

Ceylon German Technical Training Institute - 2022

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Ceylon German Technical Training Institute for the year ended 31 December 2022 comprising statement of financial position as at 31 December 2022, 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 reported to Parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Institute as at 31 December 2022 and financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for 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 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 or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute 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 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 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 Institute, 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 Preparation of Financial Statements

1.5.1 Internal Control Over 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 Non-compliance with Law, Rules and Regulations and Management Decision

The following observation are made.

Reference to the Law, Rules, Regulation	Non-compliance	Comments of the Management	Recommendation
(a) Paragraph 38(1) (d) of the National Audit Act No 19 of 2018	According to the provisions of the Act, the Chief Accounting Officer should ensure that the annual reports and other financial statements of the Institution are submitted to the Parliament on the due date. However, the annual reports of the year 2021 have not been submitted to the Parliament by 25 April 2023.	The annual reports of 2021 have been prepared and completed by 23 April 2023 and forwarded to the Line Ministry to obtain Cabinet approval.	Action should be taken according to the circular.
(b) Financial Regulation 880	Officers who are administratively responsible for the receipt or custody of public	This work has already been commenced and approval has been obtained from the Board Meeting Minute date	Action should be taken to comply with Financial Regulation.

		money, revenue, stamps or stores had not been complied with in accordance with the Public Officers (Security) Ordinance	01/06/2023. I informed that action will be taken to obtain security from these officers after receiving the approval of the Ministry.	
(c)	Financial Regulation 1646	Daily driving records and monthly summaries of 25 vehicles used by the Institution were not submitted to the audit.	Comment not received.	Action should be taken to comply with Financial Regulation.
(d)	Paragraph 8.2.2 of the Public Enterprise Circular No. PED 12 of 02 June 2003	Eventhough an amount of Rs.13,074,448 in fixed deposits and Rs.14,337,709 in treasury bills were deposited as investments in the financial statements as at 31 December 2022, the approval of the Treasury was not obtained as per the circular	Eventhough approval of the Treasury for the relevant investments is requested, no reply has been received. Further, steps have been taken to use the money for development works with the approval of the Governing Board.	Circular should be adhered.
(e)	Circular No. 05/2008 dated 06 February 2008	The institution had not worked to prepare a charter of citizenship in order to create an obligation to fulfill the public needs promptly, qualitatively and continuously.	The draft is under further discussion and action is being taken to finalize soon.	Circular should be adhered.
(f)	Sections 04 and 16 of the Ceylon German Technical Training Institutions Act No. 15 of 2017	An advisory council was not appointed to give recommendations to the governing body and the relevant Minister on all matters related to the performance of the institution's duties as per the provisions of the Act.	Comment not given	The provisions of the Act should be complied with.

2. Financial Review

2.1 Financial Result

The financial result of the operations of the Ceylon German Technical Training Institute was Rs. 6.4 million for the year under review and corresponding deficit of the previous year was Rs. 24.9 million and it was observed that there is an improvement of Rs. 18.5 million in the financial

result of the year under review compared to the previous year. It was observed that this progress was mainly, due to increase in Government allocations and the part-time course fees.

3. Operational Review

3.1 Management Inefficiencies

The following observations are made.

Audit Observations	Comments of the Management	Recommendation
(a) The National Apprenticeship and Industrial Training Authority, the National Youth Service Council, the Vocational Training Authority and the Sri Lanka German Training Institute in Kilinochchi affiliated to the Ceylon German Technical Training Institute which are maintained at the expense of the Government are awarded the National Vocational Qualification Certificate (NVQ 4) to students within 2 years or less period of time. However, only Ceylon German Technical Training Institute had taken 3 ½ to 04 years thereon. Therefore, the time of the trainees as well as the Government resources were wasted, due to the lack of inter-connection between the Government Vocational Training Institutions.	Comment not received	Action should be taken according to the recommendation of the Committee on Public Enterprise held on 16 May 2023.
(b) The approval of the Cabinet had been given on 09 January 2020 to amend the Ceylon German Technical Training Institute Act in order to bring the Sri Lanka German Training Institute (SLGTI) established as per the Cabinet Decision dated 17 December 2019 located in Kilinochchi and the proposed Matara National Vocational Training Center under the same administrative authority. Eventhough the National Apprenticeship and Industrial Training Authority (NAITA) had taken over the Sri Lanka German Technical Training Institute situated in Kilinochchi, no action had been taken to amend the Act.	Comment not received.	Action should be taken to increase the capacity of the institution with a proper plan.

