

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ceylon German Technical Training Institute for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance , statement of changes in net assets 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.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the institute as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified 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 qualified 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 intends to liquidate the Institute 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 sub- Section 16(1) of the National Audit Act No. 19 of 2018, the Institute 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 of the Institute.

1.4 Auditor's Responsibilities for the Audit of the 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 scepticism 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 exists, I am required to draw attention in my auditor's material uncertainty report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. However, future events or conditions may cause the Institute to cease to continue as a going concern.

- Evaluate the overall presentation, 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 Institute, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Institute has complied with applicable written law, or other general or special directions issued by the governing body of the Institute.
- Whether the Institute has performed according to its powers, functions and duties; and
- Whether the resources of the Institute had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Internal Control over the preparation of financial statements.

The Institute is 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

Non-Compliance with the reference to particular standard	Comment of the Management	Recommendation
Since useful life of non-current assets had not been reviewed annually in terms of paragraph 65 of Sri Lanka Public Sector Accounting Standard 07, five types of assets costing Rs. 464,077,703 were further in use despite being fully depreciated by the end of the year under review. Accordingly, no action had been taken to revise the error in the estimate in terms of Sri Lanka Public Sector Accounting Standard 03.	After completing the relevant work in the year 2022, I will submit the 2022 Financial Statement by including those values in the Annual Accounts according to the Public Sector Accounting Standards.	Financial Statement should be prepared in accordance with the Sri Lanka Public Sector Accounting Standards. .

1.5.3 Accounting Deficiencies

Audit observation	Comment of the Management	Recommendation
Between 2016 and 2020, Kilinochchi was held for transactions between the Sri Lanka German Institute of Technical Training and the National Apprenticeship Training Authority. The current account balance of RS.129,168,821, after the transfer of the Kilinochchi Institute to the Ceylon German Technical Training Institute, the balance was shown as a current liability in the statement of financial position of the institution without adjusting and comparing the account balances.	Since certain activities related to the transfer of Kilinochchi Ceylon German Training Institute to Ceylon German Technical Training Institute Katubedda have not been completed, immediately after the completion of those tasks , the relevant control account balance should be compared with the National Apprenticeship and Technical Training Authority and I am informed that step will be taken to write off this account balance with proper approval.	Compare account balances and Adjustment should be made.

1.6 Account Receivable and Payable

Receivable

Audit observation	Comment of the Management	Recommendation
Collection older than 10 years Rs.1,407,197 debt balance and between 05 and 10 years total Rs.932,436 to recover balances and no measures had been taken recover that balance or to write off from book after obtain approval in terms of 113 of Financial Regulation	It is informed that a large number of debits receivable are related to repairing S.L.T.B. buses. I would like to inform you that the balance that cannot be recovered for a long time will be promptly written off from the books with the relevant approval.	To recover the debit balance or take action in accordance with Financial Regulations.

1.7 Non- Compliance with Laws ,Rules, Regulation and Management Decisions etc.

Following observations are made.

Reference to Laws, Rules Regulations	Non-Compliance	Comment of the Management	Recommendation
(a) Section 13.3 of chapter 11 of the Establishment Cade of the Democratic Socialist Republic of Sri Lanka.	A working appointment should be made only as a temporary remedy pending a regular appointment. Although a regular appointment should be made without delay if the position requires the services of a full- time officer, the institution had appointed a member of the director board since 18 February 2020, without taking sufficient steps to appoint an officer on a permanent basis for the position of director – principal of the institution.	The Ministry has sent a letter seeking approval to the Department of Management Services to invite applications for recruitment to the post of Director-Principal. No approval has been received so far. Necessary arrangements for recruitment will be made according to the instructions received from the Management Services Department	Action should be taken in accordance with the circular.

