

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the of National Institute of Language Education and Training for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 Finance 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 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka 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 (SLAuS). 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 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 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 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 Non-compliance with Sri Lanka Public Sector Accounting Standards**

<b>Non-compliance with Relevant Standard</b>	<b>Reference to the Management</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
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At the end of the year under review, the fixed assets costing Rs.21,260,122 had been fully depreciated, but the problem about currently use and the useful life of the assets which were further amortized had arisen and these estimated error had not been revised and reconciled in the financial statements in accordance with Public Sector Accounting Standard No. 03.

The valuation of the vehicles has been completed and the related adjustments will be made to the financial statements in the year 2023. Relevant adjustments will be made after other assets are assessed in future..

Action should be taken to the as per the Standards.

### **1.5.2 Accounting Deficiencies**

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
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According to a 2019 budget proposal, Although 11 institutions conducted a language trainer training program and submitted invoices, No provision was made in the financial statements for the amount of Rs.37,395,922 payable.

No money was received from the Treasury for this, and since the confirmed bills had not been received from the relevant institutions at that time, it was not included in the accounts as a payable balance.

Accounts payable balances must be accurately accounted for.

As this event is a significant event to the financial statements of the entity, it is indicated by an accounting note.

## 1.6 Accounts Receivable and Payable

### 1.6.1 Accounts Receivable

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
Outstanding amount of an abolished the Ministry of National Integration, Official Languages, Social Progress and Hindu Religious Affairs was Rs.2,290,285. And for more than 03 years, the balances were continuously shown in the financial statements as receivable balances without settlement.	The then existing Ministry has been informed on several occasions about the balance due from an abolished Ministry of National Integration, State Language, Social Progress and Hindu Religious Affairs. In addition to this, information has been reported to the line ministry to which the institute currently belongs.	An Immediate action should be taken to recover the outstanding balances.

### 1.6.2 Accounts Payable

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
(a) For radio programs, Payable to the Sri Lanka Broadcasting Corporation of Rs.2,500,676 and Rs.458,820 payable to Asak Media (Private) for television programmes, For more than 03 years, as balances due without settlement had continued to be shown in the financial statements.	On non-releasing of funds from the Treasury relating to capital allocation to the institution therefore this balance is further shown in the accounts as payable balance.	Action should be made to settle the outstanding balance urgently.
(b) Due to non-receipt of provision as at 31 December 2021, Rs.2,449,985 which was to be paid to resource persons As at 31 December of the year under review, the settlement was not done.	Agreed.	Provisions should be made and expenses incurred.

## 1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

<b>Reference to Laws, Rules Regulations etc.</b>	<b>Non-compliance</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) Public Enterprise Circular No.01/2021 dated November	Although the government-owned enterprises have to get an incentive scheme approved by the Director General of the Public	This incentive has been paid as per the 140.08 Upon Board of Management approvals.	The approval of the Public Business Department should be obtained.

16, 2021, Enterprises Department Chapter 03, while paying the Paragraph incentives.

3.2(V) of the During the year under Operational review, Rs.675,000 were Manual for paid as incentives to the State-Owned officers of the institution Enterprises without following the said instructions.

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| (b) | National Budget Circular No. 03/2022 dated 26 April 2022 | Although government agencies should stop renting buildings, A monthly rent of Rs.1,350,000 has been entered into for the rental building in which the institution is run until February 13, 2023. Even now, the institute was established in the same building. | As it was not possible to find a place to run the institute A Cabinet Paper has been forwarded on the recommendations of the Board of Management to extend the contract period of the currently used building | Action should be taken as per the instruction of Circular. |
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**2. Financial Review**

**2.1 Financial Results**

The operating result of the year under review was a surplus of Rs.47,590,386 as compared to the corresponding deficit of Rs.13,849,436 for the preceding year, thus observing a improvement of Rs.61,439,822 in the financial result. This improvement had mainly been attributed by the increase in training course income by Rs.80,864,525 in the year under review.

**3. Operational Review**

**3.1 Operational Inefficiencies**

**Audit Observation**

While this institution and the Department of Official Languages are under the supervision of the Ministry of Official Language to conduct training courses.

Based on a management decision, 89 courses have been offered by the department of Official Language and Vocational Education at A.I.M.S. Education Services Private Company had also conducted 03 courses in the year under review.

**Comment of the Recommendation Management**

According to the National Training courses Language Education and should be conducted by the institute itself Training Institutions Act (c) by utilizing the No. 26 of 2007, these by resources of the institutions have conducted the relevant courses under institute. the full supervision of the institution.