

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Institute of Language Education and Training (“Institute”) for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy 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 provisions of the National Audit Act No. 19 of 2018 and 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 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 institute as at 31 December 2023, 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 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 intends 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 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 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 skepticism 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 Audit Observations on the Preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

	Non-compliance with the Reference to Particular Standard	Comments of the Management	Recommendation
(a)	According to paragraph 19 of Sri Lanka Public Sector Accounting Standard No. 10, although the revenue from services rendered should be recognized by considering the completion status of the transaction as at the reporting date, all course fees received during the year had been recognized as revenue by the Institute, resulting in an overstatement of course fee revenue by Rs. 2,623,742 for the year under review. Furthermore, although courses related to Rs. 1,240,000 of the Rs. 1,345,000 received in advance for language programs had been conducted during the year under review, due to non-recognition of income as mentioned, the income of the year under review had been understated by Rs. 1,240,000.	Agreed.	Actions should be taken to recognize revenue in accordance with the accounting standards.
(b)	The carrying value of fully depreciated but still in use fixed assets, with a cost of Rs. 21,260,122, was not disclosed in	Agreed. At present, the items to be disposed have been identified, and disposal actions are	Fully depreciated but still in use assets should be disclosed in the financial

the financial statements in accordance with paragraph 92(b) of Sri Lanka Public Sector Accounting Standard No. 07. to be carried out, while usable items are to be revaluated. statements in accordance with the accounting standards.

1.5.2 Accounting Defficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Although the final installment of deferred income amounting to Rs. 636,332 related to non-exchange assets purchased with capital grants in the years 2020 and 2021 should have been adjusted with the income of the year under review, the income had been understated by the same amount as failure to do so.	Agreed. This Rs. 636,332 capital adjustment will be adjusted to income/profit due to changes in Public Sector Accounting Standards.	Actions should be taken to accounted non-exchange income in accordance with the Public Sector Accounting Standards.
(b) Instead of accounting for the interest income of Rs. 7,799,990 due on fixed deposits maturing on 01 January 2024, as receivable interest income, it had been transferred to the fixed deposit account, as a result, the interest income for the year under review had been understated by that amount, and the value of fixed deposits had been overstated by the same amount.	Agreed. This deposit is a fixed deposit made on 2022.12.30. Therefore, it has been recognized as income on 2023.12.31. It should be correctly recognized as receivable income.	Interest income and receivable interest should be accurately calculated and accounted.
(c) The interest income of Rs. 3,657,946 due on fixed deposits for the year under review and the income of Rs. 860,000 receivable from the Agalawatta Training Institute for conducting programs at other institutes had not been accounted and the payable resource person allowances had been understated by Rs. 165,600.	The receivable income had not been accounted. The actual amount received was Rs. 860,000.00 The understatement of the resource person allowances was due to an error in adding the value in the subsidiary ledger.	Receivable income and payable expenses should be accurately accounted.

(d)	According to the financial statements, although the depreciation expense for the asset classes of furniture, office equipment, and vehicles was Rs. 9,254,476, based on audit calculations, it had been Rs. 8,574,882, resulting in an overstatement of the depreciation expense by Rs. 679,594 for the year.	Agreed.	Depreciation of assets should be accurately calculated and accounted.
(e)	Because of the food and beverage expense of Rs.7,011,079 was recorded as Rs. 6,803,893 in the financial statements, the profit had been understated by Rs.207,186.	The amount in the food and beverage ledger should be as Rs. 207,186.	All expenses should be accurately reflected in the financial statements.
(f)	The building rent of Rs. 206,873 payable to the Urban Development Authority for the Dambulla branch office from 21 September 2022, to 31 December 2023, had not been accounted.	The lease agreement had been signed on 16 May 2024, and an amount of Rs.206,873 should be allocated as the rent payable to the Urban Development Authority from 21.09.2022, to 31.12. 2023.	All relevant expenses should be accurately accounted.
(g)	32 computer monitors and accessories received as donations in the year 2016 had not been estimated and accounted.	In the future, actions will be taken according to the instructions regarding this matter.	Assets received as donations should be estimated and accounted.

1.6 Accounts Payables and Accounts Receivables

1.6.1 Cash Receivables

Audit Observation	Comments of the Management	Recommendation
Program income of Rs. 325,000 that was due in 2022 had not been recovered.	No comments.	Income receivables should be recovered.

1.6.2 Cash Payables

Audit Observation	Comments of the Management	Recommendation
Three payable expense items amounting to Rs. 3,791,972 from the year 2022 had not been settled.	Payable expenses had not been settled.	Actions should be taken to settle the payable expenses.