- (b) Department of Public Enterprise Circular No. 95 dated 14 June 1994. While it is clearly stated that no stipend should be paid to the officers of the institute without the approval of the treasury, in the year 2021 the academic staff will be paid Rs.2000 each and the total in the year 2021 is Rs.1,634,000 had been paid. According to the approval of the board of directors, the members of the academic staff for preparing and delivering lectures using internet at their own expense and have given a corporate sponsorship of Rs.2,000, I inform that all the requests made by the department heads of each department were filled in one sheet and forwarded to the payment process with the approval of the principal. Action should be taken in accordance with the circular.
- (C) Paragraph 38 (1) (d) of the National Audit Act No. 19 Of 2018 dated 17 July 2018. The Chief Accounting Officer should ensure that annual and other financial Statements are prepared with in the required hours. In addition, even though the Chief Accounting officer should ensure that the annual reports relating to the assets being audited are submitted to parliament, The annual reports for year 2018 and 2019 had not yet been tabled in parliament. Arrangement are being made to submit the year 2018 and 2019 Annual Reports to parliament as soon as possible. Action should be taken in accordance with the Act.

2. Financial Review

Financial Result

The Financial result of the operations of Ceylon German Technical Training Institute for the year under review had been a deficit Rs.24,918,761 as against the corresponding deficit of Rs.22,943,923 for the preceding year , thus indicating a deterioration of Rs.1,974,838 equivalent to 8.6 per cent in the financial result of the year under review as compared with that of the preceding year. The reason for the deterioration are the increase of annual depreciation by Rs. 62,986,097 and an increase of contractual service cost by Rs.7,323,542.

3. Operating Review

3.1 Identified Losses

Audit observation

Comment of the Management

Recommendation

Ceylon German Technical Training Institute for setting up the work floor of the vehicle repair division over and above the estimate prepared by the engineer of the institute Rs.1,218,922 had been paid to the private company, and due to the fact that the contract was awarded to the company that submitted the second lowest price without including the relevant documents in the file to confirm the factors that caused the company that had submitted the lowest price for the contract to be rejected, the company had been awarded Rs.1,196,022 was observed to had incurred a loss.

The engineering estimate for this works is Rs.8,363,600(without tax) and the recommended amount for payment is Rs.9,163,000.25 Accordingly, the total price difference is Rs.799,400.25. Also, the price variation is 9.56% which is a minor variation. The Technical Evaluation Committee had not recommended the said bid on the ground that the contractor who had submitted the lowest price had submitted in the bid document unsuitable materials for the work in question.

The loss suffered by the organization should be recovered from the responsible parties.

3.2 Management Inefficiencies

Following observations are made.

Audit observation

Comment of the Management

Recommendation

(a) Although the demand for full-time courses in the Ceylon German Technical Training Institute increased annually during the last 05 years, no action was taken from 2016 to 2021 to increase the enrolment for the course compared to the increasing demand. Although a large number of students participate in the admission test for full –time courses, the amount of student enrolled is less than 20 per cent and the number of students enrolled has remained at a

The demand for full –time course in the Moratuwa branch of the Ceylon German Technical Training Institute increased during the last 05 years, but while the existing physical resources and facilities are sufficient for only 600 students per year. As an alternative to that, Borella Regional Centre and Amamaduwa Regional Centre were established to provide opportunities to excess applicants.

Should act with a proper plan to increase the capacity of the Institution.

constant value of 600 for 5 years. Also since the year 2017, the Kilinochchi training centre had been recruiting 270 students, and even though it had been 05 years since the centre was established, no step had been taken to increase the number of students.

- (b) According to Section 4 (h) of the Ceylon German Technical Training Institutions Act No. 15 of 2017, as per the decisions of the director board meeting held on 06 April 2021 .Although there have been discussed to start a regional training centre in Batticalo and no further step were taken in this regard. It was observed that only one course has been started in the Anamaduwa Training centre which was newly started in the year 2021 and the number of student participation was 67.
- According to section 4 (h) of the Ceylon German Technical Training Institution Act No. 15 of 2017, two regional centres have been established and plans are currently being prepared to establish a regional centre of the Ceylon German Technical Training Institutions in Moratuwa area.
- Action should be taken in accordance with the Act.
- (c) 147 students were undergoing training for 02 courses and a foundation course at the Borella Training centre in the year 2016, But at present, only one course , a three – wheeler technician course is being conducted and the number of students was as low as 44.
- The Borella Training Centre, which had been closed for about 03 years, was started as the Borella Regional centre of the Ceylon German Technical Training Institute after renovation in 2021, Three wheeler technician course was started
- Should act with a proper plan to increase the capacity of the Institution
- So far, two groups have been recruited and arrangements are being made to expand the recruitment to the Borella Regional Centre in 2022.
- (d) An additional secretary belonging to the Ministry of Industry, who is not an officer of the institution, was residing in the official house of the director/principal owned by the institution until on 27
- Due to the absence of a director – principal in the institution on a permanent basis, this official residence was not in use. Even though an officer does not live there.it is a property owned by the
- The attention of the management should be directed to take suitable action to ensure the safety of the official residence.

