

National Institute of Language Education and Training - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Institute of Language Education and Training for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and 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 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 intend to liquidate the institute 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 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 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 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 related to the preparation of financial statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Audit Observation	Management comments	Recommendation
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<p>Although fixed assets valued at Rs. 14,712,522 had been fully depreciated but they were continuously to be used and those assets had not been disclosed in the financial statements in accordance with Sri Lanka Public Sector Accounting Standard 07 . No action has also been taken to rectify the estimated error of the effective life time of assets occurred by that in accordance with the Accounting Standard 03.</p>	<p>Necessary adjustments will be made after the completion of the revaluation work immediately.</p>	<p>Action should be taken according to Sri Lanka Public Sector Accounting Standard.</p>

1.5.2 Accounting deficiencies

Audit Observation	Management comments	Recommendation
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<p>Action had not been taken to account receivable amount of Rs. 3,381,714 equal to 15 percent of the course fee in relation to 67 courses conducted by a private educational institution in 2019 and</p>	<p>It has not been included in the accounts due to non receiving of a confirmed document to include in the accounts at the time of preparing the accounts.</p>	<p>Should be accounted properly .</p>

a payable amount of Rs. 19,968,877 for a programme which was held that institute for this institute during the year under review.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observation	Management comments	Recommendation
Although receivable amount of Rs. 2,290,285 from the Ministry of National Integration, Official Languages, Social Progress and Hindu Religious Affairs and payable amount of Rs. 2,959,496 for radio and television programmes had been continuously shown as receivables and payables in the financial statements for more than 2 years , no agreement was reached with the Ministry regarding these balances .	It has been informed then existing ministry about the receivable balance from the defunct ministry several times, and information has also been reported to the line ministry which the institute currently belongs. Further outstanding balances are shown in the accounts due to non releasing of capital funds to the institute from treasury.	Action should be taken to pay the payable balances and to collect the receivable balances.

1.7 Non-compliance with laws, rules, regulations and management decisions etc.,

Reference to Laws, rules, regulations and management decisions etc.,	Non-compliance	Management comments	Recommendation
(a) Section (f) of paragraph 6 of the National Institute of Language Education and Training Act No. 26 of 2007 and section (b) of paragraph 11 of the Finance Act No. 38 of 1971.	Action had not been taken to invest the balance of Rs.64,096,718 in the savings account in short-term and long-term securities after obtaining the approval of the Board of Management and the Minister as at 31 December 2021 . As a	A sum of Rs. 60 million had been invested in fixed deposits at Bank of Ceylon branch Homagama after obtaining the approval of Board of management for investing in fixed deposits.	Action should be taken as per the provisions in the Act.

result , the high interest income had been lost due to keeping it in a regular savings account without investing this money for several years.

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| <p>(b) Financial Regulations 571 (2) and (3) in the Financial Regulations of the Democratic Socialist Republic of Sri Lanka</p> | <p>The deposits exceeding 02 years were Rs. 117,000 out of the refundable deposit balance of Rs. 542,000 which were deposited by the suppliers as at 31 December 2021. Action had not been taken with regarding those deposits as per Financial Regulations.</p> | <p>Necessary arrangements are being made for these balances as per the Financial Regulations . Reminder letters were sent relevant depositors .</p> | <p>Action should be taken as per Financial Regulations .</p> |
| <p>(c) Paragraph 4.1 of Public Administration Circular No. 18/2020 dated 16 October 2020</p> | <p>Although the responsibility of conducting training courses was assigned to the Department of Official Languages and the National Institute of Language Education and Training under the supervision of the Ministry of Official Languages, the responsibility of conducting training courses was assigned to the Institute of Official Language and professional studies based on a management decision contrary to the circular provisions and the institute had conducted 07 and 09 courses respectively in the years 2020 and 2021.</p> | <p>These programs had been done by the Institute of Official Language and Professional Studies registered under the approval the Board of Management to conduct training courses under the full supervision and regulation of the Institute in the years 2019/2020 in accordance with the powers of the National Language Education and Training Act No. 26 of 2007 and in accordance with Public Administration Circular 18/2020.</p> | <p>Action should be taken according to circular provisions.</p> |

