

## **National Institute of Language Education and Training - 2014**

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The audit of financial statements of the National Institute of Language Education and Training for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014 and statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and summary of significant accounting policies and other explanatory information, 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 Section 13(1) of the Finance Act, No.38 of 1971 and Section 13(3) of the National Institute of Language Education and Training Act, No.26 of 2007. My comments and observations which I consider should be published with the Annual Report of the Institute in terms of Section 14(2)(c) of the Finance Act appear in this report.

### **1.2 Management’s Responsibility for the Financial Statements**

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Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

### **1.3 Auditor’s Responsibility**

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My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000 – 1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of risks of material misstatements of

the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute's preparation and fair presentation of financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Sub-sections (3) and (4) of the Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the Audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **2. Financial Statements**

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### **2.1 Opinion**

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In my opinion, the financial statements give a true and fair view of the financial position of the National Institute of Language Education and Training as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

### **2.2 Comments on Financial Statements**

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#### **2.2.1 Sri Lanka Public Sector Accounting Standards**

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According to the Public Sector Accounting Standard No. 7, action had not been taken for the revaluation of fixed assets with zero value but still in use, stated at Rs. 17,059,061 and lands and buildings stated at cost of Rs. 10,079,996 in the financial statements but representing a current high market value so as to reflect a fair value.

### **2.2.2 Accounting Policies**

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The Capital Grants had not been brought to account by the Institute in terms of the Accounting Policy shown under Note No. 2.10.2 of the financial statements presented.

### **2.2.3 Accounting Deficiencies**

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The effect on the financial results of preceding years by the sum of Rs. 15,608,863 shown in the year under review as previous year adjustments, had not been disclosed by the financial statements.

### **2.3 Non-compliance with Laws, Rules, Regulations and Management Decisions**

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The following non-compliances were observed.

<b>Reference to Laws, Rules and Regulations</b>	<b>Non-compliance</b>
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(a) Section 14(11)(1) of the Finance Act, No.38 of 1971	The Draft Annual Report for the year under review had not been prepared.
(b) Public Administration Circular No. 26/2010 of 31 December 2010	Approval had not been taken from the Department of Management Services for the recruitment of 08 casual and temporary basis employees who had been confirmed in their services.
(c) Paragraph 3 of the Circular of the Department of the Inland Revenue No. Seo/2013/07 of 01 September 2013.	Holiday pay and extra fuel allowances had not been taken into consideration in computing the Pay As You Earn Tax.

- (d) Section 4.4 of Chapter XIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka.
- (i) Even though 12 hours should be covered to obtain the full combined allowance, it was observed in an audit test check that the full combined allowance had been paid in 04 instances where that period had not been covered.
- (ii) Even though an officer travelling on duty will be paid an allowance to cover the combined cost of his subsistence and lodging, an overpayment of Rs.14, 355 had been made to cover the combined allowance contrary to those provisions.
- (e) Treasury Circular No. 842 of 19 November 1978 and Financial Regulation 507(2) of the Democratic Socialist Republic of Sri Lanka.
- The Register of Fixed Assets had not been prepared properly and a Statement on Fixed Assets had not been presented.

#### **2.4 Transactions not supported by Adequate Authority**

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Even though the fuel allowances should be paid to the Chairman and the Director General of the Institute only in terms of the Public Enterprises Circular No. PED/50 of 28 July 2008, the fuel allowance from February 2011 to March 2014 had been paid in terms of Public Administration Circular No. 13/2008 (iv) of 09 February 2011. As such, the total overpayment made for the relevant period had been Rs. 989,140 and action had not been taken to recover it.

### **3. Financial Review**

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#### **3.1 Financial Result**

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According to the financial statements presented, the financial result of the Institute for the year ended 31 December 2014 had been a surplus of Rs.478,601 as against the deficit of Rs.15,608,863 for the preceding year thus indicating an increase of Rs. 16,087,464 in the financial result for the year under review as compared with the preceding year.

### **4. Operating Review**

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#### **4.1 Transactions of Contentious Nature**

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The following observations are made.

- (a) Even though allowances had been paid for 03 meetings of the Board of Directors in the year under review, according to the reports of the Institute, it was observed that only one meeting was held.
  
- (b) Four hundred and forty candidates had been interviewed within 04 days (including 02 holidays) in November 2014 for recruitment for 04 posts of Coordinating Assistants of (MA 3) Grade III. Even though they had been interviewed at the ratio of 1:110, no recruitments had been made.

#### **4.2 Apparent Irregularities**

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The following observations are made.

- (a) A sum of Rs. 45,000 had been paid in the year under review to a member of the Board of Directors for the preparation of the Procedure Manual for the Institute. Further, the approval of the Board of Directors had not been received for the Procedure Rules prepared.

(b) The outstanding sum of Rs. 165,000 receivable from the Ministry of Buddhist Affairs for a course conducted in the year 2013 had not been recovered even by 31 December of the year under review.

(c) A sum of Rs. 93,824 had been paid, exceeding the prescribed fuel allowance for the official vehicle of the Director General in checking the distance run from March to December of the year under review.

#### 4.3 Performance

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The progress of the Second Language Training Courses for Public Officers is as follows.

(a)

Number of Classes Approved	Expected Participation	Number of Classes completed	Actual Participation	Number of Dormant Classes
368	16,146	214	8,005	188

(b) Classes of Level II and III of the Second Language Training Courses for Public Officers commenced before the year 2014 had not been completed even by 15 March 2015 as follows.

Year	Classes for Tamil Language	Classes for Sinhala Language
2012	33	-
2013	279	38

(c) A sum of Rs. 1,400,000 had been allocated for conducting 10 Twelve Day Non-resident Courses for Public Officers. However, 35 courses had been conducted in

the year and the amount spent had been Rs. 6,650,465. The expenditure for one course had exceeded the estimated amount by Rs. 50,000.

- (d) The progress of Oral examination of 150 hours under the Language Society Programmes is as follows and it was observed that conduct of classes and participation had been at a weak level.

Number of Classes Approved	Expected Participation	Number of Classes conducted	Actual Participation
364	13,920	180	5,400

- (e) The examinations for the Language Societies had been held for the last time in the year 2013 and out of them, the number of candidates failed had been more than the number passed. The Chairman had stated that conducting examinations after a long period of completing classes and failure to follow a prescribed syllabus had been the reasons for failure at the examinations.
- (f) The progress reports had not been prepared in a manner so as to check the progress of each function mentioned in the Action Plan.

## 5. Systems and Controls

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Weaknesses in systems and controls observed during the course of audit were brought to the notice of the Chairman of the National Institute of Language Education and Training from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Motor Vehicles Utilization
- (c) Conducting Language Classes
- (d) Management of Fixed Assets