

Ceylon German Technical Training Institute - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ceylon German Technical Training Institute (“Institute”) for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 2023, 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 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 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 Institute's 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 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 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 Audit Observations on the preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Accounting Standards

Audit Observation	Comments of the Management	Recommendation
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(a) Instead of identifying the unutilized value of Rs.461,700 out of the amount of Rs.12,583,900 received from the Line Ministry for the provision of Nipunatha Saviya Bursaries as a liability, since it was identified as an income, the surplus in the year under review had been overstated and the current liability had been understated by that amount.	Considering the payments made in cash, the value of Rs. 461,700.00 has been shown as a balance of the money received for Nipunatha Saviya.	Liabilities should be accurately shown in the financial statements.
(b) Even though the provision of Rs. 1,025,169 had been made for bad debts for the debtor balance of Rs. 2,126,701 at the end of the year under review, the manner in which that value was calculated and the accounting policy relating to that was not disclosed in the financial statements.	The policy of the Institute for bad debtors is to treat the debtors older than five years as bad debts. Steps will be taken to present under the notes to the financial statements.	Accounting policies should be disclosed in the financial statements.

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| (c) | Even though the gratuity expenses totalled to Rs.7,310,975 paid to three officers during the year under review had been properly accounted for, the amount had also been brought to accounts as gratuity at the end of the year. Similarly, the provision of Rs.2,728,263 to be made for 07 officers, had not been made available. Therefore, the gratuity expense and the balance of gratuity provision mentioned in the financial statements had been overstated by Rs 4,582,712 . | The total amount paid to three officers during the year under review amounted to Rs.7,310,975 was the value of the gratuity provisions applicable to them up to the date of their retirement in the schedule.
The value of Rs. 2,728,263 indicated as, to be allocated for 7 officers during the year under review, has not been included in the balance mentioned in the final accounts of the year 2023 due to a mistake. | Provisions for gratuity should be accurately identified and accounted for. |
| (d) | The value of two motor vehicles given as training equipment by the Ministry of Defence in the year 2023 had not been assessed and brought to accounts. | Actions will be taken to check in this regard and account for. | Assets should be accurately identified and accounted for. |
| (e) | The value of Suhuru classroom equipment received from Women Empowerment Project implemented under Asian Development Bank Grant (SSDP) amounted to Rs. 6,332,423 had not been brought to accounts. | Actions will be taken to check in this regard and account for. | Assets should be accurately identified and accounted for. |

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

The following observations are made.

Reference to Laws, Rules, Regulations etc. -----	Non-compliance -----	Comments of the Management -----	Recommendat ion -----
(a) F.R. 396 of Financial Regulations of	Actions had not been taken in respect of 07 cheques issued but not	It is informed that the details of the relevant cheque payment will	It should adhere to Financial

	Democratic Socialist Republic of Sri Lanka	presented for payment for more than 06 months valued at Rs.5,757,024 in terms of Financial Regulations.	be checked and necessary actions will be taken immediately.	Regulations.
(b)	Section 4.10 of Chapter XV of Establishments Code of Democratic Socialist Republic of Sri Lanka	Although the remaining period of the first obligatory service period should also be added to the agreement when taking local study leave again by an officer entitled to a period of obligatory service, without doing so, an officer was given local study leave, waiving the obligatory service period of 66 months.	Due to a mistake, the period has been mentioned inaccurately. Actions will be taken to rectify and arrangements will be made to accurately enter into agreement in the future.	Actions should be taken in terms of Establishments Code.
(c)	Paragraph 3.2 of Public Enterprises Circular No. PED 05/2022 dated 22 August 2022	Two officers who had applied for leave out of Sri Lanka had gone abroad without forwarding the work intended to be engaged abroad and the related information to the authority who grants leave .	The shortcomings have been completed and forwarded to the Ministry for approval.	Actions should be taken in terms of the Circular .
(d)	Management Services Circular No. 03/2018 dated 18 July 2018	The Institute had paid an amount of Rs.17,558,037 as attendance allowances, production incentives, additional allowances, incentives, awareness programme allowances without obtaining approval as per the circular. Further, the payment of production incentives had been made	It has been submitted to the Treasury to obtain approval for production incentives by the Ministry. Other allowances have been given with the view of carrying out the duties of the Institute in a formal manner and arrangements will be made to get the approval for it in the	Actions should be taken in terms of the Circular.

without determining a future performance measurement system.

2. Financial Review

2.1 Financial Result

The financial result of the operational activities of the Ceylon German Technical Training Institute for the year under review was a surplus of Rs. 5,008,330 and thus the deficit as against to that for the preceding year was Rs. 6,448,032, an increase of Rs. 11,456,362 was observed in the financial result of the year under review as compared to the preceding year. It was observed that the improvement in income from part time courses by Rs. 51,628,266 had mainly attributed for this improvement.

