

Democratic Socialist Republic of Sri Lanka.

inquiry is held immediately or within the prescribed period and if it is determined that the accused officer is acquitted of all charges from that report , an order of reinstatement. However, the director general and administrative officer had been reinstated and a sum of Rs. 666,026 had been paid as salaries and allowance for the period of suspension without performing those functions.

and the administrative officer had been reinstated and paid the salaries and allowances who have been in service from the beginning on the letter dated 31 January 2020 of the Secretary to the Ministry of public administration and home affairs as a necessary step to expedite that training.

The new Board of Directors was appointed by the minister on the recommendation of the president on 11 May 2021. The board of directors met on 15 July 2021. The board paper for reinstatement of two officers submitted to the first board meeting and it had been approved by the board of directors.

(d) Public finance circular No. 01/2020 dated 28 August 2020 770 (4) of the Financial Regulations included by paragraph 13.2

A car and three - wheeler had been parked in the premises for several years without being driven and action had not been taken with regarding the unusable vehicles which should be disposed as per circular instructions.

Although there were some technical faults, these two vehicles can be repaired and used. Further, the existing vehicles will have to be repaired and used because the lease period of two vehicles leased by the institution will

Action should be taken as per the Circular.

expired on February and March of 2022.

(e) Paragraph II of the Management Services Circular No.03/2018 dated 18 July 2018.	Although should refrain from recruiting employees and deciding the salaries and allowances of their employees without obtaining prior approval from the Department of Management Services, 11 officers had been recruited and paid a sum of Rs. 1,726,853 as salaries and allowances during the year review without complying with those instructions.	There are no enough officers in the Institute and supervise teaching of second language for all the public officers in the country. Therefore the salaries and allowances have been paid for recruitment of the relevant officers temporary and obtaining the service for continuation of the activities of the institute.	Action should be taken as per the Circular.
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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. 7,946,868 and the corresponding surplus in the preceding year amounted to Rs. 2,006,172 Therefore an improvement amounting to Rs. 5,940,696 of the financial result was observed. The reasons for the improvement were the administration expenditure and implementing of training programs expenditure were decreased by Rs.61,521,410 although the revenue was decreased by Rs.55,678,813 during the year under review.

3. Operating Review

3.1 Idle or underutilized property, plant and equipment

Following observations are made.

Audit Observation -----	Management Comment -----	Recommendation -----
(a) A multifunction printer had been purchased at a Rs. 2,024,000 in the year 2019. Although the primary purpose of purchasing this printer	Relevant work has been done considering the institutional requirements and market situation prevailing at the time	Purchases should be done after identifying the need of the institution properly.

was printing 50,000 to 100,000 certificates. An additional cost of Rs. 1,026,000 was incurred for printing 38,000 certificates from an external agency in the year 2020 due to the action had been taken to purchase without preparing technical specification to suit the necessity of the institution.

- (b) The two washing machines, valued at Rs. 295,924 which were purchased without identifying the proper requirement in the year 2015, were not used until the end of their lifetime. Further, two vehicles owned by the institution, were underutilized without using during the year under review.

of purchase of the printing machine and this printer is currently used for printing activities of the institute. All printing work carried out by the institute cannot be done by this machine alone.

One of these machines has been utilized for the quarters of the Agalwatta training institute and appropriate action will be taken for the other machine. They could not be utilized due to vacancies of driver posts.

Making purchases after identifying the need properly and necessary arrangements should be made for utilization of vehicles.