

National Apprentice and Industrial Training Authority - 2021

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 2021 comprising the statement of financial position as at 31 December 2021 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 2021, 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
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(a) The error amounted to Rs. 16,297,465 occurred in accounting of government capital grants and deferred income since the year 2018 in the German Industrial Training Institute in Kilinochchi had been recorded as a profit on disposal of assets in the statement of financial performance during the year under review instead of make adjustments retrospectively in accordance with paragraph 47 of Sri Lanka Public Sector Accounting Standard 3. As such, the deficit of the year under review and the accumulated fund were under stated by that amount.	In removing assets and liabilities from the financial statement in the year 2021 at the transfer of Kilinochchi German Industrial Training Institute to the German Training Authority, a profit on disposal of assets of Rs 16,297,465 was arose and while investigating the reason for such a profit, it was revealed that the accounting of capital grants and the calculation of deferred income have been done incorrectly since 2018.	According to public sector accounting standards, the identified errors should be adjusted retrospectively.

- (b) Capital grants received to the Authority during the year under review amounting to Rs.67,705,041 had not been recognized in the financial statements in accordance with Sri Lanka Public Sector Accounting Standard 11. The relevant officials have been informed and instructed to provide the necessary knowledge to prepare the accounts in accordance with Sri Lanka Public Sector Accounting Standard No. 11 in preparing the final financial statements of the year 2022. The Sri Lankan Public Sector Accounting Standards should be followed.

1.5.3 Accounting deficiencies

The following observations are made.

Audit Observation -----	Comments of the Management -----	Recommendation -----
(a) Due to the omission of carrying value of assets worth of Rs.110,974,250 in the revaluation of assets, value of property, plant, and equipment and the revaluation reserve were under stated by that amount.	The error was rectified in the year 2022 by the journal entries.	All assets used for operational purposes should be accounted properly.
(b) A sum of Rs. 1,584,556,810, given for buildings, training equipment, and intangible assets and a sum of Rs. 168,937,662 spent on modernization and academic staff training in the Katunayake Institute of Engineering Technology under the authority from the Austrian Project in previous year had not been accounted for.	These values will be adjusted in the books in the year 2022.	All funds and assets received from the projects should be accounted for.
(c) A sum of Rs.18,770,586 received from the President's Secretariat for the "Multi-Purpose Development Task Force Training Program 100,000 Project" had been	It was not stated in the Memorandum of Understanding (MOU) signed between the authority and the force that the excess money has to be reimbursed in case the actual	The funds received for the works performed on the provisions of other institutions should be kept in a deposit account and expenses should be made

- recognized as a profit for the year instead of being retained in a deposit account. As such, the deficit of the year under review was under stated by that amount.
- cost is less than the estimated cost related to the 100,000 Job Program of the Multi-Purpose Development Task Force Training Programme. The balance should be used to cover the future expenses of the project
- accordingly.
- (d) The amount of Rs.1,000,000 received as a donation from a private institution to the authority was credited to an employee welfare fund account instead of being accounted as income of the authority.
- A private organization had given an amount of Rs. 1,000,000.00 on a written request of the chairman of the authority to make 1000 of beds for the Corona epidemic situation. The chairman had assigned the responsibility to the welfare association to perform the relevant work, but since the cheque was issued in the name of the authority the Chairman has given written instructions on the relevant voucher that deposit the cheque in the authority's account and transfer the funds upon the realization of the cheque to the welfare account and complete the work.
- All income received by the authority should be accounted for as income of the authority.
- (e) The value of 500 tabs and the value of the bus received as donations from two organizations during the year under review were not valued and accounted for. As such, the value of computers and vehicles and the balance in the donation account were understated in the financial statements.
- Necessary actions have been taken to value and account for the value of the 500 Tabs. Necessary adjustments will be made and rectified in the year 2022.
- All assets received as donations should be valued and accounted for.
- (f) 16,235 textbooks worth of Rs. 3,351,456 in the Learning Resource Centre of the Authority were omitted for accounting under stock as on 31 December 2021.
- It was further informed that adjustments will be made in the books of accounts during the preparation of the final accounts of 2022.
- Closing stock should be correctly identified and accounted for.
- (g) The total gratuity payable amounting to Rs. 1,490,345 relevant to the year under
- The relevant gratuity payable amount of Rs. 1,490,345 has been journalized and accounted
- The gratuity amount for the year should be properly accounted for.

review had not been for and the error has been accounted for. corrected by 31.12.2022.

