

1.1 Qualified Opinion

The audit of the financial statements of the Ceylon German Technical Training Institute for the year ended 31 December 2020 comprising the statement of financial positions as at 31 December 2020 and the statement of financial performance , statement of changes in net assets 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.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements of the Council give a true and fair view of the financial position of the institute as at 31 December 2020, 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 Council’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 intends to liquidate the Council 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 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 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 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:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 and, if such disclosures are inadequate, to modify my opinion. 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 Council had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit observations regarding the preparation of 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.

1.5.2 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Following observations are made.

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
(a). Even though the institute should follow the same policy for similar transactions and other incidences and situations in terms of the paragraph 16 of Sri Lanka Public Sector Accounting Standard 03, it was observed that the policy of the Ceylon German Technical Training Institute (Depreciation Rate for Equivalent Assets) and the policy followed at the Kilinochchi Training Center were different.	Measures will be taken to submit the 2021 Financial Statements following the same depreciation policy applicable to both institutes.	Financial statements should be prepared in accordance with Sri Lanka Public Sector Accounting Standards.
(b). Even though it had been completely depreciated in terms of paragraph 92 of the Sri Lanka Public Sector Accounting Standards 07, financial statements had not unveiled the fixed assets with the cost of Rs. 483,212,984 already been utilized, and no action was taken to review the estimate about the effective life expectancy of those assets again in terms of the Sri Lanka Public sector Accounting Standards 03 and to make adjustments to the financial statements.	The relevant work is currently underway, and I would like to inform you that measures will be taken to specify the effective lifetime and carrying value of assets in accordance with the Sri Lanka Public Sector Accounts Standard at the time of submitting final accounts in year 2021.	Financial statements should be prepared in accordance with Sri Lanka Public Sector Accounting Standards.
(c). Depreciation of an asset begins when it is available for use in terms of the paragraph 69 of Sri Lanka Public Sector Accounting Standards 7. However, it was observed that Kilinochchi Training Center had acquired assets worth Rs. 11,246,916, but it	It is informed that measures will be taken to rectify this error in the submission of accounts for the year 2021 and to submit financial statements.	Financial statements should be prepared in accordance with Sri Lanka Public Sector Accounting Standards.

depreciation of the assets of the Center was taken place from the year following the year of purchase.

1.6 Accounts Receivable and Payable

Receivables

Audit Observation	Management Comment	Recommendation
There was a debt balance of Rs. 3,603,442 as at 31 December 2020 of the Statement of Financial Position, and it includes a total of Rs. 1,111,415, which is more than 10 years old and a debt balance of Rs. 2,109,449 between 5 and 10 years ,and no measures had been taken by the institute to recover that loan or to write off from books after obtaining approval in terms of the F.R. 113.	It is informed that a large number of debits receivable are related to repairing SLTB buses. I would like to inform you that the money is due for the repair of the bus. Accordingly, steps will be taken to settle this balance through discussions between the two parties as soon as possible.	To recover the debit balance or take action in accordance with Financial Regulations.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Section 6.5.1 of the Department of Public Enterprise Circular No. PED / 12 dated 02 June 2003.	Even though the financial statements are required to be submitted to the Auditor General within 60 days after the end of the financial year, the financial statements of the Kilinochchi Training Center has been consolidated by the institute and the financial statements had been submitted to the Auditor General on 26 October 2021.	Even though the administrative finance and other resources of Sri Lanka German Technical Training Institute, Kilinochchi had been transferred to the Ceylon German Technical Training Institute by the Cabinet Decision dated 09.01.2020, financial statements of the two institutions were submitted separately based on the facts that amendment to the Ceylon German Technical Training Institute Act and or the new act does not establish the two institutions as one.	Circulars should be followed.

- (b) Financial Regulation 1646 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Even though the daily running charts of each month were to be submitted to the Auditor General before the 15th day of the month following the month in which the report was to be submitted, no action had been taken in respect of the 25 existing vehicles of the institution. Copies of 100-page running charts designed to be used continuously for years, or completed running charts, can be provided. Action should be taken in terms of the Financial Regulations.
- (c) Paragraph 38 (1) (d) of the National Audit Act No. 19 of 2018 dated 17 July 2018. The Chief Accounting Officer should ensure that annual and other financial statements are prepared within the required hours. In addition, even though the Chief Accounting Officer should ensure that the annual reports relating to the assets being audited are submitted to Parliament, The annual reports for year 2018 and 2019 had not yet been tabled in Parliament. Arrangements are being made to submit the year 2018 and 2019 Annual Reports to Parliament as soon as possible. Action should be taken in accordance with the provisions of the Act.

2. **Financial Review**

Financial Result

The financial result of the operations of Ceylon German Technical Training Institute for the year under review had been a deficit of Rs. 22,943,923 as against the corresponding deficit of Rs. 196,062 for the preceding year, thus indicating a deterioration of Rs. 22,747,861 equivalent to 11602 per percent in the financial result of the year under review as compared with that of the preceding year. The reasons for the deterioration are the increase of annual depreciation by Rs.103,461,759 and an increase of contract service cost by Rs. 10,192,243.

3. **Operating Review**

Management Inefficiencies

Audit Observation

Comments of the Management.

Recommendation

Decisions taken at the meeting of the Committee on Public Enterprises held on 23 May 2019 to prepare equivalent pay scales for educational qualifications in relation to the five key vacancies and to discuss in this

Even though a letter dated 05.03.2020 had been referred to the Director General of the Department of Management Services and Chairman of the National Salary Commission through the Secretary of the

Vacancies should be filled in accordance with the scheme of recruitment, and problematic situations

regard with the Treasury and to take action to fill those vacancies and to discuss and rectify the issues that have arisen ,when restructuring of the posts of the employees of the institution, with regard to salary increments with the Treasury had not been implemented until 30 November 2021.

Line Ministry proposing a special salary scheme for the institute, a response had not been received for the same. The committee appointed by the Ministry to solve the salary issues of the academic staff of the Industrial Training Institutions under the Line Ministry has participated and informed about the existing issues.

arisen ,when restructuring the posts, should be solved.