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| (c) | Eventhough it was shown as task of the Ceylon German Technical Training Institution to conduct research on vocational training, establishment of regional centers and publish magazine and periodicals journals on vocational and technical training, those tasks were not fulfilled until the year under review. | Comment not received. | Action should be taken according to the provisions of the Act. |
| (d) | Action had not been taken to recover an amount of Rs.211,707 due from 03 employees who left the service during the year under review. | Reminders have been sent to collect the amount of Rs.196,263 due from one officer who left the service without notice. I am informed that action will be taken to collect the amount of Rs. 8,444and Rs. 7,000 to be collected from the other two officers. | Unpaid staff loans should be recovered without delay. |
| (e) | An amount approximately Rs.50 million had been remined idled through out the year in the current account maintained for the part time courses . | I informed that action will be taken to invest the excess money by reviewing further development needs of the Institution. | Money received from the part time should be used for the effective activity. |
| (f) | An order has place on 24 December 2021 to purchase goods from a Government Agency at a cost of Rs. 64 million including tax under two procurements by providing allocation of Rs. 65 million over the Rs. 50 million limit approved by the Cabinet considering the purchase of household equipment for the Attidiya student hostel as an emergency purchase, without calling competitive bids. However, the goods had been received to the institution on 16 December 2022 after a delay of one year. | Comment not received. | Circulars should be adhered and remain sound internal control. |
| (g) | Eventhough procurement of three wheels had been made in February 2022 for the course of three wheel conducted in the Boralla Reginal Center, the requirement of the students had not been fulfilled up to now. | Comment not received. | Action should be taken to fulfil the training requirement of the students. |

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| (h) | <p>Although the total of 29 acres and 0.35029 hectares of 05 land used by the Institute is owned to the Ceylon Transport Board and the Sri Lanka Railway Department, the institute had not taken action to identify the legal ownership and take over these lands even at the end of the year under review.</p> | <p>As per the accounting concept (Substance Over Form), the value of the land has been presented in the annual financial statements as the entity used the land, even though there is no legal right. Accounting notes No. 05 have disclosed information about land ownership.</p> | <p>Action should be taken to recognized the legal ownership and taken over these lands.</p> |
| (i) | <p>Although the number of students applying for full-time courses in the Institute increased from 3,075 to 4,683 during 05 years, the number of students enrolled to the Institute remained within the limit of 600 students. Accordingly, evnthough there was an increase of 412 percent to 681 percent in the demand over the enrolment limit for the courses, there was no attention on improving the capacity of the Institution to carry out the enrolments to meet the demand. The following observations were made.</p> <ul style="list-style-type: none"> i. Although there are 09 and 25 acres of land in Anamaduwa and Kilinochchiya training centers respectively, the necessary activities have not been done to develop the courses in these centers. ii. 37 apprentices were recruited for Three Wheel Course at Borella Training Center and 56 apprentices were recruited for Agricultural Machinery Repairing Course at Anamaduwa Regional Training Centre during the year under review. Aluminum Fabricator Training Courses proposed for Borella Training Center in the year 2020 were not commenced. iii. Although 192 apprentices have been recruited for the training courses at the Kilinochchi training center, the agricultural equipment repair course approved by the Board in the year 2021 had not been commenced. Accordingly, | <p>Comment not received.</p> | <p>Recruitment of students, conduct of training courses and employment should be followed up.</p> |

the Institution had not taken strategic measures to increase performance by commencing new courses and increase student participation.

- iv. The Institution did not have an information system related to the employment of the students after training period from the time they were registered.

3.2 Transactions in Contentious Nature

Audit Observations	Comments of the Management	Recommendation
Although the Audit and Management Committee had given recommendations that proposals should be prepared for the payment of the incentives and payment should be made from the income received from the services provided by the Institution and the approval of the Public Enterprises Department should be obtained for the same, action had not been taken accordingly.	Comment not received.	Approval should be obtained as per circular while paying allowances.

