

1.1 Disclaimer Opinion

The audit of the financial statements of the Ceylon German Technical Training Institute for the year ended 31 December 2018 comprising the statement of financial positions at 31 December 2018 and 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 the Financial Act No. 38 of 1971 . My comments and observations which I consider should be report to Parliament appear in this report.

I do not express an opinion on the accompanying financial statements of the Institute. As a result of the important facts set out in basis for disclaimer of opinion of this report I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion

1.2 Basis for Disclaimer of Opinion

My opinion is disclaimer based on the matters described in Paragraph 1.5 of this report.

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 disclaimer 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’s 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 Institution or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute’s financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Institution 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.

1.4 Auditor's Responsibility in Auditing 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 skepticism 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 Institute's 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 to cease to continue as a going concern.
- Evaluate the 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 organization, 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 Institution, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Institution has complied with applicable written law, or other general or special directions issued by the governing body of the Commission ;
- Whether the it has performed according to its powers, functions and duties; and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Internal Controls over the 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.

1.5.2 Non - Compliance with Sri Lanka Public Sector Accounting Standards.

The following observations are made.

	Non Compliance with Reference to the particular standard	Comments of the Management	Recommendation
(a)	Sums of Rs. 844,877,725 and Rs. 4,407,578 had been shown as Cumulative Fund under net assets/equity, and capital reserves respectively in the statement of financial position. The objectives and nature of those reserves had not been disclosed in the financial statements in terms of Paragraph 95 of the Sri Lanka Public Sector Accounting Standard No.01.	The credit balance of all the assets prior to 2005 when this institution was under SLTB reflects from Cumulative Fund. Capital Reserve of Rs.4,407,578 is the capital grant received in 2005 from the government.	Should be complied with Accounting Standards.
(b) (i)	Interest income amounting to Rs. 4,044,048 which had been accounted relating to the year under review, had not been adjusted into operating profit in the cash flow statement in accordance with Sri Lanka Public Accounting Standard No.02.	Comments had not been made.	Should be complied with Accounting Standards.

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| (ii) | Re invested interest income Rs. 3,366,540 and fixed deposit withdrawals amounting to Rs. 13,660,221 had been taken as a net amount of Rs. 10,293,681 into cash flow statement instead of being presenting as separate cash outflow and cash inflow. | Cash flow statement for the year 2019 had been prepared by presenting interest income from the investment and invested value separately. | Should be complied with Accounting Standards. |
| (iii) | Total sum of Rs.3,975,757 consisting short term deposits, treasury bills and interest income from fixed deposits had not been presented as cash inflows while the difference of interest income receivable of Rs. 68,291 had not been adjusted under changes in working capital. | Comments had not been made. | Should be complied with Accounting Standards. |
| (iv) | Assets amounting to Rs. 8,866,070 which had been received as grant during the year had been inappropriately presented an acquisition of assets under investment activities and as capital grant under financial activities. | Action will be taken to submit financial statement for the coming year by rectifying this error. | Should be complied with Accounting Standards |
| (c) | As the useful lifetime of non-current assets had not been revised annually in terms of Paragraph 65 of the Sri Lanka Public Sector Accounting Standard 07, Property, Plant and Equipment costing Rs. 41,437,189 had still been in use despite being fully depreciated by the end of the year under review. No action had been taken to revise the estimated error relating thereto in accordance with Sri Lanka Public Sector Accounting Standard 03. Further gross carrying value of this had not been disclosed in financial statements. | Actions had been taken to revalue office equipment, furniture equipment and machineries and take those values into the books. Actions will be taken to finish the process as soon as possible to include correct values in to accounts and to depreciate again those equipment. | Should be complied with Accounting Standards |
| (d) | Even though in terms of paragraph 15 of the Sri Lanka Public Accounting Standards No. 09, | The net realizable value of spare parts stock is lower than the present cost. Since it is | Should be complied with Accounting Standards |

the stocks should be value at a cost or net realizable value whichever is less, the institute had valued the stocks at a cost in the stock valuation.

Difficult to find out market value of spare parts consisting of many smaller parts, it was unable to take into accounts. Actions will be taken to follow up the procedure to remove non usable items from the stock and present correct value of remaining stocks.

