

National Apprentice and Industrial Training Authority - 2020

1. Financial Statement

1.1 Qualified Opinion

The audit of the financial statements of the National Apprentice and Industrial Training Authority for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of comprehensive income, 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 Finance Act No. 38 of 1971. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, 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 Authority 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 Authority'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 Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial Reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Authority 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 Authority.

1.4 Responsibility of the Auditor on Audit 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 Authority'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 Authority'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 Authority 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 Authority, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Authority has complied with applicable written law, or general or special directions issued by the governing body of the Authority.
- Whether the Authority has performed according to its powers, functions and duties; and
- Whether the resources of the Authority had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws,

1.5 Audit Observations on 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

The following observations are made.

	Non Compliance with the Reference to Particular Standard	Comment of the Management	Recommendation
(a)	According to paragraph 47 of Sri Lanka Public Sector Accounting Standard 7, although property, plant and equipment items should be revalued in every 3 or 5 years, property plant and equipment included in the financial statements costed for Rs. 5,083,432,015 had not been revalued.	Only the motor vehicle asset class had been revalued and included in the financial statements in the year 2020. The revalued values related to all the remaining assets will be recorded in the accounts during the preparation of the financial reports of the year 2021 and the final accounts of the year 2021.	The Sri Lankan Public Sector Accounting Standards should be followed.
(b)	According to paragraph 49 of Sri Lanka Public Sector Accounting Standard 07, when the property, plant and equipment items are revalued, the entire asset class to which the asset belongs should be revalued. But during the	The ownership of some vehicles had been transferred and only a few vehicles are remained with the authority. The Accounts Division has informed the Director of Administration to follow up	The Sri Lankan Public Sector Accounting Standards should be followed.

reevaluation of motor vehicles during the year under review, 15 vehicles remained in the authority had omitted from the reevaluation.

this matter and resolve the issues. As soon as the above issues are resolved by the Director of Administration, these vehicles will be removed from the fixed assets register.

(c) Even though 07 assets classes costed Rs. 1,216,781,413 had been fully depreciated, the useful lifetime of non-current assets had not been reviewed annually in terms of paragraph 65 of the Sri Lanka Public Sector Accounting Standard 7 and they were being further used. Accordingly, action had not been taken to revise the estimated error in terms of Sri Lanka Public Sector Accounting Standard 3.

To correct this error, the authority revalued all asset classes in the year 2021 and the new revalued values had been entered in the books of account for the year 2021. Accordingly, this error now been corrected.

The Sri Lankan Public Sector Accounting Standards should be followed.

(d) Computers and printers valued for Rs. 5,316,000 donated by the Chinese Embassy during the year under review and property, plant and equipment valued for Rs. 6,475,926 received from the Deutsche Gesellschaft Fur International Zusammenarbeit (GIZ) project to the Kilinochchi district office in the years 2013 and 2014 had not been disclosed in the financial statements as per the Sri Lanka Public Sector Accounting Standards 11.

To correct this error in the year 2021, it has been identified as fixed assets by the GRN No. 19509 on 21.10.2021 and had been reconciled and corrected in the books of accounts now.

The Sri Lankan Public Sector Accounting Standards should be followed.

1.5.3 Accounting Policies

The following observation is made.

Audit Observation

According to Accounting Policy No. 9 presented with the financial statements, stated that the adjustments

Comments of the Management

A summary of the proceedings filed against the Authority by some former officers of the Authority was given under Accounting Notes No. 32 in the

Recommendation

The accounting policies identified should be followed in preparing the financial statements.

were done in the financial statements in relation to events that have a material impact on events after the balance sheet date. But no provision was made in the financial statements of the year under review for the compensation amounting to Rs. 12,942,552 which was to be paid in relation to the 3 legal cases that had been decided in the months of February and March of the year 2021.

Final Accounts Report of 2020. The authority had paid a sum of Rs. 12,442,152.00 as compensation for 3 cases related to the above proceedings in the year 2021. In addition to these three cases, the authority has paid an amount of Rs. 50,400,00 for another case. Action will be taken to ensure that a full account of the proceedings is presented in the final accounts of 2021.

