

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 2018 comprising the statement of financial position as at 31 December 2018 and the statement of comprehensive income, 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 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 matters described in Paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Institute as at 31 December 2018, and of its financial performance and 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 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 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 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 Sub-section 16(1) of the National Audit Act No. 19 of 2018, the Council 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 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 Financial Statements

1.5.1 Internal Control 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. Issues with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under this heading.

1.5.2 Non-compliance with Sri Lanka Public Sector Accounting Standards

The following observations are made.

| Audit Observation | Comments of the Management | Recommendation |
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| Without being identified the realization of revenue certainly in terms of Paragraph 41 of the Standard 08, a sum of Rs.14,201,683 had been brought to account as a revenue receivable from the Ministry as at 31 December of the year under review. Nevertheless, a sum of Rs.11,973,583 only had been stated as liabilities by the Ministry. | According to the reports of the Institute, the amount receivable as at 31.12.2018 was Rs.14,201,683 and the Ministry has been informed that the relevant amount is receivable relating to the year. | Revenue should be duly recognized and accounted in terms of Accounting Standards. |

1.5.3 Accounting Deficiencies

The following observations are made.

| Audit Observation | Comments of the Management | Recommendation |
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| ----- | ----- | ----- |
| (a) Although the actual market value of the fully depreciated computer accessories costing Rs.5,717,770 was not shown in the financial statements, action had not been taken to revalue and bring to account those assets. | It has been informed that the action will be taken to carry out revaluation in future. | Fixed assets should be revalued in time and the actual market value thereof should be stated in the financial statements. |
| (b) Even though the annual building rent stood at Rs.17,595,000, it had been state as Rs.17,212,500 in the financial statements. Accordingly, building rental of Rs.382,500 had been under stated in the accounts. | It has been informed that the observation is accepted. | Correct value should be brought to account. |
| (c) In the event of accounting revaluation amount in the year 2017, the cost of Rs.2,593,915 of two vehicles which had not been revalued had been eliminated from the Vehicle Account. Nevertheless, relevant corrections had not been made during the year under review. | It had been informed that the ownership of the vehicle that had been physically released to the Presidential Secretariat in the year 2017 had not been transferred and action would be taken to revalue the other vehicle and bring it to the account. | In vesting assets to other institutions, ownership of those assets should be transferred at that time and until completion of the transfers, value should be brought to account within the relevant years. |

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

The following observations are made.

| Reference to Laws, Rules and Regulations | Non-compliance | Comments of the Management | Recommendation |
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| ----- | ----- | ----- | ----- |
| (a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R. 371(2) | Although the advances granted should be settled immediately after completion of the relevant purpose, an advance amounting to Rs.100,000 granted to an officers in October 2018 had not been settled even by 31 December 2018. | Observation is accepted. It has been stated that the relevant officer has been informed on the matter. | Action should be taken in terms of Financial Regulations with respect to the payment of advances. |
| (b) National Institute of Languages Education and Training Act No.26 of 2007. | The balance of Rs.35,711,789 existed in the Savings Account as at 31 December 2018 had not been invested in short term and long term Securities obtaining approval of the Board of Management. | It has been stated that action will be taken to make investments in Securities by obtaining approval of the Board of Management. | A colossal amount of money should not be continuously retained in the savings accounts. |

2. Financial Review

2.1 Financial Results

The operations of the Institute in the year under review had resulted in a surplus of Rs.40,796,685 as against the deficit of Rs.59,809,832 for the preceding year, thus observing an improvement of Rs.100,606,517 in the financial result. Increase in the other income by Rs.27,425,656 and decrease in administrative and other expenditure by Rs.10,915,339 had mainly attributed to the above improvement.

3. Operational Review

3.1 Idled or Underutilized Properties

The following observations are made.

| Audit Observation | Comments of the Management | Recommendation |
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| (a) Although Rs.535,639 and Rs.240,963 had been spent relating to a repair attended to a vehicle in the year 2017 | It has been stated that the vehicle was driven only in three months in the year 2018 due to its repairs. | Assets should be properly utilized. |

and 2018 respectively, it had been driven only in 03 months during the year under review.