1.6 Accounts payable and Receivable

1.6.1 Accounts Receivables

The following observation is made.

Audit Observation	Comments of the Management	Recommendation
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<p>Total sundry debtors balance amounting to Rs.36,312,338, unrecovered for a period of 01 year to 16 years, and total employee loans of Rs. 1,116,983 were included in the receivable balance of Rs.100,724,147 in the statement of financial position as at 31 December 2021 and these balances were continuously stated under current assets without taking action to recover them.</p>	<p>Those employees are not currently working in the authority and was unable to recover money. The relevant adjustments were made in the accounts.</p>	<p>Action should be taken to recover the long term receivable balances.</p>

1.6.2 Accounts Payables

The following observation is made.

Audit Observation	Comments of the Management	Recommendation
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<p>Advance payable, deposits, and sundry creditors total amounted to Rs 83,517,427 over a period of 02 to 14 years were included in the payable balance amounted to Rs. 198,247,374 in the financial position statement for the year 2022 and action had not been taken to settle those balances.</p>	<p>Action will be taken to check the balances and settle promptly.</p>	<p>Action should be taken to settle long term payable balances.</p>

1.7 Non-compliance with 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 Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 65 (1)	Although the specific purposes and the sums provided under the Financial Regulations should not be varied without appropriate authority, a sum of Rs. 8,990,978 provided for capital expenditure had been utilized for recurrent nature expenditure without any approval.	The amount of Rs. 8,990,978.00 was used for rehabilitation which is part of the capital expenditure of the authority. It was identified separately as major repair in the accounts and had been adjusted in the profit and loss account as maintenance expenses in the accounts statements.	Funds received for incurring capital expenditure should not be spent on recurrent expenditure.
(b) Establishment Code of the Democratic Socialist Republic of Sri Lanka Paragraph 13.3 of Chapter II	An acting appointment should be done only as a temporary remedy until make a permanent appointment. Although a permanent appointment should be made without delay if the post requires the services of a full-time officer, 09 officers of the institute were given	Although the requests had been submitted through the line ministry to get the approval of the National Budget Department to fill the essential vacancies in the approved cadre of the authority, the relevant approval has not been received	The Establishment Code of the Democratic Socialist Republic of Sri Lanka should be complied with.

acting appointments for a period of 08 months to 03 years.

until now. According to the guidelines issued by the Public Enterprises Department, the officers who have worked in a position for more than one year had been appointed to covering up the duties of the respective position.

(c) Circular Provisions

- (i) Paragraph 6.1 of Public Administration Circular No. 02/2018 dated 24 January 2018
- A human resource development plan should be prepared covering at least 12 hours of training for each officer to meet the specific targets for all categories of staff. Accordingly, instead of preparing and implementing a training policy, a sum of Rs. 1,338,537 had been reimbursed to 10 officers for postgraduate and other courses for the period from the year 2020 to the year 2022 on the approval of the Director, as was personal to each officer. But no evidence had been obtained for the proof of completion of those courses.
- A form for collecting information for a Human Resource Development Plan had already been given to all district offices and other divisions.
- A suitable training policy should be prepared and implemented for each category of officers.
- (ii). Public Enterprises Circular No. 01/2021 dated 16 November 2021
- Although financial statements should be submitted to the Auditor General within 60 days after the end of the financial year, the financial statements of the year under review
- Main reasons for the delay in submitting the financial statements for the accounting year 2021 to the Auditor General within the stipulated period
- Action should be taken to submit the financial statements to the Auditor General within 60 days after the end of the financial year.

had been submitted by the authority on 10 November 2022, after a delay of 05 months. were restrictions the attendance of public servants to the offices due to the corona epidemic situation in the country and the economic and political instability and also the power crisis.

2. Financial Review

2.1 Financial Results

The operations in the year under review had resulted in a deficit of Rs. 57,777,077 as compared with the corresponding deficit of Rs. 43,708,460 for the preceding year, thus observing a deterioration of Rs. 14,068,617 in the financial result. The increase in other training expenses and premises maintenance expenses had mainly attributed to this deterioration.

3. Operational review

3.1 Management Inefficiencies

The following observations are made.