1.5.4 Accounting deficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) The building works completed from 03 April 2018 and currently in use valued for Rs. 1,261,908 were shown in the financial statements as work in progress instead of being capitalized and the depreciation expense related to those buildings was not identified.	Corrected in 2021 by Journal Nos. 986/897/898.	Accurate calculations should be done while preparing financial statements.
(b) Out of expenditure amounted to Rs. 7,950,619 incurred during the year under review for computer software and networking, a sum of Rs.6,781,722 was shown as recurrent expenditure and Rs. 1,168,897 was shown as advances under current assets instead of being capitalized under intangible assets. Accordingly, the deficit for the year under review was over stated by Rs. 6,781,722 and current assets by Rs. 1,168,897	This error was rectified in the year 2021 by the journal entries bearing journal voucher No. 908 and 909.	Accounts should be kept correctly while preparing financial statements.

and intangible assets was under stated by Rs. 7,950,619 in the financial statements.

- (c) A sum of Rs. 12,470,721 had been incurred from the Authority funds in the year under review for the "Multi Purpose Development Task Force Training Program 100,000" project which was carried out under the reimbursement basis from the Presidential Secretariat and due to the fact that only the relevant expenditure had been accounted as expenditure in the financial performance statement without proceeding to recognize it as recoverable income. Accordingly, the deficit in the year and the current assets were over stated and under stated by that amount respectively in the financial statements.
- Due to the funds related to the 100,000 employment project was delayed, an amount of Rs. 12,490,921 had been spent from the authority's funds and this amount will be reimbursed to the authority by the relevant project as soon as the relevant funds is released by the Task Force in the year 2021. If there is any such amount to be received, action will be taken to make necessary provisions in the books in the future.
- Accurate financial statements should be prepared.
- (d) Although the Kilinochchi German Technical Training Institute, which was under the National Apprenticeship and Technical Training Authority, was handed over to the Ratmalana Sri Lanka German Technical Training Institute in January 2020 as per a Cabinet decision, assets worth of Rs. 290,115,476 and liabilities worth of Rs. 984,094 relevant to the said transfer had not been adjusted in the financial statements. Further, assets costed Rs. 1,212,751,835 and rights valued for Rs. 1,615,789,921 were not accounted for in the Authority's financial statements.
- During the preparation of financial statements in the year 2021, all relevant assets and liabilities will be removed and financial statements will be prepared.
- Accurate financial statements should be prepared.

1.6 Accounts payable and Receivable

1.6.1 Accounts Receivables

Audit Observation	Comments of the Management	Recommendation
Unrecovered sundry debtor balances for a period of 01 to 15 years total amounted to Rs. 38,289,653 and employee loans balances amounted to Rs. 1,185,654 were included in the receivable balance in the financial position statement as at 31 December 2020 and those balances were continuously kept in current assets without taking action to recover them.	No reply was made.	Action should be taken to recover the receivables expeditiously.

1.6.2 Accounts Payables

The following observation is made.

Audit Observation	Comments of the Management	Recommendation
Advance payable, deposit balances and sundry creditors for a period of 02 to 13 years total amounted to Rs 92,720,931 were included in the payable balance in the financial position statement of the year 2020 and action had not been taken write off from the books or to settle these outstanding balances.	No reply was made.	Action should be taken to settle payable balances expeditiously.

1.7 Non-compliance to Laws, Rules, Regulations and Management Decisions

The following observations are made.

Reference to laws, rules, regulations	Non compliance	Comment of the Management	Recommendation
(a) Financial Regulation 760 of the Financial Regulations of the Democratic Socialist Republic	According to the inventory register of the Polonnaruwa District Office, the audit revealed that there was a shortage of 108 items in 13	No reply was made.	Financial Regulation should be followed.

- of Sri Lanka
- categories of training equipment belonging to the “Senapura” Training Center.
- (b) Management Services Circular No. 03/2018 dated 18 July 2018
- While emphasizing that institutions should refrain from recruiting employees and deciding salaries and allowances for their institutions without the approval of the Treasury, 47 employees had been recruited on contract basis in the years 2018 and 2019 and allowances had been paid without following the recruitment procedure of the Authority and without the approval of the Treasury.
- No reply was made.
- Management Services Circular should be followed.
- (c) Recruitment and Promotion Procedure approved by Department of Management Services dated 20 April 2017
- i. Three management level officials were promoted to Deputy Director positions on 01 June 2015, while the promotions under exceptional performance was suspended as per the Cabinet decision dated 11 October 2013. Although the Department of Management Services informed the Authority on 22 December 2016 that these positions are no longer in force, action had not been taken to abolish the positions until 15 March 2022. Although almost 1 1/2 years have passed since the audit
- No reply was made.
- According to the instructions of the Management Services Department, the wrongly appointed posts should be abolished.

pointed out these facts, action has not been taken in this regard.

