

1.1 Disclaimer Opinion

The audit of the financial statements of the Ceylon German Technical Training Institute for the year ended 31 December 2019 comprising the statement of financial positions at 31 December 2019 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.
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(a) 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. 328,475,190 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 No.03. Further, Gross carrying value of this had not been disclosed in the 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 these equipments again.	Should be complied with Accounting Standards.

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| (b) | Even though, in terms of paragraph 15 of the Sri Lanka Public Sector Accounting Standard No. 09, the stock should be value at a cost or net realizable value whichever is lower, the cost of the spare parts stock amounting to Rs.7,183,211 had been stated in the accounts of the Institution without being calculating the net realizable value. | The net realizable value of spare parts stock is lower than the present cost. Since it is difficult to find out market value of spare parts consisting of many smaller parts, it was unable to take into accounts. Because there are more unused items, actions will be taken to follow up the procedure to remove non usable items from the stock and present the value of remaining stocks accurately. | Should be complied with Accounting Standards |
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1.5.3. Accounting Deficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
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(a) The vehicle and training equipment value totaled Rs. 500,000 which had been received as grant during the year under review, had been inappropriately presented as an acquisition of assets and under the capital reserve in the statement of cash flows.	It is a mistake to include the goods received as donations in the cash flow statement. Action will be taken to submit financial statement for the coming year by rectifying this mistake.	Should be complied with Accounting Standards
(b) The value of the machine which had received as a grant from a private institution on 27 October 2019 for welding training had not been assessed and accounted.	The machine is being installed with the support from the institution which had been granted. Since this machine had not been fully installed in 2019, and due to that it was unable to assessed and hence could not take into accounts.	Assets which are use by the institution should be assessed and accounted.
(c) Nineteen items of accrued expenditure totaled Rs. 566,302 pertaining to the year 2019 had not been accounted.	Actions will be taken to rectify as a prior year adjustments when preparing the final accounts of the year 2020.	All expenses pertaining to the year should be accounted.
(d) The building valued at Rs. 129,578,570 which had been	The University College building which had been	All assets owned by the Institution

constructed by Skills Sector Development Fund in 2015 had been omitted from the accounts. constructed by the Skills Sector Development Fund, had been handed over for the use of Institution in the year 2015, and actions will be taken to include the value of this to the accounts. should be accounted.

1.5.4. Lack of Documentary Evidence for Audit.

Subject	Amount	Un presented Audit Evidence	Comments of the Management	Recommendation
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	RS.			
Journal Vouchers	478,528,464	223 Number of Journal Vouchers	Actions had been taken to prepare journal vouchers file for the year 2019 in addition to the journal book. That journal vouchers file had been presented along with this.	Proper approval should be obtained for the journal vouchers which had been prepared.
Debtors/Creditors balances.	14,999,141	Confirmations of Debtors and Creditors balances.	Confirmations had not been received for debtors and creditors balances.	Documentary evidences should be submitted prove the balances.

1.6 Accounts Receivables.

Audit Observations	Comments of the Management	Recommendation
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Debtor balances in the statement of financial position as at 31 December 2019 was Rs. 3,849,591 after making a provision of Rs. 657,330 for doubtful debts which includes debtor balances of Rs. 886,702 over 10 years and Rs. 993,160 between 5 to 10 years. Even though the recoverability of these receivables are in doubt, no provision had been made for doubtful debts.	Major portion of accounts receivables to be recovered from SLTB depot for the repairs of SLTB buses and attention had been given to remove doubtful debts from the books with the approvals from the Board of Directors and to stop bus repair works of the depot temporarily which are long outstanding by enhancing the internal control.	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) Financial regulations of the Democratic Socialist Republic of Sri Lanka.			
(i) Financial Regulation 756	Even though a Committee Board of Survey should be appointed on or around 15 December of each year and a Board of Survey should be conducted as at 31 December, it had not been conducted by the Institute until the audited date of 03 June 2020 and the recommendations pointed out by the board of survey in year 2018 had not been implemented.	Committee of the board of survey for the year 2019 had been appointed. Out of 50 percent of the physical verification had been over. Survey reports will be forward to the Auditor General before month of July 2020.	Should be complied with financial regulations.
(ii) Financial Regulation 1646	Even though, the daily running chart of each months should be forwarded to the Auditor General before 15 of next month after	No comments had been made.	Should be complied with financial regulations.
	submission of the report, the Institution had not been act accordingly from the beginning.		

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| (b) | Public Finance Circular, No. PF/PE/9, dated 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. However, without obtaining the treasury approval in such a manner, the Institute had been invested Rs. 27,385,483 as fixed deposits and Rs. 11,803,478 as Treasury bills. | Even though the approval for the investments had been seek from the Treasury, did not receive an answer for that. It has been advised by the Committee of Public Enterprises to utilize this investment for effective functions. According to that at present, approval had been taken from the Board of Directors to identify the arrears to be developed and carryout development activities. | Should be complied with circulars.. |
| (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 for 25 vehicles belonging to the Institution | No comments had been made. | Should be complied with circulars. |

2. Financial Review

Financial Results

The financial result of the operations of Ceylon German Technical Training Institute for the year under review had been a deficit of Rs. 196,062 as against the corresponding an excess of Rs.16,857,775 for the preceding year, thus indicating a deterioration of Rs. 17,053,837 equivalent to 101 per cent in the financial result of the year under review as compared with that of the preceding year. The decrease of part time courses income by Rs.12,427,752 and increase in manufacturing cost by Rs.2,777,540, had mainly attributed to this deterioration.

3. Operating Review

3.1 Management Inefficiencies.

The following observations are made.

