

National Apprentice and Industrial Training Authority - 2022

1. Financial Statement

1.1 Qualified Opinion

The audit of the financial statements of the National Apprentice and Industrial Training Authority for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 National Audit Act No. 19 of 2018 and the 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, 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 Authority 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 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 Authority'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 Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial Reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Authority 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 Authority.

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 Authority'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 Authority 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 Authority, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Authority has complied with applicable written law, or general or special directions issued by the governing body of the Authority.
- Whether the Authority has performed according to its powers, functions and duties; and
- Whether the resources of the Authority 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 Internal control over the preparation of financial statements

Entities are 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.

1.5.2 Accounting deficiencies

Audit Observation	Comment of the Management	Recommendation
(a) Buildings, training equipment and intangible assets worth of Rs.2,084,556,810 received from the Austrian Project Fund in the year 2020 had only been disclosed but had not been accounted for during the year under review.	These assets received by the Katunayake Engineering Technology Institute from an Austrian project completed in the year 2020 and those assets could not be accounted for due to the lack of sufficient information even by 31.12.2022.	All assets received by the institute should be properly accounted for.
(b) The import value of the vehicle received as a donation for training activities in the year 2017 had not been accounted for, as such, during the asset revaluation done in the year 2021 the revaluation reserve was overstated and the capital grant was understated by the net value of that vehicle amounted to Rs.1,256,152.	The import value of this vehicle of Rs.2,405,534.00 had not been accounted for in the training equipment and capital receipts account.	The import value of the vehicle received as training equipment should be accounted for
(c) The value of 03 plots of land owned by the authority worth of Rs. 5,280,000 and the value of the two	That the values of the Jaffna land, Katunayake hostel and Katubedda quarters owned by	All assets owned by the institute should be properly

- plots of land of 167.5 perches located in Mullaitivu and Gampaha had not been valued and accounted for.
- the Authority, which were missing from the accounts, being taken into accounts in the year 2023.
- accounted for.
- (d) Lands worth of Rs.341,726,574 obtained on lease basis on 31 December 2020 was not amortized in relation to the year under review and the previous year, as such, the surplus of the year and accumulated surplus were overstated by Rs.3,261,884 each and the land was overstated by Rs.6,523,768.
- That the depreciation calculated for the previous years and for the year 2022 has been accounted for by Journal No. 534.
- Action should be taken to amortize lands acquired on lease basis.
- (e) The value of the 500 tab machines received as donations in the year 2021 had not been assessed and accounted for.
- A proper invoice for the tab machines had not been given by the relevant institutions and it will be corrected in the year 2023.
- Assets owned by the authority should be properly accounted for.
- (f) Due to the advance amount of Rs.1,495,555 had not been capitalized related to the 06 contracts which had been completed during the period of 2017 to 2022 and the settlement of total advances amounted to Rs.20,103,595 had not been accounted for, current assets were overstated by Rs.21,599,150, the value of buildings and the value of work in progress were understated by Rs.1,495,555 and Rs.20,103,595 respectively.
- Completed constructions works valued for Rs. 1,495,555 were capitalized during the year.
- Action should be taken to capitalize the completed construction works.
- (g) A sum of Rs.20,638,200 payable to the Commission for the certificates printed by the Tertiary and Vocational Education Commission and handed over to the Authority in the year under review and Rs.3,960,200 payable to a private institution for printing works were not accounted for.
- Action will be taken to make this payment from the provisions of the year 2023.
- All transactions related to the year should be accounted for.
- (h) As per financial statements, the provision for Gratuity related to the year under review was Rs.31,813,587 but as per calculations of the audit, the value was Rs.22,300,913. As such,
- That correctly accounted by the journal entries in the year 2023.
- The gratuity for the year should be calculated correctly.

surplus of the year and the provision for gratuity balance as on 31 December 2022 were understated and overstated by Rs. 9,512,675 respectively in the financial statements.

