

## **National Institute of Language Education and Training – 2017**

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The audit of financial statements of the National Institute of Language Education and Training for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017, 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. A detailed report in terms of Section 13(7)(a) of the Finance Act was issued to the Chairman of the Institute on 08 June 2018.

### **1.2 Management’s Responsibility for the Financial Statements**

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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**

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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.

## **2 Financial Statements**

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### **2.1 Opinion**

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In my opinion, 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 2017 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**

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#### **2.2.1 Sri Lanka Public Sector Accounting Standards**

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Following observations are made.

##### **(a) Sri Lanka Public Sector Accounting Standard 07**

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Following observations are made.

- (i) According to the paragraph 49 of the Standard although all assets belonging to the class of assets should be totally revalued, contrary to that, out of 08 vehicles belonging to the institute, only 6 vehicles were revalued.
- (ii) Although 02 vehicles that were revalued in the year 2016 have been transferred to the Presidential Secretariat during the year under review, action had not been taken in terms of paragraph 55 of the Standard transfer the amount of Rs. 5,750,000 which was transferred to the revaluation reserve in respect to the above 2 vehicles, to the cumulative surplus / deficit.
- (iii) Computer equipment amounting to Rs. 9,612,620 were completely depreciated, but were still in use due to the effective life time of the non-current assets were not reviewed annually, as per paragraph 65 of the Standard. Accordingly, action had not been taken to revise the estimated error in accordance with the Sri Lanka Public Sector Accounting Standard No. 03.

#### **2.2.2 Accounting Policies**

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The policy of the accounting the Government Capital Grant receiving to the institute had not been disclosed in the financial statements.

#### **2.2.3 Accounting Deficiencies**

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Due to accounting the net value of Rs.1,821,600 paid to the contract for the supply and fixing of 03 air conditioners the amounts of retained money and assets had been understated in accounts by Rs. 176,000.

## 2.3 Receivable and Payable Accounts

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Following observations are made.

- (a) Refundable deposits totalling Rs. 120,000 had not been settled to the contractors relating to security services and cleaning services from 2011 to 2016. The value of the deposit that is over two years of this balance was Rs.55,000.
- (b) Action had not been taken to recover a sum of Rs. 19,898 due from an employee of the institution who has vacated his post since 2014.
- (c) The total of receivables from two state institutions for the courses conducted by the institute was Rs.1,265,800 and it was due for a period ranging from 02 years to 03 years.

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

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Following observations are made.

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Non compliance</b>
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(a) The Treasury Circular No. IAI/2002/02 dated 28 November 2002	A register had not been maintained for the computer and accessories valued at Rs.9,612,620.
(b) Procurement Guidelines Guideline 9.3.1(b)	While the Milo Meter shown the same figure a sum of Rs.312,613 had been paid for the repair of a motor vehicle on 2 occasions, without the approval of the Secretary of the Ministry.

## 3. Financial Review

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### 3.1 Financial Results

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According to the financial statements presented, financial results of the institute for the year ended 31 December 2017 had resulted in a deficit of Rs.59,809,832 as against the corresponding surplus of Rs.23,080,772 for the preceding year thus indicating an deterioration of the financial results by Rs.82,890,604 in the year under review when compared with the preceding year. When compared with the previous year, decrease in the Government Grant by Rs. 16,550,849 and increase of Training expenses by Rs. 36,712,133 and Administration expenses by Rs.36,129,962 had mainly attributed to the above deterioration.

In analyzing financial results of the year under review and of 04 preceding years, the deficit of Rs. 15,608,863 for the year 2013 had been continuously increased from the year 2014 to 2016 and it shows a deficit of Rs. 59,809,832 in the year 2017. However, in considering personnel emoluments and depreciation on non-current assets, even though the contribution of the year 2013 had been a sum of Rs.1,466,729 and it had continuously increased and had been a sum of Rs.49,025,649 in the year 2016, and it had deteriorated to a minus amount of Rs. 26,829,859 in the year 2017.

