

National Institute of Language Education and Training - 2015

The audit of financial statements of the National Institute of Language Education and Training for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a 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

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

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 Auditing 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

2.1 Opinion

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 2015 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

2.2.1 Sri Lanka Public Sector Accounting Standards

Instances of non-compliance with accounting standards are given below.

(a) Sri Lanka Public Sector Accounting Standard 03

Expenditure amounting to Rs.5,991,999 relevant to the preceding year had been adjusted to the accumulated profit in the Statement of Changes in Equity, instead of being accounted as retrospective restatements.

(b) Sri Lanka Public Sector Accounting Standard 07

- i According to the financial statements, action had not been taken to revalue and bring to account the lands and buildings valued at Rs.10,140,271 so as to disclose their actual market value at least once in 5 years.
- ii In order to depict the fair value of the fully depreciated vehicles, plants and equipment and computers costing as at 31 December 2015 Rs.23,801,980 which are further being used, action had not been taken to revalue and bring them to account.

2.2.2 Accounting Policies

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 and the Government Grants had been shown being added to the accumulated profit. Accordingly, depreciations in connection with the assets built up by the Government Grants had not been brought to account.

2.3 Accounts Receivable and Payable

A sum totalling Rs.2,560,915 due from 3 government institutions in respect of the courses conducted by the Institute had remained outstanding for a period from 01 to 02 years

2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances with Laws, Rules, and Regulations were observed.

Reference to Laws, Rules and Regulations

Non-compliance

(a) Section 08 of the National Institute of Language Education and Training Act, No.26 of 2007

The meetings required to execute the powers of the Board had not been held.

(b) Treasury Circular No. 842 of 19 December 1978

The Register of Fixed Assets on fixed assets valued at Rs.14, 673,373 as at 31 December of the year under review had not been properly maintained.

3. Financial Review

3.1 Financial Result

The following observations are made.

- (a) According to the financial statements presented, the financial result of the Institute for the year under review had been a surplus of Rs.17,595,314 as compared with the corresponding surplus of Rs.478,601 for the preceding year, thus indicating an increase of Rs. 17,116,713 in the financial result for the year under review as compared with the preceding year. Accounting a sum of Rs.8,405,568 received for the conduct of 180 training programs as income without being utilized for the relevant training programmes and materially decrease in the expenditure had mainly given rise to the said increase.
- (b) In analyzing financial results of the preceding years, the profitable position gained by the Institute in the year 2011 had fallen into a loss position during the years 2012 and 2013 and that loss in the year 2013 amounted to Rs.15,608,863. Nevertheless, the profitable position had been improved back since the year 2014. In addition, after adjusting employees remunerations and depreciation on non-current assets, the total contribution as at the end of the year under review amounted to Rs.37,152,107.

4. Operating Review

4.1 Performance

The following observations are made.

- (a) The objectives of the Institute in terms of Section 4 of the National Institute of Language Education and Training Act, No.26 of 2007 are as follows.
- To create talented teachers for teaching Sinhala, Tamil and English languages.
 - To create translators and interpreters competent in Sinhala, Tamil and English.

- To create qualified teachers for training language teachers, translators and interpreters in Sinhala, Tamil and English languages.
- To train individuals with trilingual skills in order to provide efficient service for the people.

(b) It was observed in audit that according to the following matters, the Action Plan had not been prepared to specify clearly the objectives and functions referred to in Sections 04 and 05 of the National Institute of Language Education and Training Act, No.26 of 2007 and the manner in which they were achieved.

- Training courses required for gaining competency in Sinhala, Tamil and English languages to the officers to be appointed to the National Translators and Interpreters services had not been commenced.
- Training courses had not been initiated to train teachers qualified for training Translators and Interpreters in Sinhala, Tamil and English languages.
- In order to maintain operations of the Institute in an efficient manner, action had not been taken to carry out researches and studies on the issues that existed in relation to the language trainings with the objective of utilizing the results of the researches and studies.
- Action had not been taken to carry out, assist and promote linguistic researches on Sinhala, Tamil and English languages and other foreign languages.

(c) In order to conduct of 265 part time language training classes under 4 levels for the public servants, a sum of Rs. 20,083,200 had been estimated during the year under review and 207 training classes only had been conducted spending a sum of Rs.10,121,425.

4.2 Uneconomic Transactions

Although a sum of Rs. 45,000 had been paid to a member of the Board of Directors for the preparation of the Financial Administration Procedure Manual for the Institute without approval of the Board of Directors that Procedure Manual had not been made use in carrying out functions of the Institute.

4.3 Personnel Administration

The following observations are made.

(a) Even though 5 Academic and Research Officer posts had been approved under the executive level, 4 out of them remained vacant and the officer appointed had also been interdicted. Therefore, it had failed to carry out researches and studies on the issues existed in relation to the language trainings with the objective of utilizing the results of the researches and studies in order to maintain operations of the Institute in an efficient manner, as required by Paragraph (b) of Section 5 of the Act, passed for the establishment of the Institute.

(c) Eight Assistant Coordinator posts had been in vacant and it resulted in failure to finalize the payments of various courses and classes and maintain personal files and

files relating to vehicles properly. Accordingly, it had affected the efficient and proper maintenance of the affairs of the Institute.

5. Accountability and Good Governance.

5.1 Tabling Annual Reports.

Annual Reports of the years 2013 and 2014 had not been tabled in Parliament in terms of Public Enterprises Circular No.PED/12 dated 02 June 2003 and the draft annual report for the year under review had not been furnished to audit even as at 10 May 2016.

5.2 Internal Audit

The following observations are made.

- (a) The Internal Auditor only had been appointed to the Internal Audit Unit.
- (b) Action had not been taken to rectify deficiencies pointed out by 5 internal audit queries issued to the Chairman.
- (c) Although the Internal Auditor should directly forward his reports to the Chairman in terms of Financial Regulation 134 (I), Internal Audit Reports had been forwarded to the Director General.

5.3 Audit Committees

Recommendations of the Audit Committees in accordance with Section 15 of the Public Enterprises Circular No.55 dated 14 December 2010 had not been submitted to the meetings of the Board of Directors.

6. Systems and Controls

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

Areas of Systems and Control

Observations in Brief

(a) Financial Control

Failure to recover the income in arrears relating to the courses conducted by the Institute, failure to settle payments pertaining to the preceding years.

(b) Personnel Administration

Delays in making recruitments to the vacant posts, weaknesses in supervising employees.