

## **Ceylon German Technical Training Institute - 2024**

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### **1. Financial Statements**

#### **1.1 Opinion**

The audit of the financial statements of the Ceylon German Technical Training Institute (“Institute”) for the year ended 31 December 2024 comprising the statement of financial position at 31 December 2024 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, Ceylon German Technical Training Institute Act, No. 15 of 2017, 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, the accompanying financial statements give a true and fair view of the financial position of the Institute as at 31 December 2024, 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 Opinion**

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

Those charged with governance are responsible for overseeing the Institution’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 Audit Scope (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 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 Accounts Receivable and Payable**

### **1.5.1 Receivables**

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Action had not been taken to recover the tourist bungalow income, restaurant income and course income, totalling to Rs.626,399 which had outstanding for a period of 1-3 years.	Action will be taken immediately to recover the unpaid restaurant rent and to write off the bungalow rent amount from the books with approval.	Action should be taken to recover the outstanding amounts promptly.

### **1.5.2 Payable**

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Accrued expenses of Rs.652,409 and refundable deposits of Rs.3,272,007 had remained outstanding for a period of 1-3 years, while a total creditor balance of Rs.2,421,404 had remained outstanding for over a year.	Action will be taken to write off or correct those balances from the books through journal entries and with the approval of the Board of Directors.	Action should be taken to settle outstanding amounts without delay.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Guidelines on Corporate Governance issued by Public Enterprises Circular No. 01/2021 dated 16 November 2021			
(i) Paragraph 3.2	A scheme of recruitment for a staff has to be prepared and the salary and remuneration structure for each position determined, and it to be submitted to the Department of Management Services for approval. However, salaries and allowances had been paid to 280 staff as at 31 December 2024 without obtaining such approval.	Letters had been sent through the line ministry to the Department of Management Services for approval.	Action should be taken to obtain the approval of the Department of Management Services for the scheme of recruitment.
(ii) Paragraphs 3.6 and 7.5	A performance evaluation system based on the strategic plan and action plan had not been introduced and the performance reports that should have been prepared on a timely basis had not been submitted to the line ministry and the Treasury.	Comments had not been given.	Annual performance reports should be submitted to the line ministry and the Treasury.
(iii) Paragraph 6.7	Annual asset verification should be carried out regarding fixed assets and stocks. However, this had not been carried out.	The annual board of survey of 2024 is currently being conducted.	Stock verification should be carried out annually.

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| (b) | Regulation 396 of the Financial Regulations of the Government of Democratic Socialist Republic of Sri Lanka | Action had not been taken in accordance with the Financial Regulations regarding 10 cheques worth Rs.3,310,802 which had not been presented for payment for more than 6 months. | It had not been cancelled to avoid legal issues. | Should comply with Financial Regulations. |
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## 1.7 Cash Management

Audit Observation	Comments of the Management	Recommendation
A current account maintained by the institute had a balance of Rs.67.65 million at the beginning of the year, and it had grown to Rs.70.79 million by 31 March 2025. Due to the minimum balance of Rs.40 million remaining idle in this account on every day of the year, the institute had lost the opportunity to earn interest income of approximately Rs.4,404,667 by investing that money.	Steps will be taken to utilize the surplus funds for institutional development activities with the approval of the Board of Governors.	Excess cash should be invested efficiently.

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review was a deficit of Rs.145,142,010 as compared to the corresponding surplus of Rs.1,070,583,360 for the preceding year. Accordingly, a deterioration of Rs.1,215,725,370 was observed in the financial result. This deterioration was mainly due to a decrease in donations and an increase in part-time course expenses, salaries and travel expenses, and financial expenses with compared to the previous year.

### 2.2 Trend Analysis of major Income and Expenditure items

Description	Year ended 31 December 2024 Rs. Million	Year ended 31 December 2023 Rs. Million	Difference {Favourable/ (Adverse)} Rs. Million	Percentage %
Capital grant	606.48	418.37	188.11	45
Donation	19.81	1,297.89	(1,278.08)	98
Personal emoluments	322.45	215.7	(106.75)	50
Part-time course expenses	186.10	144.39	(41.71)	29

While capital grants increased by 45 percent compared to the previous year, donations decreased by 98 percent. There was also an increase of 50 percent and 29 percent in personnel emoluments and part-time course expenses, respectively.