December 2019 and from that date until now, no official was used in this official house. In this year 2020 and 2021, the sum for the security of the official house is Rs. 1,428,610 had been paid by the institution for the unused official residence.

institution, and should be taken care of for its security.

A private security officer had to be employed and for that the relevant security agency had to pay money.

- (e) The institute had not been taken sufficient steps to take over the legal rights of 05 lands containing 29 acres and 0.35029 hectares in content which was used by the institute.

A request has been forwarded to the secretary of the Ministry on 09.05.2019 to formally transfer the ownership of the land and buildings that the institution has been using for a long time to the institution, and Accordingly to transfer the ownership of the land.

I inform that the transfer of this land to the institution is in progress.

Action should be taken to take over the Assets owned by the institution.

- (f) From the year 2017 to the year 2020, the number of students who had been given certificates after appearing for the final exam in the Ceylon German Technical Training Institute had increased from 27 per cent to 61 per cent , and The management had not prepared a formal system for giving certificates to the relevant students.

Students who have successfully completed the full- time courses from 2017 to 2020 will be issued a temporary certificate after appearing for the final professional examination after the examination results are released. By using that certificate, more number of students apply for local jobs as well as foreign jobs. when their respective prescribed certificates are required, they will come to the institution and take the certificate . No fee is charged for issuing the certificate.

A formal arrangement should be made for awarding certificates.

- (g) Decisions taken at the meeting of the Committee on Public Enterprises held on 23 May 2019 to prepare equivalent pay scales for educational qualifications in relation to the five key vacancies and to discuss in this regard with the Treasury and to take action to fill those vacancies and to discuss and rectify the issues that have arisen, when restructuring of the posts of the employee of the institution with regard to salary increments with the Treasury had not been implemented until 31 December 2021.
- A committee consisting of all the trade unions and senior management officers of the institution, according to the advice and awareness received during the discussions held at the National Salary Commission and Department of Management Services, the salary increments that have been earned without affecting the seniority of the employees were carried out.
- Vacancies should be filled in accordance with the scheme of recruitment, and problematic situations arisen when restructuring the posts should be solved.

3.3 Delays in Projects or Capital Works

Following observations are made.

Audit observation	Comment of the Management	Recommendation
(a) According to the 2021 action plan of the Ceylon German Technical Training Institute, the total value estimated and approved was Rs.47.2 million 12 activities had been stopped without starting work, and The amount spent for 02 activities ,which was estimated at Rs.12 million, It was Rs.1.831 million. It was less than 20 per cent as a percentage.	Due to the unexpected spread of the Covid epidemic in the period under review, despite the fact that the institute started to be closed, the number of employee was called to work and the circular letter issued by the government to immediately suspend the procurement works, in order to achieve the desired goals due to the factors that took place under the control of the corporate management. Kindly inform that it was not possible.	Projects should be initiated and implemented to achieve the desired objectives.
(b) The construction work of the six story hostel for the students of the Ceylon German Technical Training Institute in Aththidiya area, which	The construction of the Apprentice Hostel will be carried out by the Skill Sector Development project under the	Project should be initiated and implemented in such a way that the desired

was started in 2018 and planned to completed by 25 October 2020 by the Skill Sector Development Fund, Had not completed at the end of the year under review, and its physical progress was 75 per cent and the total amount spent was Rs.559.7 million.

Line Ministry and is scheduled to be handed over to the Institute after the completion of the work.

objectives are achieved.