

National Institute of Languages Education and Training

1. Financial Statements

1:1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1:2 of this report, the financial statements give a true and fair view of the financial position of the National Institute of Languages Education and Training as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1:2 Comments on Financial Statements

1:2:1 Accounting Deficiencies

The following deficiencies were observed.

- (a) Revenue expenditure amounting to Rs.273,818 had been brought to account as capital expenditure.
- (b) Consumable materials valued at Rs.63,362 purchased during the year under review had been capitalized and the provision for depreciation thereon amounting to Rs.5,280 had also been brought to account.
- (c) Items valued at Rs.71,348 purchased in the year under review had not been brought to account as fixed assts.

1:2:2 Going Concern of the Institute

The value of net assets of the Institute in the preceding year amounted to Rs.12,174,553 and that had decreased to Rs.2,819,132 in the year under review. As the net assets had decreased by Rs.9,355,421 by the end of the year under review, it was observed that it could adversely affect the going concern of the Institute.

1:2:3 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed.

Reference to Laws, Rules, Regulations, etc. -----	Non-compliance -----
(a) Financial Regulations -----	
(i) Financial Regulation 231(1)	Test checks revealed instances where the full details of the services had not been recorded in all payment vouchers to enable checking without referring to any other registers as far as possible.
(ii) Financial Regulation 264	Even though the receipt of the gross amount appearing in the voucher should be supported by the acknowledgement from the payee, receipts had not been obtained in 11 instances for payments made amounting to Rs.1,314,590.
(iii) Financial Regulation 395(h)	The preparation of Bank Reconciliation Statements, banking of cash collections, writing cheques and the maintenance of cash book had been done by the same officer.

(b) Circulars

(i) Government

Procurement Guidelines -

Guideline 4.3.1(a)

A total cost estimate had not been prepared for the construction of the canteen of the Agalawatta Office and an agreement that should be signed for works valued over Rs.250,000, had not been entered into in this connection.

(ii) Government Procurement
Guidelines -

Guideline 5.4.6

Even though a certain amount of money should be retained until the expiry of the defects liability period of the contract, it had not been so done in connection with the contracts for the construction of the canteen.

(iii) Department of Inland
Revenue Circular No.
PAYE/Tax/01/2011 of 18
April 2011- Paragraph 2.

Action in terms of the circular had not been taken for the recovery of Pay As You Earn Tax and remitted to the Commissioner General of Inland Revenue.

2. Financial Review

2:1 Financial Results

According to the financial statements presented, the operations of the Institute for the year ended 31 December 2012 had resulted in a deficit of Rs.444,839 as against the surplus of Rs.997,495 for the preceding year. This had resulted from the increase of expenditure by 23 per cent despite the increase of income by 12 per cent in the year under review as compared with the preceding year.

3. Operating Review

3:1 Performance

Seventeen programmes relating to the activities included in the Action Plan had not been implemented at all during the year under review.

3:2 Management Inefficiencies

- (a) Inventory goods had not been numbered and Division-wise separate Inventory Registers had not been maintained.
- (b) A penalty of Rs.4,668 had been paid for the failure to pay the contributions to the Employees' Trust Fund on the specified dates.
- (c) It was observed that it had not been possible to achieve the expected objectives by spending large amounts of money on the improvement of the language skills of public officers due to reasons such as about 80 per cent of the participants of the Languages Proficiency Courses of Level II and III conducted Island-wide dropping out halfway and the non-implementation of a course of action to ensure the uninterrupted participation of officers in the courses. A proper methodology for the evaluation of the success of the language classes conducted had not been prepared.

3:3 Staff Administration

Two posts in the Executive Grades and two posts in the Non-executive Grades in staff of the Institute had been vacant as at 31 December 2012. Details appear below.

Post	Approved Cadre	Actual Cadre	Number of Vacancies
-----	-----	-----	-----
(a) Executive	09	07	02
(b) Non-executive	09	07	02
(c) Other	07	07	--
	-----	-----	-----
Total	25	21	04
	=====	=====	=====

04. Accountability and Good Governance

Action Plan

The Action Plan prepared by the Institute did not include the responsibilities of the respective Divisional Managers for each activity.

05. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Institution from time to time. Special attention is needed in respect of the following areas of control.

- (a) Motor vehicles utilization
- (b) Contract administration
- (c) Library control
- (d) Assets management
- (e) Accounting
- (f) Financial control