

National Apprentice and Industrial Training Authority - 2023

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 2023 comprising the statement of financial position as at 31 December 2023 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 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 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 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 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 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 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the Reference to Particular Standard	comment of the Management	Recommendation
<p>(a) Contrary to paragraph 61 of Sri Lanka Public Sector Accounting Standard 19, the Authority had based only on the last salary received by the employees and their service period in the calculation of provision for gratuity. As the service period and salary of the employees were not taken into account correctly, the gratuity provision for the year under review has been overcalculated by Rs.15,063,462. As such, the deficit of the year and the gratuity provision account were overstated by that amount in the financial statements.</p>	<p>That the gratuity will be calculated and paid in accordance with the provisions of the Gratuity Payment Act. It has been calculated based on the last salary taken by the employees and their service period.</p>	<p>Sri Lankan public sector accounting standards should be followed and the service period and salary of employees should be accurately taken into account in the calculation of gratuity allocations.</p>
<p>(b) The Authority had purchased computer anti-virus software with an effective life of 3 years at a cost of Rs.2,170,800 on 03 December 2021 and has been amortized at a rate of 10 percent per year contrary to paragraph 96 of Sri Lanka Public Sector Accounting Standard 20. In addition to that, due to errors in calculating the amortization of other intangible assets, the amortization expense for the year under review and the previous year was understated by Rs.1,146,479 and Rs.13,537,537 respectively. Accordingly, the deficit of the year under review was understated by Rs.1,146,476 in the financial statements, and the balance of the intangible assets account by Rs.14,684,016 and balance of the accumulated surplus account by Rs.13,537,537 were overstated.</p>	<p>Action will be taken in accordance with paragraph 103 of Sri Lanka Public Sector Accounting Standard No. 20 and relevant disclosures will be included in the accounting notes in the future.</p>	<p>Amortization of intangible assets should be calculated and shown in the financial statements as per Sri Lanka Public Sector Accounting Standards.</p>

1.5.2 Accounting deficiencies

Audit Observation	Comment of the Management	Recommendation
(a) The income of Rs.123,980,669 related to future years, included in the income from full-time and part-time course fees, had been accounted for as income in the year under review. As such, the deficit in the year under review and the pre-received income were understated by that amount.	It has been adopted as the revenue policy of the Authority to recognize income as revenue when it is earned under the accrual basis.	Income related to future years included in full-time and part-time course fees income should be accurately identified and accounted for.
(b) A sum of Rs.68,483,520 had been spent in 2021 by the Ministry to bring training equipment into operational condition under the Training Improvement Project of the Katunayake Institute of Engineering and Technology. Although this amount should have been capitalized in the equipment and assets accounts, has been capitalized under the building account. As such, the balance of the Training Equipment Account and the balance of the Building Account were understated and overstated by that amount respectively.	This error has been corrected by removing Rs. 68,483,520 from the building account by journal number 176.	Attention should be paid to correctly identifying and accounting for assets.
(c) According to the financial statements, depreciation for the year under review for library books, furniture and office equipment, computer accessories and training equipment were Rs.183,689, Rs.17,337,769, Rs.58,120,905 and Rs.101,316,642 respectively. But according to the calculations made during the audit, those values were Rs.1,085,846, Rs.15,157,964, Rs.61,072,840 and Rs.90,661,425 respectively. As such an overstatement of depreciation expenses was Rs.8,980,930 for the year under review. Accordingly, the deficit and fixed assets for the year were understated by Rs.8,980,930 in the financial statements.	The reason for the depreciation difference is currently being identified and actions will be taken to correct it in the future.	Action should be taken to accurately calculate and account for depreciation for the year.
(d) The performance allowance receivable of Rs.5,406,178 in relation to the year under review had not been accounted for, as such, the deficit for the year and the performance allowance receivable were overstated and understated respectively by that amount in the financial statements.	Necessary action will be taken to ensure that such mistakes do not occur in the future.	Action should be taken to accurately calculate and account for performance allowance for the year.