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| <p>(d) Paragraph II of the Management Services Circular No. 03/2018 dated 18 July 2018.</p> | <p>Although recruiting employers should be refrain and deciding salaries and allowances of their without obtaining prior approval from the Department of Management Services according to the circular, a sum of Rs.2,899,002 had been paid as salaries and allowances during the year under review after recruiting 10 officers without following those instructions during the years 2020 and 2021.</p> | <p>These recruitments have been made due to there was a need to open the Dambulla Center to implement the proposed projects as per the New Government's Prosperity Vision policy statement. Further, the salaries and allowances were paid from the generated income of the institute for these recruitments.</p> | <p>Action should be taken as per circular provisions .</p> |
| <p>(e)Public Finance Circular No.PF/PE 5 dated 11 January 2000.</p> | <p>It was stated that in the payment of allowances, incentives and other financial benefits to the employees of the statutory institutions can only be paid the benefits approved by the Cabinet or the Minister of Public Administration or the Treasury. However, a sum of Rs.630,000 had been paid as incentives to the officers without proper approval of the institute during the year under review.</p> | <p>Although a statutory body, the employees working in this institute are not entitled to any allowance in addition to monthly salary or other privileges entitled to government officers. These incentive had been paid using generated income of institute. Approval of Board of Management has also been received for this.</p> | <p>Action should be taken as per circular provisions.</p> |

2. Financial review

2.1 Financial Results

The opening result for the year under review amounted to a loss of Rs. 13,849,346 and the corresponding profit of the previous year was Rs. 7,946,868. Therefore a deterioration of the financial result amounting to Rs. 21,796,214 was observed. The main reasons for this deterioration were the administrative expenses and training programme expenses were increased by Rs. 7,292,031 and

Rs. 29,780,921 although the recurrent grant from treasury was increased by Rs. 9,012,909 and training programme income by Rs.6,350,425 during the year under review.

3. Operational review

3.1 Operational inefficiencies

Audit Observation	Management comments	Recommendation
<p>The suspended Director General and the administrative officer were reinstated without conducting a formal disciplinary investigation and Rs. 666,026 had been paid as salaries and allowances for the period of suspended. The investigation had not been commenced up to end of the year under review.</p>	<p>Relevant salaries and allowances had been paid after reinstated considering the letters of Minister Public Administration and Home Affairs dated 31.01.2020 and the secretary to the State Ministry. The Board of Management approval was obtained on 15.07.2021.</p>	<p>Disciplinary investigations with regarding suspended officers should be expedited.</p>

3.2 Procurement Management

Audit Observation	Management comments	Recommendation
<p>An annual rent of Rs. 16,200,000 had been paid for the office building, which the institution is currently running without obtaining the approval of the Ministry Secretary for extending the agreement period for two years. It has been emphasized that the offices should be held in government buildings as far as possible and as per the provisions of Presidential Office Circular No. CA/1/17/1 dated 14 May 2010 the Board of management has also emphasized to obtain a building with space for the office only. Although an amount of Rs.4,140,643 was spent for a small staff of 32 officers and for the preparation of lecture halls to hold</p>	<p>Cabinet approval has also been received for renting this building till 31.12.2022. Further, the institution is being maintained in this building due to a suitable government building could not be found to establish the institution. This building is used for the language training courses conducted by the institute and no money has been paid for other places for conducting the general training courses of the institute in this year.</p>	<p>Action should be taken as per the circular provisions.</p>

training courses, the building was not utilized in maximum capacity due to the fact that the training courses were held elsewhere .

4 . **Accountability and good governance**

4.1 **Annual Action Plan**

Audit Observation	Management comments	Recommendation
Although it was planned to spend Rs. 1,569,000 to carry out 05 tasks of updating the syllabus as per the action plan. But none of the task had been executed. 4 language courses of 100 hours for pre-school teachers, 5 programs for 200 Buddhist monks receiving full-time education, 4 syllabuses for Tamil language courses, preparation of a Sinhala diploma module and second language teaching certificates.	Training courses were not organized as it was difficult to hold courses at one place due to the Covid-19 epidemic situation in the year 2021. Also, since it was difficult to recruit resources, the preparation of the Tamil language syllabus, the preparation of a Sinhala diploma module and the modernization of the Tamil language syllabus had to be delayed due to call resource persons.	Actions should be taken to implement the planned tasks.