3. Operating Review

3.1 Management Inefficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) The relevant Minister should appoint an advisory council of the Institute consisting of 06 Members, with the consent of the Board of Directors in accordance with Section 16 of the Ceylon German Technical Training Institute Act No. 15 of 2017 and even though it had been stated that the Advisory Council should give recommendations to the Board of Directors and the respective Minister on all matters related to the performance of the tasks mentioned in Section 04 of the Act, such an advisory body had not been appointed up to the year under review. Therefore, the functions of the Institute had not been properly implemented on the advice of an expert advisory body.	Comments have not been given.	The Management should make arrangements to achieve the tasks specified in the Act.

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| (b) | Even though it had been stated that conducting research on vocational training, establishing regional centres and publishing journals and periodicals on vocational and technical training were the functions of the Institute under Section 4 (c) (h) and (o) of the Ceylon German Technical Training Institute Act No. 15 of 2017, those tasks had not been fulfilled up to the year under review. | A Research & Development and Innovation Division has been established for this purpose and the cadre estimate required for that Division has been submitted to the Department of Management Services for approval. Recommendation / approval has not been received for that even by now. A Committee consisting of 05 members has been appointed for the publication of monthly magazines and periodicals and it is being in function. | The Management should make arrangements to achieve the tasks specified in the Act. |
| (c) | Although it was stated that the total amount of 29 acres and 0.35 hectares of land use by the Institute is possessed by the Ceylon Transport Board and the Sri Lanka Railway Department, actions had not been taken to identify and take over their legal ownership. | The Additional Secretary (Vocational Training) of the Ministry has addressed a letter dated 24.01.2024 to the Secretary, Ministry of Transport and Highways to carry out the necessary arrangements to formally transfer the ownership of these lands. | A legal ownership of these lands should be recognized and acquired. |
| (d) | Even though a sum of Rs. 3,878,806 related to 11 accounting items in the financial statement had been brought forward from the year 2016, the attention of the Management had not been drawn in respect of relevant balances. | This value is the account showing the debit balance out of the 02 debit and credit balances maintained as a current account in the ledger when the Institute maintains separate accounts in the MTTC Division. Therefore, it is stated that actions will be taken to submit this to the Governing Council and settle the current accounts with the approval of the Governing Council. | Actions should be taken to specifically identify the accounts receivable and payable balances and to settle or adjust. |
| (e) | Although the number of students enrolled in the Institute has remained at the limit of 600 | the infrastructure needs to be improved in order to increase the annual intake, and the | It should make arrangements with a proper |

actions had not been taken to properly identify the needs and recruit for the courses through formal planning as compared to the increasing demand every year. Further, although the space and building facilities of the Ratmalana Training Centre had limited the Management had not taken proper steps to establish training centres on 09 acres of land in Anamaduwa and 25 acres of land in Kilinochchi and spread the training activities in those areas.

necessary land acquisition is currently being done and steps have been taken to increase the number of students to be recruited from 600 to 650 in the year 2024 even under minimum space facilities.

plan to increase the capacity of the Institute.

Instructions have been given to the Head of the Centre to commence new courses in Anamaduwa in the future.

The approval was given in the Governing Council Meeting held on 29/04/2024 to start 5 new NVQ 4 courses in Kilinochchi Centre and the use of its space has also increased through that

(f) Although the information should be maintained from the time of registration of the students until the placement for jobs (follow-up) after completion of the training period, due to the fact that the Institute had not maintained a proper information system for it, it was impossible to measure the overall performance of the Institute.

Comments have not been given.

Arrangements should be made to achieve the training needs of the students.

3.2 Idle or Underutilized Property, Plant and Equipment

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
----- Although it was observed that the official quarters of the Director /Principal owned by the Institute had not been used by any officer or for any use since the beginning of 2020, a sum of Rs.3,180,610 had been spent useless from the year 2020 to the year 2023 as security fees for this official quarters.	----- It is essential to protect the valuable assets remained inside the Principal's quarters located in a densely populated area. The former Principals of the Institute had not used the official quarters and at present it is in a state of repair. Further, it is stipulated to be repaired and used by the current Director Principal.	----- Actions should be taken as required in future by adjusting idle assets to accounts promptly.

3.3 Human Resources Management

Audit Observation	Comments of the Management	Recommendation
----- (a) An officer had attended the courses without obtaining approved leave to follow a course at the Sri Lanka University of Technology in contrary to the human resource development and training policies of the Ceylon German Technical Training Institute. Similarly, although the leave with pay granted for attending training/study courses is subject to a maximum of 03 years, 05 years leave with pay had been approved to an officer of the academic staff. Further,	----- The attendance notes of the officials who are currently on local study leave have been obtained from the institution where they are receiving training from the relevant date up to now and actions will be taken to pay salaries after receiving attendance notes on the due date.	----- Arrangements should be made in accordance with human resource development and training policies.

although academic staff members should enter into an agreement and bond when taking domestic study leave with pay, bonds to be entered into for three officers valued at Rs 5,293,317 had not been not signed.

(b) Even though the post of Principal of the Institute had been continued on contract basis from 04 May 2024, the officer was kept in service without obtaining extension of the contract period and payments had been made.

The said officer has been employed in the position of Principal on contract basis with the approval of the Cabinet of Ministers until a permanent Principal is enrolled.

As the contractual basis has expired, arrangements should be made to extend it or to take actions as appropriate.