- ii. While it has been stated that the posts of Deputy Director are not in force and according to the recruitment and promotion procedure, 02 officers who have not completed the qualifications were given Director positions and one officer was appointed for acting in the position of Director (Training) from 01 July 2019 to 15 March 2022, the date of audit.

2. Financial Review

2.1 Financial Results

The operations in the year under review had resulted in a deficit of Rs. 43,708,450 as compared with the corresponding deficit of Rs. 187,171,008 for the preceding year, thus observing an improvement of Rs.143,462,546 in the financial result. The decrease in other training expenses, employment cost and office expenses had mainly attributed to this improvement.

3. Operational review

3.1 Management Inefficiencies

The following observations are made.

Audit observation	Comment of the Management	Recommendation
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(a) In the open competition examination for the enrolment of apprentices for full-time courses for the year 2020 to Orugudawatta Motor Engineering Training Institute, 20 unqualified apprentices were selected while there were 30 qualified apprentices	No reply was made.	Apprentices should be selected on the basis of competitive examination results in a transparent manner.

due to fraudulent selection of apprentices. Although almost 2 years have passed since these facts were pointed out by the audit, no disciplinary action was taken against the officials who committed irregularities until 15 March 2022.

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| (b) Under the first step of the 13-year certified education program implemented under the provisions of the Ministry of Education, a sum of Rs. 2,170,814 were spent for 186 students enrolled relevant to the year 2019 and given certificates to only 20 trainees who completed the training. | No reply was made. | Arrangements should be made to provide sufficient amounts of certificates to reach the objective of the relevant project. |
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3.2 Operational Inefficiencies

The following observations are made.

Audit observation	Comment of the Management	Recommendation
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(a) Due to not considering the Cost of Living Allowance while calculating the contributions to the Employees' Provident Fund in relation to the period from 2007 to 2017, the surcharged amount of Rs. 8,732,754 in the year under review and the contribution amount to be collected from the employees of the payable outstanding employees' provident fund amounted to Rs. 58,908,280 were deducted from the previous year profit of the authority and the profit for the year under review instead of recovery from the relevant officials.	Several problems were encountered at the recovering this amount from the employees. Due to these problems, it was difficult to recover this amount from the employees and finally it was decided to pay this amount through the provisions received by the authority.	This payment had to be made due to the inefficiency of the officials. Therefore, arrangements should be made to charge the officials responsible for it.
(b) The inventory book of the Orugudawatta Motor Engineering Training Institute's armory had been misplaced in the year 2011, but a formal investigation had not been conducted in this regard even by 31December 2021. Further, action had not been taken to correctly	No reply was made.	Action should be taken to accurately identify the stock/equipment currently available in the stores and maintain a new inventory register subject to formal approval and investigate to find the reasons for missing

identify the stock/equipment currently available in the stores and to maintain a new inventory register subject to formal approval. Also, no action was taken to find the reasons for the missing inventory register.

the inventory register.

3.3 Ideal or Under-Utilization of Property, Plant and Equipment

The following observations are made.

Audit observation -----	Comment of the Management -----	Recommendation -----
(a) The showroom building constructed in the institutions' premises for the purpose of selling furniture manufactured by the apprentices of the Katubedda Industrial Engineering Training Institute by spending a sum of Rs. 18,847,771 during the period 2014 and 2016 and the student hostel and staff hostel of the Orugudawatta Automotive Engineering Training Institute which was completed in December 2019 by spending Rs. 9,172,400 were remained idle along with the equipment even till June 2021 without any use.	No reply was made.	Action should be taken to utilize long-term idle assets.
(b) 297 training equipment items remained in a closed down training centre in 2012 in Polonnaruwa district were idle over 07 years.	No reply was made.	Action should be taken to utilize long-term idle assets.