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| (b) | The three-wheeler owned by the Institute had not been driven during the year 2018. | It has been stated that the three-wheeler had not been driven due to lack of adequate number of drivers and request had been made under F.R.71 to recruit two drivers and accordingly, the three-wheeler can be utilized in future. | Since drivers are not attached to drive three-wheelers, an alternative step should be taken in order to use the three-wheeler. |
| (c) | A number of 4985 manuals worth Rs.593,215 printed without properly identifying the requirements for the seminars of the General Certificate of Education (O/L) examination had not been distributed even up to 31 December 2018. | It has been stated that the failure to conduct the seminars as planned resulted in this remaining of books and about 4000 books have been distributed among the G.C.E.(O/L) students by the month of May 2019. | Printing should be carried out properly identifying the requirement and expected objective can be achieved by taking steps to distribute books at the time of conducting the seminars. |

3.2 Procurement Management

The following observations are made.

| Audit Observation | Comments of the Management | Recommendation |
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| (i) Action in terms of Guidelines 4.1.1(a), 4.3.1(a) and 2.14.1 had not been taken relating to printing of 13,000 manuals spending Rs.1,553,000 during the year under review in respect of conducting series of seminars on the subject of Tamil/Sinhala Second Language of the General Certificate of Education (O/L) examination, 2017. | It has been stated that since this is the first instance to prepare a manuals, delays occurred in the compilation of original book, thus resulting this situation and steps will be taken to prevent these lapses in future. | In the procurement activities, action should be taken in conformity with the Guidelines of the Government Procurement Guidelines. |

- (ii) Action in terms of the Guidelines 2.3.2(c), 5.3.10 (b), 5.3.18 (b) and 6.3.3 (b) of the Government Procurement Guidelines had not been taken in connection with 05 procurement activities on plant and machinery totalling Rs.1,728,800 carried out in the year 2018. Observation is accepted. It has been stated that action will be taken to provide training on the Procurement Guidelines for the officers concerned. -Do-
- (iii) Although Rs.1,559,725 and Rs.2,564,899 had been spent during the year under review respectively on pre-promotional program and coordination activities of the radio programme titled “*Dannawanam Uganwanna Nethnam Igenaganna*” , steps in terms of Guidelines 2.14.1 and 4.3.1(b) had not been taken thereon. Observation is accepted. It has been stated that action will be taken in accordance with the matters pointed by you in future. -Do-

4. Accountability and Good Governance

4.1 Annual Action Plan

The following observations are made

| Audit Observation ----- | Comments of the Management ----- | Recommendation ----- |
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| Although plans had been drawn to conduct 56 seminars for 8000 General Certificate of Education (Ordinary Level) students at an estimated expenditure of Rs.4,216,900, only 36 seminars had been conducted for 5910 students by spending Rs.2,914,948 equivalent to 64 per cent of the estimated expenditure. | It had been stated that the seminars could not be conducted as planned owing to natural disasters and conduct of final term tests. | In planning seminars attention should be drawn on the conduct of school term tests. |

4.2 Sustainable Development Goals

The following observations are made

| Audit Observation | Comments of the Management | Recommendation |
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| <p>Each Public institution should follow the “Agenda 2030” for the Sustainable Development Goals adopted by the United Nations and the Institute was aware of the functions coming under its purview pertaining to the year under review. Nevertheless, following deficiencies were observed.</p> | <p>Observation is accepted. Necessary steps will be taken in future.</p> | <p>Action should be taken to achieve sustainable development goals in accordance with the relevant circular provisions.</p> |
| <p>(i) Awareness programmes had not been conducted for the parties who are interested in the implementation of Sustainable Development Goals.</p> | | |
| <p>(ii) Although providing education on Tamil/Sinhala/English languages for the school students had been identified as a target, the Ministry of Education had not been identifies as an institutions involved in the implementation of objectives.</p> | | |
| <p>(iii) In reaching the Sustainable Development goals, the milestones and methodologies required for the regulation of relevant activities had not been recognized.</p> | | |