3.3 Identified Losses

Audit Observation	Comment of the Management	Recommendation
Although the Director/Principal official house owned to the Institution has not been used since the year 2020, a sum of Rs. 2.3 million had been spent as security fees of the official house from the year 2020 to the year 2022.	Comment not received	The existing system should be regularized

3.4 Delays in Projects Or Capital Works

The following observations are made.

Audit Observations	Comments of the Management	Recommendation
(a) the construction work of the 06-storied hostel building in Atthidiya area construct for the students of the Ceylon German Technical Training Institute, which was commenced in 2018 and planned to be completed by the 25 of October 2020 by the Skills Sector Development Project, had not been completed by the end of the year under review.	The work of the hostel built for the students of this Institution had been completed by now.	Projects should be implemented as fulfill the desired objectives.
(b) The construction works of the 03 storied hostel building in Sri Lanka German Training Institute (SLGTI) located in Kilinochchi which was commenced in 2020 and planned to be completed by 31 August 2021, was not completed at the end of the year under review.	The work of the hostel built for the students of this Institution had been completed by now.	Projects should be implemented as fulfill the desired objectives.

3.5 Human Resources Management

Audit Observations	Comments of the Management	Recommendation
(a) In accordance with the provisions of the Ceylon German Technical Training Institutions Act, salary increments, appointment letters were not given for the staff of the Sri Lanka Transport Board by conducting efficiency bar examinations and there were instance where Employee Provident Funds were not paid.	The approval was given to grant appointment letters to the employees of Sri Transport Board with effect from 25 August 2017 in the Board Meeting held in 2018. However, as per the provisions of the Act, it was unable to issue appointment letters, as there was objection from the employee parties regarding the issuance of the appointment letters, due to an opportunity was given to leave the service.	Arrangements should be made to give salary increments and appointment letters by conducting Efficiency Bar examinations.
(b) The decisions taken in the Committee on Public Enterprise meeting held on 23 May 2019 to prepare salary scales equal to educational qualifications in relation to the	The committee appointed by the Ministry to resolve the salary issues of the academic staff of the Technical Training Institutes under	The decisions taken in the meeting of the Committee on Public Enterprise should be

five main vacant positions in the Institution and negotiate with the Treasury to fill those vacancies and resolve the problematic situations regarding salary increments during the restructuring of employee positions by negotiating with the Treasury was not implemented until 31 December 2022. Further, the said posts remained vacant from the year 2013 till the year under review. Apart from that, there were 61 vacancies of academic and non-academic staff of Sri Lanka German Technical Training Institute in Kilinochchi as at 31 December 2022

the Line Ministry has summoned and discussed the existing problems. implemented.

- (c) A sum of Rs. 2 million allowance was paid by the end of the year under review to a representative of the governing body appointed from February 2020 without the approval of the Minister for the post of Director/Principal of the Institution, An officer who was in a junior management level position was appointed for the post of Deputy Director/Deputy Principal from the year 2011 to the year 2020 on the acting basis and Rs. 1.8 million had been paid as salary and arrears of salary.
- In accordance with Sections 17 (1) and 17 (5) of the Institutional Act No. 15 of 2017, Director-Principal had been appointed to perform the functions of the Director-Principal effective from 18.02.2020 by letter No. ADM/01/10/05/15 and dated 19.02.2020 of the Secretary of the Line Ministry until a permanent appointment is made to the position of Director-Principal, due to the difficulty in recruiting, According to the second paragraph of the letter, arrangement has been made to pay a monthly allowance of Rs.61,000.
- Recruitment should be done as per the Act.
- (d) An officer holding the position of management of Human Resources was employed for administrative work in a regional center with the approval of the board, due to a problematic situation in the organization and eventhough there is no acceptable performance of the officer, an amount of Rs. 935,800 had been paid during the year under review as salary.
- As per the instructions of the Governing Board, the said officer was assigned to the Borella Regional Center as he was hindering to the maintenance of industrial peace in the Institution and called back to the Institution as per the instructions of the Governing Board.
- Internal control system should be established