Audit observation	Comment of the Management	Recommendation
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(a) 450 and 500 tabs had been received from a telephone services company in the years 2018 and 2021 respectively and those SIM cards were distributed along with the tabs to the officials holding various positions in the authority without any approval or policy. Further, the tabs which had been issued to 35 officers who had left the service had not been returned back until 31 December 2022.	The tabs received by the Authority have been distributed to the officers of the authority on the written approval given by the Chairman, Vice Chairman and Director General of the Authority and the related documents are in possession of the store. If any officer had not been returned back, the relevant officers have been instructed to return the tabs by now.	The service requirement should be taken into consideration in distributing the tabs and arrangements should be made to get back the tabs given to the officers on leaving the service.
(b) It was observed in the inspection carried out regarding the achievement of the initial	Due to the Covid 19 pandemic situation a decline was reflected in attendance	Actions should be taken to achieve the identified targets

objectives of the authority, only 37 percent and 12 percent of the targets had been achieved on the expected targets in relation to apprentice training in 2020 and 2021 respectively and 5119 and 2301 Apprentices were dropped out respectively. Further, certificates were issued to only 42 percent of apprentices from the annual intake.

- (c) The surcharge payments made in relation to the outstanding Employee Provident Fund and Employee Trust Fund amounting to Rs.82,437,195 and a sum of Rs.58,908,280 which amount to be recovered from the employee were accounted as an expense of the previous year instead of being recovered from the responsible officials.
- As the responsible officers in this regard had already been retired from the Authority service, payment of arrears of employee contributions amounted to Rs. 58,908,280.00 and the surcharge thereon amounted to RS.82,437,195.00, due to the cost of living allowance of the employees had not been included in the calculation of the Employee Provident Fund and Employee Trust Fund of the authority from the year 2007 to the year 2017, are unable to recover.
- Payment of Employee Provident Funds and Employee Trust Funds should be made without delay.

3.2 Operational Inefficiencies

The following observation is made.

Audit observation	Comment of the Management	Recommendation
<p>-----</p> <p>According to a government policy identified in the year 2020, a sum of Rs. 12,470,721 and Rs. 51,944,364 had been spent in the year 2020 and year 2021 respectively under the provisions of the President's Office for the project of establishment of a task force of 100,000 skilled</p>	<p>-----</p> <p>About 34000 apprentices were trained in the initial phase under the 100,000 Employment project and the authority had 32,505 certificates belonging to the apprentices who received the training. Due to the political instability</p>	<p>-----</p> <p>Certificates should be issued promptly to the trainees.</p>

craftsmen. Out of that a sum Rs. 4,650,800 was incurred for the establishment of a separate computer system to collect information. The relevant project was not in operational stage even by 31 December 2022 and 32,505 certificates to be issued to the trainees who have been trained for this course were retained by the authority without being issued.

in the country and some changes in the government, this project and the distribution of certificates related to the project were delayed. Those certificates will be issued to the apprentices as soon as possible together with the Tertiary and Vocational Education Commission and the 100,000 Employment Force.

3.3 Procurement Management

The following observation is made.

Audit observation	Comment of the Management	Recommendation
<p>-----</p> <p>A sum of Rs. 1,032,930 had been spent for the national program to celebrate the World Youth Skills Day 2020 by selecting two entities doing business under two names belonging to an one owner without transparency, contrary to the paragraph 4.3 and sections 5.3.1 (d), and 4.1.1 (c) of the Procurement Guidelines and outside the purpose of the Procurement Guidelines.</p>	<p>-----</p> <p>There was no possibility to check the owners when selecting the suppliers in the telephone directory and as a result it was not possible to confirm that two of these organizations are registered under the name of the same owner.</p>	<p>-----</p> <p>The procurement process should be carried out in the way of achieving the objectives of the procurement guidelines.</p>

3.4 Human Resource Management

The following observation is made.

Audit observation	Comment of the Management	Recommendation
----- Contrary to the recruitment procedure, an officer had been recruited to a post of Director on contract basis, which was not in the approved cadre of the authority, with the approval of the Board of Directors and was performing duties non relevant to the objectives of the authority and a total sum of Rs. 2,106,740 had been paid as salaries and allowances from July 2021 to August 2022.	----- An officer had been recruited on contract basis with the approval of the Board of Directors as per the instructions of then chairman for a director position which was not included in the cadre of the authority approved by the management services department. But his service had been terminated from September 2022.	----- Recruitment should be done in accordance with the approved recruitment procedure.