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| (i) | A sum of Rs. 41,574,974 receivables from the Department of Multipurpose Development Task Force for the "Multi-Purpose Development Task Training Programme" to train 100,000 job seekers in the year 2022 were not accounted for. | Although request was made for the receivables, no confirmation had been received so far that the amount will be paid by the Task Force. Accordingly, had not been accounted for. | All receivables related to the year should be accounted for in the respective year. |
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1.6 Accounts payable and Receivable

Audit Observation	Comments of the Management	Recommendation
The total debtor balance of Rs.12,612,299 and the total creditor balance of Rs.10,093,619 as on 31 December 2022 remained from a period between 1 year and 5 years and the total debtor balance of Rs.31,396,431 and the total creditor balance of Rs.3,348,035 over 5 years were unable to recover or settle.	Action will be taken to check and settle these debtor/creditor balances.	Action should be taken to check and settle these debtor/creditor balances.

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

Reference to laws, rules, regulations	Non compliance	Comment of the Management	Recommendation
(a) Financial Regulation 571(2) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Action had not been taken to settle the payable deposits in the Financial Position Statement as on 31 December 2022 total amounting to Rs.30,404,624 remained more than 2 years.	Actions have been taken for prompt settlement of the balances that can be paid and released.	Financial Regulations should be complied.
(b) Management Services	An officer was recruited for the	It was mentioned in the recruitment procedure and in	Circulars should be complied.

Circular No. 02/2020 dated 26 October 2020 post of Director General from 04 January 2020 contrary to the recruitment procedure and a sum of Rs.694,000 was overpaid as salary and allowances. the newspaper advertisement, that the basic salary of the post of Director General as Rs.86,865/-, but the recruited Director General had been withdrawn a basic salary of Rs.109,565/- corresponding to his earlier post, as such, payments had been made on the recommendation of the interview panel and the approval of the Governing Body. Accordingly, he has been paid an excess amount of Rs.37,700 with monthly professional allowance.

2. Financial Review

2.1 Financial Results

The operations in the year under review had resulted in a surplus of Rs.6,715,737 as compared with the corresponding deficit of Rs.57,777,077 for the preceding year, thus observing an improvement of Rs.64,492,813 in the financial result. The change in the method of accounting of government capital grants, increase in ministry provisions and increase in other income had mainly attributed to this improvement.

2.2 Trend Analysis of major Income and Expenditure items

- a. The grants received for “Nipunatha Sisu Saviya” by 149 percent and other income by 89 percent had increased compared to the year 2022, while the grants received for the 100,000 jobs program had decreased by 82 percent.
- b. A new grant of Rs.41,130,789 was received from the line ministry for Consultancy Performance Allowance in the year 2022.
- c. Personal emolument costs had increased by 81 percent, while financial and other costs had decreased by 48 percent. As an average, operating costs had increased by 13.7 percent compared to the previous year.

3. Operational review

3.1 Management Inefficiencies

Audit observation	Comment of the Management	Recommendation
(a) 111 laptop computers procured between the year 2015 and 2022 were distributed among 103 officers in their personal names without considering the duty	Officials who have received more than one laptop and tab of the authority have been informed to return them.	Procurements should be made after identifying the requirement correctly and the

