

National Institute of Languages Education and Training - 2013

The audit of financial statements of the National Institute of Languages Education and Training for the year ended 31 December 2013 comprising the statements of financial position as at 31 December 2013 and statements of comprehensive income, statements of changes in equity and cash flow statement for the year then ended and summary of significant accounting policies and other explanatory 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 Section 13(1) of the Finance Act, No.38 of 1971 and Section 13(3) of the National Institute of Languages Education and Training Act No.26 of 2007. My comments and observations which I consider should be published with the Annual Report of the Institute in terms of Section 14(2)(c) of the Finance Act appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable for preparation of financial statements that are free from material misstatements whether due fraud or error.

1:3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000 – 1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute's preparation and fair presentation of financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the Audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

2. Financial Statements

2:1 Opinion

In my opinion, 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 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2:2 Comments on Financial Statements

2:2:1 Accounting Deficiencies

The following observations are made.

- (a) Even though a case filed in a Court against the Institute by an employee of the Institute is pending, the provision for that had not been made in the final accounts while that had also not been disclosed by a note to the accounts.
- (b) Action had not been taken for the revaluation of the land exceeding 2 acres in extent costing Rs.100,000 vested in the Institute in the year 2008, the other fixed assets costing Rs.49,836,647 and the fixed assets costing Rs.16,130,639 of zero value which are utilized further.
- (c) A sum of Rs.250,033 brought forward from the preceding year continued to be accounted as expenditure incurred in advance without being recognised as an expenditure.

2.2.2 Unexplained Differences

Action had not been taken for the settlement of the unused credit balance of Rs.52,785 appearing in the Other Advances Account.

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
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(a) Payment of Gratuity Act, No.12 of 1983 Section 20	Even though the cost of living allowances added to the basic salary should be considered for computation of gratuities, computation of gratuity had been done based on the basic salary.

- (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka
- Financial Regulations 756
- The Annual Board of Survey for the year 2013 had not been conducted.
- (c) Public Enterprises Circular No.PED/12 of 02 June 2003
Section 6.5
- The draft Annual Report for the year under review had not been prepared.
- (d) Procurement Guideline No.8 of 25 January 2006
- (i) Section 9.3.1
- Even though the approval of the Secretary to the Ministry should be obtained for repairs to motor vehicles costing more than Rs.200,000 such approval had not been obtained for the repairs to two motor vehicles costing Rs.992,876.
- (ii) Sections 4.3.1 and 8.12.1
- A total cost estimate had not been prepared for the construction amounting to Rs.207,900 of bathrooms and fixing tiles of the hostel at Agalawatta. Even though the procurement entity is responsible for the adequate supervision for the execution of works and assessing for the purpose of making interim and final payments, the Technical Officer had certified the payments, without the final measurement report.

3. Financial Review

3:1 Financial Results

According to the financial statements presented, the operations of the Institute for the year ended 31 December 2013 had resulted in a deficit of Rs.2,204,465 as compared with the corresponding deficit of Rs.444,839 for the preceding year. The financial results for the year under review as compared with that of the preceding year, had deteriorated by a sum of Rs.1,759,626 and the main reason for that had been the increase of the administrative expenditure by a sum of Rs.5,067,666.

4. Operating Review

4:1 Management Inefficiencies

The Institute had not taken action for the recovery of a sum of Rs.114,727 recoverable from a former Chairman.

4:2 Operating Inefficiencies

The Academic Board of the Education Training Institute comprising 08 persons had held only one meeting in the year under review and only 03 members had participated in that meeting. Thus it was observed that the Academic Board vested with the responsibilities and powers of the Institute in terms of Section 8(1) of the National Institute of Language Education and Training Act, No.26 of 2007 had not made an adequate contribution for the execution of functions.

5. Accountabilities and Good Governance

5:1 Action Plan

Action had not been taken for the timely review and updating of the Action Plan.

(a) The progress of execution of the following objectives of the Action Plan had been 40 per cent.

- (i) Training of resource persons for the teaching of the Sinhala /Tamil /English Languages to Public Officers.
- (ii) Training of Teachers for the teaching of Sinhala /Tamil Languages to the general Community under the Languages Associations National Enterprises.
- (iii) Vocational English Language Course for Public Officers.
- (iv) Training Programmes on Preparation and Planning Courses.

(b) The following Programmes had not been implemented.

- (i) Syllabus Development, Accxiliary Training Textbooks, Teachers Handbooks preparation (Language Association Sinhala)
- (ii) Programme for exchange of experiences with the Central Indian Institute of Languages for the maintenance of relationships with other foreign institutions.
- (iii) Preparation of the English Language Course and the Syllabus for the improvement of skills in the link Languages of the Public Officers

5.2 Academic Committee

Meetings of the Academic Committee had not been held in the timely basis and 03 meetings had been held in November and December 2013.

5:3 Budgetary Control

Significant variances were observed between the budgeted expenditure and in actual expenditure, thus indicating that the budget had not been made use of as an effective instrument of financial management control.

6. Systems and Controls

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

- (a) Accounting
- (b) Financial Control
- (c) Motor Vehicles Utilization
- (d) Library Control