

National Institute of Language Education and Training – 2016

The audit of financial statements of the National Institute of Language Education and Training for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016, the comprehensive income statement, statement of changes in equity and cash flow statement for the year then ended and a 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 Language 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 the preparation of financial statements that are free from material misstatements, whether due to 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 Auditing 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 procedure to obtain audit evidence about the amount and disclosure in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement 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 the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on effectiveness of the Institute’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the 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.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the National Institute of Language Education and Training as at 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Public Sector Accounting Standards

The following observations are made.

(a) Sri Lanka Public Sector Accounting Standard No. 03

Contribution of Rs. 2,099,169 had been paid during the year under review due to non-adding the cost of living allowance when calculating the contribution to Employee Provident Fund and Employee Trust Fund since the year 2008 and that expenditure had been adjusted to the surplus of the year rather than disclosing retrospectively.

(b) Sri Lanka Public Sector Accounting Standard No.07

Even though the fixed assets for the cost of Rs. 8,311,263 had been completely depreciated, they were still being used due to the effective life cycle of non-current assets were not reviewed periodically. Therefore, actions had not been taken to revise the estimated error as per the Public Sector Accounting Standard No. 03

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) A sum of Rs. 19,997,192 given as capital grant during the year under review to procure furniture and office equipment for new building in the year 2017 had been adjusted to comprehensive income statement as recurrent grant.
- (b) The depreciation of computer and equipment had been understated in financial statements by Rs. 969,135 as the errors in calculation.

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) Actions had not been taken to recover the amount receivable of Rs. 19,898 from an employee who vacated of post in the year 2014 and, Festival Advances and payment in advance aggregating Rs. 253,033 since the year 2011.
- (b) A sum totalling Rs.1,265,000 due from 02 government institutions in respect of the courses conducted by the Institute had remained outstanding for a period from 02 to 03 years
- (c) Actions had not been taken to settle 06 refundable deposits amounting to Rs. 30,000 which remains for more than 02 years from the year 2011 to the year 2013.

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

The following non-compliances were observed.

Reference to Laws, Rules and Regulations	Non-compliance
-----	-----
(a). Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 757	The board of survey for the year 2016 had not been completed even as at the month of May 2017 and though the Chairman had informed that the actions would be taken to submit the report by completing before 31 May 2017, that report had not been presented even as at 07 June 2017.
(b). Public Finance Circular No. 3/2015 dated 14 July 2015	Though the approval of the Treasury should be taken if the imprest limit given at a time exceeding Rs. 100,000, an advance of Rs. 150,000 had been given to a director for the implementation of a program.
(c). Treasury Circular No.IAI/2002/02 dated 20 November 2002	A register had not been maintained with regard to computer and accessories amounting to Rs. 6,006,015.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Institute for the year ended 31 December 2016 had been a surplus of Rs. 23,080,772 as compared with the corresponding surplus of Rs. 17,595,314 for the preceding year, thus indicating an increase of Rs. 5,485,458 in the financial result for the year under review as compared with the preceding year. Increase in the total income by Rs. 3,510,287 and decrease in operating expenditure by Rs. 1,975,171 in the year under review had mainly given rise to the said increase.

When analyzing the financial results in the year under review and four previous years, it was shown a deficit in the years 2012 and 2013 whereas continuous surplus was observed from year 2014 to 2016. However, the contribution of Rs. 17,655,624 in the year 2012 had been decreased to Rs. 1,466,729 in the year 2013 and had continuously been increased up to Rs. 49,025,649 as at the year 2016.

4. Operating Review

4.1 Performance

The objectives of the Institute in terms of Section 05 of the National Institute of Language Education and Training Act, No.26 of 2007 are,

- Create talented persons for teaching Sinhala, Tamil and English languages, long term training on languages, carry out researches and studies on the issues that existed in relation to the language trainings with the objective of utilizing the results of the researches and studies, provide language training and education and also issue certificates and Diploma for the researchers those who successfully completed.
- Establish a premises to archives from languages information and a board with consisting of trained persons to teach languages.
- Conduct specialized languages training courses from languages such as Sinhala, Tamil, and English for specialized sectors such as translators and interpreters and stenographer etc. And improve Sinhala, Tamil, English languages if it deems necessary and provide recommendations where those to be changed.

Followings were observed with regard to achieving above objectives.

- (a). Initiating of training courses with sound attention in training of officers for the posts of translators and interpreters which has a large shortage, and carry out researches and studies on the issues that existed in relation to the language trainings with the objective of utilizing the results of the researches and studies in order to maintain operations of the Institute in an efficient manner had not been included in Action Plan.

- (b). Though it had been planned to prepare two modules in re-training programs and to conduct two national languages (Tamil) certificate courses, those plans had not been implemented.
- (c). Though a sum of Rs. 11.44 million had been allocated during the year under review to conduct 144 national languages training courses in I, II, III, and IV levels, 139 courses had been conducted by spending a sum of Rs. 8.55 million and out of them 59 courses had been abandoned.

4.2 Idle and Underutilized assets

CCTV Camera system installed in June 2015 by spending Rs. 199,752 had been removed in September 2015 and it had become into unusable condition.

5. Accountability and Good Governance

5.1 Unsettled Audit Paragraph

Although a sum of Rs. 45,000 had been paid to a member of the Board of Directors for the preparation of the Financial Administration Procedure Manual for the Institute in the year 2015 without approval of the Board of Directors that Procedure Manual had not been made use in carrying out functions of the Institute.

6. Systems and Controls

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

Area of System and Control	Observation
-----	-----
(a). Human Resource Controls	<ul style="list-style-type: none"> (i) Proper procedures had not been followed in recruiting the post of Coordinating Assistant (ii) Actions had not been taken to certify the education qualifications of the recruited officers.
(b). Vehicle Controls	Registers and files with regard to vehicle accidents had not been properly maintained.
(c). Fixed Assets Controls	Actions had not been taken with regard to the shortage of stock identified in the year 2015.