### **3.2 Analytical Financial Review**

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The current ratio had declined in 2017 to 0.9:1 from 15: 1 in 2016, and the quick ratio declined to 0.8:1 from 15: 1. The reason for this was the expenses incurred on courses that are expected to be funded by the Ministry are included in current liabilities.

## **4 Operating Review**

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### **4.1. Performance**

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#### **4.1.1 Operational and Review**

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Following observations are made relating to achieving goals according to the Action Plan.

- (a) It was planned to conduct a Certificate Course and two Diploma Courses of training of trainers at an estimated cost of Rs. 990,000 and to implement 06 Programs for that. According to the progress report of 2017 only Rs. 23,995 had been spent and one certificate course had been conducted and only 6 persons had been trained.
- (b) Even though it was planned in the year under review to preparing syllabuses for the certificate course of teaching English, conducting 2 diploma courses for teaching second language of Sinhala and Tamil and conducting "new" courses for public officers under an estimate cost of Rs. 2,140,000, only one "New" course had been conducted in the year under review spending Rs.27,350.
- (c) Provision of Rs.3,190,000 had been made to cover 144 National Language Training Courses covering within 6850 hours under 4 levels. However, at the end of the year under review, 34 courses had been conducted covering within 3958 hours by spending Rs.1,774,325. Accordingly, the courses were conducted at 23 per cent and lower level hours of 58 per cent.

### **4.2 Idled and Under Utilized Assets**

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Following observations are made.

- (a) Only 33 items had been used out of 176 items of Office Equipment received on 29 March 2017 as donation from the project " Facilitating Projects of Social Transformation and Integration" and balance of 143 items were idled at the premises on the date of audit 31 July 2018.

- (b) The generator which was purchased for the Agalawatta Training Institute in December 2016 at a cost of Rs. 814,231 had not been established even on the date of audit 31 July 2018 and one year warranty period for this generator also been expired.

#### **4.3 Uneconomic Transactions**

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An advance of Rs. 11,250,000 had been paid by entering into a lease agreement amounting to Rs. 30,000,000 to obtain an office building for the institute for a period of 2 years from 01 January 2017. However, the establishment of the institute in the new building was delayed until May 2017 due to the delay of the building owner to facilitate the maintenance of the building. As a result, building rent and the payment of taxes amounting to Rs. 5,865,000 to the period from January to April 2017 had become an uneconomic transaction.

### **5. Sustainable Development**

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#### **5.1 Achievement of Sustainable Development Goals and Targets**

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Every public institution should act in compliance with the United Nations Sustainable Development Agenda for the year 2030. With respect to the year under review, the National Institute for Language Education and Training had been aware as to how to take measures relating to the activities under purview of their scope. Following observations are made in this regard.

- (a) Action had not been taken to identify interested parties of the sustainable development goals and programmes had not been implemented to educate them.
- (b) Even though providing Tamil / Sinhala / English language education for school children was identified as a target, Ministry of Education had not been identified as an objective implementing agency.
- (c) Milestones in achieving the targets of the sustainable development for evaluating the activities thereto had not been identified for the need to regulate the activities in reaching sustainable development goals.

### **6. Accountability and Good Governance**

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#### **6.1 Tabling Annual Reports**

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Annual Report for the year 2016 had not been tabled in Parliament even up to 31 July 2018 in terms of Paragraph 6.5.3 of the Public Enterprises Circular No. PED/12 dated 02 June 2003.

## 6.2 Unresolved Audit Paragraphs

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Following observations are made.

- (a) Although a sum of Rs. 45,000 had been paid to a member of the Board of Directors on 04 November 2014 for the preparation of a Procedural Code for the institute, Due to the lack of approval of the Board of Directors to the draft, it was not used by the institution.
- (b) Action had not been taken until 31 July 2018 in accordance with the Financial Regulations 757(2) in respect of shortage of 20 items which were identified in the Board of Survey for the year 2015.

## 7. System and Control

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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.

<b>System and Control area</b>	<b>Observations</b>
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(a) Financial Control	Non- recovering of arrears income relating to the courses and action had not been taken to settle the payments relating to previous years.
(b) Procurement Activities	Procurement procedures had been carried out contrary to the procedure of the Procurement Guidelines.