1.5.3. Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
Instead of being presenting the net financial loss or deficiency which has been shown in the financial performance report of the Institution separately as cumulative excess or deficiency in the statement of financial position, it has been inappropriately presented as translation reserve.	It had been corrected when preparing the financial statement for the year 2019 and had shown as cumulative excess or deficiency according to SLPSAS 01.	Net financial excess or deficiency should be separately presented on the statement of financial position.

1.5.4. Lack of Documentary Evidence for Audit.

Subject	Amount	Un presented Audit Evidence	Comments of the Management	Recommendation
	Rs.			
Journal Vouchers	734,130,951	Journal Vouchers 238	Journal entries has been entered into a journal entry book	Proper journal vouchers should be prepared with the approval for journal entries.
Debtors/Creditors balances.	14,470,197	Confirmation of Debtors and Creditors balances.	No Confirmations have been received for debtors and creditors balances.	Documentary evidences should be presented to confirm balances.

1.6 Accounts Receivables.

Audit Observations	Comments of the Management	Recommendation
Debtor balances in the statement of financial position as at 31 December 2018 was Rs. 2,746,816 after making a provision of Rs. 657,330 for doubtful debts and management had not paid attention to recover outstanding which includes debtor balances of Rs. 428,205 over 10 years and Rs. 1,097,929 between 5 to 10 years.	Major portion of accounts receivables to be recovered from SLTB depot for the repairs of SLTB buses and reminders had been sent to pay outstanding. Attention had been given to carry out private job orders only on cash basis and to remove doubtful debts from the books with the approvals from the Board of Directors.	Actions should be taken to recover debtor balances and adequate provisions should be made for doubtful debts.

1.7 Non-compliances with Laws ,Rules, Regulations and Management Decisions

The following observations are made.

Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Management	Recommendation
(a) Ceylon German Technical Training Institute Act.No.15 of 2017. (i) Section 12(1)	Board meetings should be held at least once in a month and the quorum should be five. Even though, seven members of the Board of Directors had been appointed as at 31 May 2019, meetings had not been held until 20 October 2019. The last board meeting had been held by the institution on 28 September 2018 and important management decisions to be made during the relevant period had been missed. Further, due to that,	Since none appoint of the Board of Directors for the year 2019, Board Meetings had not been held.	Should be complied to the section of the Act. Actions had not been taken to held meetings even after appointing the Board of Directors.

none of Audit and Management Committee meetings had been held.

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| (ii) | Section 17(5) | Even though, if any vacancy occurs in the position of Director/ Principle, one of the members of the Board may elect to perform the duties of the position of Director / Principal until a permanent appointment is made subjected to the provisions of subsection (1), the Director/ principal of the Institution who retired on 07 May 2019 had been re-appointed on contract basis from 29 May 2019. | Director Board of the institution had not been met after September 2018 and the retired Director/Principle re appointed on contract basis according to the Cabinet approval No.057/115/1926/19 to continue training and administrative work without any disturbance. | Should be complied to the section of the Act until permanent appointment is made. |
| (b) | Financial regulation 1646 of the Democratic Socialist Republic of Sri Lanka. | Even though, the daily running chart of each months should be forwarded to the Auditor General before 15 of next month after submission of report, from the beginning, the Institution had not been act accordingly. | No comments had been given. | Should be complied to the financial regulations. |
| (c) | Paragraph 3.1 of Public Administration Circular No.30/2016, of 29 December 2016. | Even though the consumption of fuel must be re tested after a period of 12 months from each fuel test or after running a distance of 25,000 km or after carrying out a major repair to the engine, whichever occurs first , the Institution had not acted accordingly. | No comments had been given. | Should be complied to the Circulars. |
| (d) | Public Finance Circular, No. PF/PE/9, of 27 June 2000 | The excess funds of the Government institutions should not be invested in fixed deposits, time deposits, or Treasury bills without obtaining prior approval of the Treasury. | Even though the approval for the investments had been request from the Treasury, did not receive an answer for that. It has been advised at the Committee of Public | Should be complied to the Circulars. |

However, without enterprises and Ministry obtaining Treasury Audit and Management approval in such a manner, committee meetings to the Institute had invested a total of Rs. 35,624,865 inclusive of sums to utilize this investment for effective functions. As the first step, approval had been taken from the Board of Directors to utilize Rs. 24,836,310 as Fixed deposits and Rs. 02 million for development activities of Borella branch. Rs. 10,788,555 as Treasury bills.