Audit Observations	Comments of the Management	Recommendation
(a) Although the Secretary to the Ministry had instructed to provide the necessary safety equipment through the Student Insurance Benefit Fund for the relevant trainees in providing practical training by the Institution, this had not been done even as at 31 January 2020. Also, the types of safety equipment that the trainees should be wear had not been identified.	The cost will be around Rs.7,480,000 to provide set of good quality safety shoes that can be wear for a period of 4 years for about 600 apprentices recruited in one year. The actions will be taken to provide the relevant safety equipment without delay. A Technical Evaluation Committee had been appointed and procurement activities is in progress to purchase equipment for washing apprentices' eyes .	The Student Insurance Benefit Fund should be utilized for the protection of the students.
(b) Although, the Rs. 500,000 had been allocated for the purchase of library books in the year 2019, only 197 books had been purchased by utilizing Rs. 117,223 equivalent 23 percent. Also, 416 books which had been donated to the library by the Borella branch on 28 January 2019,had been piled up in the library premises without any use.	Vijitha Yapa Publishers had agreed to import the books from the overseas market on 30 January 2020 as a result of a request which has been made long time back due to the lack of the books in the local publishing market that the library	Estimated provisions should be used with maximum efficiency.

expects to purchase. This process is ongoing. Some books need to be repaired and restored and due to that they cannot be added to the library collection until that work is completed.

(c) The decision taken at the meeting of the Committee on Public Enterprises on 23 May 2019 had not been implemented until 31 January 2020.

- I. Reports for the years 2016 and 2017 to be tabled in Parliament within a month. The Ministry had informed that the Annual Reports for the years 2016 and 2017 will be presented to the Parliament after the convenes, since the Hon. Minister has approved to submit the Annual Reports to the Parliament. Annul Reports should be tabled within the stipulated time.
- II. Action should be taken to fill the vacancies by preparing equal salary scales according to the educational qualifications pertaining to the five key positions in consultation with the Treasury. Although, applications were called for the posts of Registrar, Chief Engineer (training), Deputy Chief Engineer, Curriculum Development positions, due to the calling of Presidential Election 2019, the interviews could not be held. As per the provisions of the Institutional Act., a member of the Board of Directors has been appointed as the Director Principal and action will be taken to publish the relevant advertisements for the recruitment after obtaining the relevant approval. Action should be taken to fill the vacancies as per the recruitment procedure.

Also, the request has been made to the Department of Management Services to rectify the discrepancies in the recruitment Procedure for the post of HM-1-1 and HM-1-3 (Deputy Director-Deputy Principal).

- III. Negotiation with the Treasury and rectifying the problems which has been arisen with regard to the salary increments in restructuring the post of employees of the Institution
- Necessary action will be taken in seeking advices from the commissioner General of Labor to resolve the situation in a manner that protects industrial peace which had arrived when absorbing the employees in accordance with Management Services Circular No.30.
- The problems which had been raised from the restructuring of posts should be rectified.

3.2 Transactions of Contentious Nature

 The following observations are made.

Audit Observations	Comments of the Management's	Recommendation
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<p>Even though, at the Audit and Management Committee meeting held at the Ministry on 25 June 2019, the Director/Principal of the Institution had informed that the institute will be provide uniforms when recruiting the students, the Welfare Association of the Institution had charged Rs. 3800 per student for the materials for the uniforms, books and bags.</p>	<p>Although the uniforms of the apprentices recruited to the Institution should be with the same color and style, this has been done with the intention of providing the uniforms and books etc. at a concessionary price during their recruitment.</p>	<p>Funds received from students should be credited to the Institution's account.</p>

3.3 Procurement Management.

Audit Observation	Comments of the Management	Recommendation
According to the technical evaluation committee report, in the procurement of 05 numbers of training equipment through a private company, thus the value after tax had been stated as Rs. 1,342,950 and while paying for that, Rs. 191,371 had been over paid due to the fact that the tax had been added again .	The supplier has been quoted prices without VAT relating to the purchase of training equipment. Therefore, there is no necessity to recover Rs. 191,370 paid as VAT from the respective supplier.	Overpayments should be recovered.

4. Accountability and Good Governance.

4.1 Sustainable Development Goals.

Audit Observation	Comments of the Management	Recommendation
Organization of the United Nations had introduced “Sustainable Development Agenda 2030”, which is a universal statement and should be implemented by all member countries for the economic development and social development on the basis of providing environmental protection by 2030 for all the member countries. Thus, even though Ceylon German Technical Training Institution had identified 4 objectives according to this agenda, targets which are necessary to achieve those objectives, the way those targets have to achieve, indicators for measuring targets had not been identified.	Three objectives had been identified as qualitative education, good activities, economic development and reduction of inequality. After conducting 11 number of full time courses, the apprentices are selected based on their preferences and the marks they have been obtained in the examination hold at the end of the first year. There are many social welfare programs carried out under the contribution of the apprentices who are trained in our Institution. As well , the participation required for the pinkam etc. conducted by the Moratuwa Soysaramaya which is close to our Institution had been given and we also make all necessary labor contributions for the cleaning activities carried out in the temple. Also, with the contribution of the Australian Past	Should act according to the Circular number NP/SP/SDG/17 dated 14 August 2017 of the Ministry of National Policies and Economic Affairs.

Pupils Association, houses and hospitals have been built and donated to families living in villages with less facilities.

Every year all religious festivals are being held by the Institution and all apprentices are allowed to play between 7.30 am to 9.00 am one day per week representing each sector. We have well maintained playground as well as fitness center for this purpose.