### **3. Operational Review**

#### **3.1 Management Inefficiencies**

	<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a)	According to Section 16 of the Ceylon German Technical Training Institute Act No. 15 of 2017, the relevant minister, after consulting the Board of Directors, should appoint an advisory council consisting of 06 members, and the said advisory council should make recommendations to the Board of Directors and the relevant minister on all matters relating to the performance of the functions specified in Section 04 of the Act. However, it was observed that an advisory council had not been appointed by the end of the year under review, and the functions of the Institute were not being properly carried out on the advice of an expert advisory council.	Nominations have been received from the relevant institutes as per the requirements set out in the Act for the appointment of members of the advisory council, and with the approval of the Governing Body, the Hon. Prime Minister, Minister of Education, Higher Education and Vocational Education has forwarded it to the Secretary of the Ministry on 29.04.2025, requesting that arrangements be made to appoint the advisory council of this institute.	Action should be taken without delay to fulfil the functions specified in the Act.
(b)	According to section 4 of the Ceylon German Technical Training Institutes Act No. 15 of 2017, the functions of the Institute were to conduct research on vocational training, establish regional centers, and publish journals and periodicals on vocational and technical training. However, only 01 journal and periodical were published, and 13 researches were conducted during the year under review, and the progress of those researches had not been submitted for audit.	The first magazine was published in December 2024 and was published on the website as an e-magazine. The second magazine is in preparation for publication in July 2025.	The activities specified in the Act should be performed without delay, and the progress of research should also be submitted to audit.
(c)	It was stated that the Sri Lanka Transport Board and the Sri Lanka Railways Department owned 05 lands measuring 29 acres and 0.35029	A letter had been referred to the Ministry on 04.07.2024 requesting that the necessary steps be taken to obtain Cabinet approval to formally	The legal ownership of these lands should be acquired.

hectares, which are occupied by the institute. However, action had not been taken to acquire the legal ownership of those lands.

transfer the ownership of these lands to the institute.

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| (d) | The hostel located in the Attidiya area was reserved for students. However, 54 staff members were residing there. A written agreement had not been entered with the staff, and charges had not been made for the use of water and electricity in the hostel. Further, action had not been taken to establish an Assistant Hostel Management post for the hostel and recruit an officer.                | Further work is being carried to prepare the draft recruitment procedure for the post of Assistant Hostel Controller and forward it to the line ministry for approval from the Department of Management Services. | Action should be taken to ensure that the objectives of the hostel construction are met. |
| (e) | Rs.219.52 million had been spent on the construction of the 3-floor hostel of the Sri Lanka German Training Institute (SLGTI) at Kilinochchi for students of the Sri Lanka German Technical Training Institute, which was started in 2020 and planned to be completed by 31 August 2021. However, the construction work on the first and second floors of the hostel had not been completed up to now. | Comments had not been given.  | The administration should provide prompt solutions to meet the needs of students.        |

### 3.2 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
The Training Institute in Ratmalana had limited the enrolment for full-time courses to 650 students due to the inadequacy of existing resources. However, attention had not been paid to utilize 9 acres of land in Anamaduwa and 25 acres in Kilinochchi to conduct full-time courses.	Comments had not been given.	A proper plan should be developed to increase the capacity of the institute.

### 3.3 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation
It was observed that the official quarters of the Director/Principal of the institute has not been used by any official or for any purpose since the beginning of 2020, and for this reason, the Rs.4,170,930 paid as security fees for this official quarters from 2020 to 2024 had become a useless expenditure.	The official quarters are to be renovated and used by the current Director/ Principal.	Action should be taken to utilize idle assets.

### 3.4 Human Resources Management

Audit Observation	Comments of the Management	Recommendation
The directions given at the meeting of the Committee on Public Enterprises held on 23 May 2019 to discuss with the Department of Management Services the vacant posts of Deputy Director, Deputy Principal, Chief Engineer (Training) and Registrar, Chief Engineer (Production, Services and Maintenance), Branch Principal and Deputy Branch Principal of the German Training Institute of Kilinochchi and to take steps to fill those vacancies and to discuss with the Department of Management Services the problematic situations that arose regarding salary increments during the restructuring of the employee posts of the institution and to rectify them had not been implemented until 31 December 2024.	A letter has been referred to the line ministry on 24.03.2025 requesting approval to publish the newspaper advertisement. Further action is to be taken after approval is received.	In order to utilize human resources effectively, action should be taken to fill existing vacancies with the necessary approval.