- (e) Section 4 (h) of the Ceylon German Technical Training Institute Act number 15 of 2017. Although, a function of the Institution is a establishment of regional centers for the carry out technical and vocational training and education in the relevant field, the institution had not taken any action to act accordingly. In doing so, the quality of the training courses should be maintained in such a way that it can be maintained. All the branches which were started earlier had not been effective due to various shortcomings in those places. Should be complied to the sections of the Act.

2. Financial Review

Financial Results

The financial result of the operations of Ceylon German Technical Training Institute for the year under review had been an excess of Rs. 16,857,775 as against the corresponding deficit of Rs. 58,149,391 for the preceding year, thus indicating an improvement of Rs. 75,007,166 equivalent to 129 percent in the financial result of the year under review as compared with that of the preceding year. The increase of recurrent government grant by Rs. 29,475,000 and increase in differed income by Rs. 52,205,982 had mainly attributed to this improvement.

3. Operating Review

3.1 Management Inefficiencies.

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) Although Equipment related to install a server and new computer network had been procured by spending Rs. 3,586,990 in the year 2018, only the internet facilities had been obtained even as at September 2019 without installing computer network for main activities.	During the technical report investigation it was observed that the specifications of the bidder who had submitted lower prices for the server does not match with the required specifications of the Institution.	The main task expected to be achieved by installing the computer network should be achieved.
(b) Even though construction works of the 06 story student hostel on behalf of the Institution had been commenced in November 2018 on a land owned by the Road Development Authority, the relevant building plan had failed to be approved from Urban Development Authority even as at 30 September 2019.	No comments had been made.	Action should be taken to obtain the legal ownership of the land to the Institution.
(c) Management had not paid attention to the acquisition of land worth of Rs. 1,149,350,000 which was operating the Ceylon German Technical Training Institute since a longer period.	Since this Institution was under the SLTB, deeds of the lands of the Institution are in the possession of that Institution.	Action should be taken to take over the relevant assets to the Institution.
(d) Even though the enrolled percentage for the full time courses had been between 20 to 30 percent out of the applicants who has fulfilled the basic requirements during the year under review and the last 05 years, the Institution had not been act according to the proper	Even though there is high demand from students for the courses at present, when increasing the number of students up to 600 in 2016, the excising capacity for 400 students had been used for the same. Further, due to the shortage of instructors in the	Should act with a proper plan to increase the capacity of the Institution.

plan for the enhanced the capacity of the Institution annually in line with the increased demand. Thus, 3075 applicants had been deprived of the opportunity to follow the courses.

cadre, 20 trained instructors have been temporary recruited on contract basis for a period of one year. Necessary legal actions are being taken to acquire 4 acres of land near to the Institution owned by the Urban Development Authority for the purpose of construct new workshops, class rooms and laboratories for the facilitate to increasing demand.

3.2 Operating Inefficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
<p>(a) It was observed during the audit the consultancy payments had been made for the period from February to April 2018 under the Skills Sector Development programme by misinterpreting 03 criteria included in the format for consultancy fees submitted along with the letter No. 1/1/39/6 of the Secretary to the Ministry of Skills Development and Vocational Training, dated 23 March 2017. Further, even though the observations had been submitted in this regard with the paragraph 4.3 (a) of the previous year 'Auditor General's report, the management had not paid attention to rectify these during the year under review.</p>	<p>Actions had been taken to rectify the mistakes during the period from February to April 2018 while paying consultancy fees under the Skills Sector Development Program.</p>	<p>Misinterpreted payments should be recovered.</p>
<p>(b) Spare parts stocks total valued at Rs. 432,252 included in the financial statement consisting of 11,594 units belongs to 135 items which had been stored over 3 to 20 years without issuing.</p>	<p>This spare parts stock had been maintained for the repair works of the vehicles owned by the Institution. After identifying and removing unused spare parts included in this stock, this problem will not be occurred.</p>	<p>Proper stock control system should be maintained in the Institution.</p>