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

Reference to Laws, Rules, Regulations, etc.	Non-compliance	Comments of the Management	Recommendation
(a) Section 8 (i) (h) of the National Institute of Language Education and Training Act No. 26 of 2007.	The appointment of resource persons for the institute had not been carried out under the supervision of the academic board. Resource persons had been selected through a 5-day short-term teachers training course, during which 11 individuals who did not meet the minimum qualification of passing the G.C.E. (A/L) and obtaining a credit pass in the relevant language at the G.C.E. (O/L) had been recruited.	When recruiting resource persons for the institute, a 5-day training course is conducted, and at the end, an external examination board assesses language knowledge and teaching skills. Even if they have not passed the G.C.E. (A/L), course participants who have successfully completed a diploma or certificate course in a second language and passed the final day examination have been granted a license to teach only at the 111 level.	Recruitments should be carried out in accordance with the Act.
(b) Orders issued by the Minister under Section 41 of the Right to Information Act No. 12 of 2016, published in Gazette No.	Although the institute's website had been created in the year 2021, the objectives of the Act had not been fulfilled due to non-operational	The management board of the institute had been informed regarding this matter, and it was decided to create a new website. Accordingly, the procurement activities	Management should be held responsible for the unproductive expenses incurred.

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| 2004/66 dated 03 February 2017. | status and non-communication of information to the relevant parties, and the amount of Rs. 465,000 spent on it had been become an idle expense. | have commenced. | been |
| (c) Section 11.1 of State Finance Circular No. 01/2020 dated 28 August 2020. | Although the board of survey reports for the year under review should be submitted to the Auditor General by 31 March 2024, the board of survey reports had not been presented for audit. | Agreed. Reports had not been submitted as there have been no incidents of goods being disposed. Reports will be submitted once the activities are completed. | Actions should be taken to conduct Board of Survey as per the circular provisions. |
| (d) Section 3.5 of the State Enterprise Circular No. PED/01/2015 dated 25 May 2015. | Although the officers who have been entitled for official vehicles and those receiving transportation allowances are not allowed to use pool vehicles or other office vehicles, the former chairman of the institute had been used office vehicles on 44 incidents from April 2022 to October 2023, covering a distance of 19,342 kilometers. | Regarding this matter, an investigation under Section 104 is being conducted by the Internal Audit Division of the Ministry of Public Administration, Home Affairs, Provincial Councils, and Local Government. | Disciplinary actions should be taken against the officer who improperly used the vehicles. The costs incurred for the unauthorized use of the vehicle should be recovered. |

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a surplus of Rs. 92,498,166, and the corresponding surplus in the preceding year amounted to Rs. 47,590,386. Therefore, an improvement amounting to Rs. 44,907,780 of the financial result was observed. Although the training program expenses increased by Rs. 21,786,422 during the year under review, the increase in training course revenue by Rs. 70,241,525 was the main reason for this growth.

3. Operational Review
3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) An amount of Rs. 200,000 had been paid during the year under review to the National Language Promotion Association, an organization established for organizing Tamil language courses, for language promotion activities without the approval of the management board.	Although the approval of the management board had not been obtained for this payment, the payments were made after being approved by a committee consisting of executive officers of the institute in a proper manner.	The payments made without proper approval should be recovered from the responsible officers.
(b) Despite having 503 resource persons in the institute, only 15 per cent of the total revenue, amounting to Rs.17,751,250, had been obtained during the year under review due to 177 courses being conducted online by other institutes.	Since the institute currently has officers who are coordinating the courses, due to the high demand for the courses received by the institute, the registered chartered institute of the institute had been given to conduct the courses based on a decision of the management board.	Actions should be taken to conduct all courses by the resource persons of the institute.

3.2 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation
Although a multifunctional printing machine had been purchased in 2019 for Rs. 2,024,000 with the aim of printing between 50,000 to 100,000 certificates, it is currently inactive due to being purchased without preparing technical specifications that meet the institute's requirements.	A committee had been appointed on 2024.09.10 to conduct an investigation under Section 770 to make a decision regarding the relevant machine.	The responsible officers should be held responsible for the inactive purchases, and actions should be taken to utilize the machine.

4. Accountability and Good Governance
4.1 Presenting Financial Statements

Audit Observation	Comments of the Management	Recommendation
<p>As per the Section 6.6 of the Operational Manual for State Enterprises introduced by State Enterprise Circular No. 01/2021 dated 16 November 2021, although the annual report along with the financial statements for the relevant year should be submitted to the Auditor General within 60 days of the end of the financial year, the financial statements had been submitted for audit 174 days delay on 21 August 2024, and the draft of the annual report had not been submitted for audit.</p>	<p>Since 30.11.2023, the post of accountant and the post of internal auditor of the company are vacant for a period of 06 months, as it has not been possible to prepare the final financial statements.</p>	<p>As per the circular, actions should be taken to submit the financial statements and the draft of the annual report to the Auditor General by the due date.</p>