- requirement and the nature of the position. It was revealed during the audit that, 02 computers each for 04 officers and 03 computers each for 2 officers were issued. procured assets should be used more efficiently.
- (b) Although a separate printing department with a staff of 11 and machinery worth of Rs.10,923,635 was established for the printing works of the Authority, Rs.9,134,700 was paid to external parties for printing works in the year under review. During this period raw material prices were very high and in addition to orders few printings orders were received from district offices. Accordingly, An order of Rs. 8,960,200 had to be ordered from outside by calling the quotations. Efforts will be made to increase the efficiency of the printing press and not to outsource printing. The resources of the authority should be utilized with maximum efficiency.
- (c) According to an agreement made with the Department of Multipurpose Development Task Force, for the project of training 100,000 job seekers started in the year 2020, only 35 percent of the expected job seekers i.e. 34,660 people had completed the training as of 31 December 2022 at a cost of Rs.100,835,305. Although an information database was established at a cost of Rs. 4,650,800 for this project in the year 2021, it was not possible to obtain information about the employment of the jobseekers. Although it was aimed to train 100,000 job seekers under this project, certificates have been issued for 34,660 job seekers who successfully completed the first phase of training by 2023.08.31. Action should be taken to improve the performance of the projects.
- (d) A donation of 84 items worth Rs.10,099,202 was received from the Chinese Embassy on 19 November 2021 for the installation of a laboratory for the Higher Diploma in Digital Technician course under the Industry Cooperation Apprenticeship Training Centre. Arrangements had not been made to commence the relevant diploma course and establish the computer lab even by the end of the year. The necessary laboratory facilities for commencing the Higher Diploma in Digital Technician course had already been prepared even by 22.04.2022. The course will be commenced in the future based on the decisions of the Board of Directors. Benefits receiving for the improvement of performance should be efficiently utilized.

under review.

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| <p>(e) The recommendations related to the investigation regarding the irregularities that had occurred in the “Nipunatha Abisheka” program held in Matara district in the year 2015 for the distribution of 5000 certificates for the evaluation of Recognition of Prior Learning (RPL) had not been implemented even by the year 2023.</p> | <p>Although a sum of Rs. 101.9 million were spent in 2015 to the project, only Rs. 66.41 million was reimbursed and remaining Rs.35.5 million was identified as receivable balance. A sum of Rs. 5.5 million was received from Holcim organization. Accordingly, the remaining balance of Rs. 29.9 million reflected in the final accounts.</p> | <p>Implementation of the recommendations of the investigation report should be expedited.</p> |
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3.2 Operational Inefficiencies

Audit observation	Comment of the Management	Recommendation
<p>(a) Although the National Apprenticeship and Industrial Training Authority established a company named NAITA Foreign Employment (Private) Limited in the year 2022 to send people to foreign employments deviating the purpose of establishing the National Apprenticeship and Training Authority and received an amount of Rs. 1.2 million from outsiders, no individual has been sent for foreign employments even by 15 October 2023. The income and expenditure of this company were made through a control account through the main bank account of the authority and the balance of this control account as of 31 December 2022 was Rs.608,385. Even though this company is in completely inactive condition, a sum of Rs.224,000 had been paid to the Foreign Employment Bureau for the renewal of the license of the foreign employment agency for the year 2023.</p>	<p>At present, the company is completely inactive condition. The company had earned income of Rs. 1.2 million but no person had sent overseas. That there were no sufficient transactions for the year 2022 and all expenditure and income were accounted for through a control account.</p>	<p>Special attention should be paid to implement the purpose of establishing the Authority. Also, action should be taken to recover the money paid for renewing the license of the inactive agency from the responsible officials.</p>
<p>(b) Due to the lack of a formal program to give allocations provide by the Ministry of Education for the payment</p>	<p>Due to delays in receiving funds and details of payments to apprentices</p>	<p>Action should be taken to provide the bursaries to the</p>

of bursaries to the students receiving vocational training, out of Rs.55,266,600 provides to the authority in the years 2021 and 2022, an amount of Rs.10,279,600 was remained in the current account. from the Ministry, the students without apprenticeship allowance delay. for the year 2022 could not be paid in that year and payment had been made in the first half of the year 2023.

- (c) Out of the amount received during the period from the year 2017 to 2020 for incurring capital expenditure under the Sectoral Skills Development Project, a sum of Rs.62,789,505 was retained in the account without being spent for the relevant purpose. That an amount of Rs.62,789,505 received for the Sectoral Skill Development Project has been shown as capital allocation in the financial statements. The funds received should be used to achieve the relevant objectives with maximum efficiency.