3.3 Transactions of Contentious Nature.

Audit Observation -----	Comments of the Management -----	Recommendation -----
1. It was observed during the sample audit conducted by the Internal Audit in respect of the 32 officers that the staff which had been absorbed on 01 July 2008 giving back the salary increments earned earlier, contrary to the instructions given in paragraph 02 of the Director General's of Management Services letter No. DMS/C/1/PS/34 of 29 September 2008 in relating to the salary revisions which had been done as at 01 January 2006 according to the Management Services Circular No.30. It was observed that, due to the overpayments of salary increments from 01 to 16 at this absorption, sum of total Rs. 1,504,100 had been overpaid from 01 January 2016 to 31 December 2018 for those officers and had been failed to rectify the incorrect absorption of officers until 30 October 2019.	Committee on Public Enterprises has also pointed out an actions should be taken to get the approval for a special salary scheme which suitable to the institution in consultation with the National Salaries Commission and the Department of Management Services with intervention with the Line Ministry. Accordingly, a request has been made from the Line Ministry to the Management Services Department.	Actions should be taken to rectify the absorption of officers incorrectly.

3.4 Procurement Management

Audit Observation -----	Comments of the Management -----	Recommendation -----
According to the supplement -32 which had been issued by the Department of Public Finance on 01 March 2017 on behalf of the guideline 2.9.1 of the Government Procurement	Actions has been taken to recover the allowances paid for the committee members who engage procurement activities under the Shopping method	Excess payments should be recovered.

Guidelines 2006, the payments for members of Procurement Committee meetings should not be applied and no payments should be made when procurements are carried out under the Shopping or direct contracting procedure. Contrary to that, sum of Rs. 35,250 had been paid for the committee members and other officers relating to the 05 procurements under the Shopping method for the year 2017 and 2018.

3.5 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
<p>There were 30 vacancies including 04 top management category post as at 31 December 2018 and had 23 vacancies including those top management category as of 10 June 2020 as well. Accordingly, under those conditions, it was observed that there might be bad impact on continuing activities of the institution effectively.</p>	<p>Upali Ranasinghe who is the member of the Director Board had been appointed at present since 18 February 2020 to act in the position until the permanent recruitment is done for the post of Director/Principle according to the clauses of (1) 17 and 17 (5) of the Ceylon German Technical Training Institute Act. No. 15 of 2017.</p> <p>Approval had been sought from the Department of Management Services to recruit 14 officers for the 10 post due to retirements, resignations as at 30 September 2019, thus the approval had not been given as at 30 September 2019.</p>	<p>Staff recruitment should be done in accordance with the recruitment procedure.</p>

4. Accountability and Good Governance.

4.1 Annual Action Plan

Audit Observation	Comments of the Management	Recommendation
Annual performance reports of the Ceylon German Technical Training Institute for the year 2016 and 2017 had been failed to table in the parliament even as at 24 October 2019.	Annual reports for the year 2016 and 2017 had been prepared and forwarded to the Ministry to obtain the cabinet approval on 24 June 2019 and 08 August 2019 respectively.	Annual reports should be tabled in the Parliament in due dates.

4.2 Internal Audit

Audit Observation	Comments of the Management	Recommendation
Even though the Internal Audit of the Ceylon German Technical Training Institution had been submitted 11 internal audit queries to the management for the period from 01 January 2018 to 30 June 2019, replied had not been given for 04 queries as at 10 June 2020.	Instructions had been given to relevant officers to reply those un answered audit queries.	Action should be taken to reply for the audit inquires on due dates.

4.3 Sustainable Development Goals.

Audit Observation	Comments of the Management	Recommendation
“Agenda 2030” on Sustainable Development had been introduced by the United Nations on the basis of providing environmental protection, economic and social development of the all United Nations member states and it is a universal statement which should be act all the member states. Thus, even though Ceylon German Technical Training Institution had identified 04 objectives that come under its scope according to this agenda, the targets had not been identified to accomplish 03 objectives from that.	Actions had been taken in enrolling volunteers from both genders for the courses conducted by the institution to achieve gender equality and to empower all women and girls, in accordance with national rules and regulations by providing equal opportunities for economic resources for women.	Should act according to the Circular No. NP/SP/SDG/17 of 14 August 2017 of the Ministry of National Policies and Economic Affairs.