- (e) The Nipunatha Sisu Saviya bursar expenses of Rs.29,080,000 relating to the previous year had been shown as an expense in the year under review and the bursar amount of Rs.44,526,000 which should have been received in the year under review had not been shown as income. As such, the deficit for the year under review was overstated by Rs. 73,606,000, the accumulated fund was overstated by Rs.29,080,000 and the receivable scholarship income was understated by Rs.44,526,000 in the financial statements.
- Payments are made after receiving funds from the Ministry and receipts and payments are accounted for on a cash basis for the year.
- The income and expenses of the Nipunatha Sisu Saviya scholarship for the year should be accurately identified and shown in the accounts.
- (f) A sum of Rs.2,456,000 collected during the year under review for the welfare activities of students pursuing courses at the Katubedda Industrial Engineering Training Institute was accounted as the income of the Authority instead of being credited to the relevant fund account. As such, the deficit and welfare fund account for the year were understated by that amount.
- In accordance with the sections of the Welfare fund constitution, excess funds will not be returned to students and will be utilized for the training and development programs of the institution when necessary.
- Action should be taken to credit the money charged for student welfare activities to the relevant fund account.
- (g) Although the purchase of property, plant and equipment of Rs.38,281,274 should have been shown as cash outflows under investing activities in the cash flow statement, it was shown as Rs.42,175,247. As such, the net cash flow generated from investing activities was understated by Rs.3,893,973.
- Action will be taken to rectify this error in the future.
- The cash flow statement should be prepared accurately.

1.5.3 Unreconciled Control Accounts or Records

Item	Value as per the financial statements (Rs.)	Value as per the corresponding Records (Rs.)	Difference (Rs.)	Management Comment	Recommendation
Balance payable to the Tertiary and Vocational Education Commission	2,929,000	10,766,575	7,837,575	The reason for this difference was the issue related to the issuance of certificates in between the authority and the tertiary and vocational education institutions and action will be taken to resolve the issue.	Arrangements should be made with tertiary and vocational education institutions to issue certificates according to a formal procedure.

1.6 Accounts payable and Receivable

	Audit Observation	Comments of the Management	Recommendation
(a)	The Authority had not taken actions to recover the cash advances total amounting to Rs. 6,685,455 given to 89 external parties for procurement and other requirements from the year 2014 to the year 2022 even by 31 December of the year under review.	It appears to be a previous error due to errors in the accounting system, and current transactions are now being accurately accounted for through the new Chart of Accounts introduced in 2023.	Action should be taken to settle these advances promptly.
(b)	Action had not been taken to recover the loans and advances of Rs.1,592,757 due from officers who had left the service of the Authority at the time of their departure.	So far, Rs.247,452 has been recovered and action will be taken to recover the remaining balance in the future.	Action should be taken to promptly recover loans and advances due to the Authority, and a mechanism should be prepared to recover dues when officers leave the service.

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

	Reference to laws, rules, regulations	Non compliance	Comment of the Management	Recommendation
(a)	Tertiary and Vocational Education Commission Act No. 20 of 1990			
	i. Section 15(1)	Out of the 37 parttime courses conduct by the national institutions of the Authority none had been registered with the Commission.	Actions will be taken to discuss with the Tertiary and Vocational Education Commission in this regard and to take necessary further actions in the future.	The provisions of the Tertiary and Vocational Education Commission Act should be followed.
	ii. Section 37(g) of Chapter VI of Part 2	The Authority had not carried out any activity to develop the training capabilities of vocational training institutions which conducts vocational programs and other institutions during the period from the year 2020	Due to the Covid-19 pandemic situation in the country in the years 2020, 2021 and 2022, it was not possible to carry out activities for the development of training institutions, but several activities were	As specified in the Act, the actions should be taken to develop the capabilities of ability of training activities of institutions which conducts vocational training and other institutions.

		to year 2023.	carried out in the year 2023.
(b)	Financial Regulation 396(c) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	72 cheques worth of Rs.1,298,541 issued and had not been presented for payment within a period of 06 months. But action had not been taken in accordance with the referred regulation.	Out of those cheques, 44 cheques worth of Rs.243,791 have been credited to revenue by April 2024 in accordance with Financial Regulation 396 (d).
(c)	Public Enterprise Circulars No. 02/2015 dated 25 May 2015 and No. 02/2022 dated 18 January 2022	The Authority had paid a total amount of Rs.6,462,922 as monthly bills to a private company for the period from 2018 to 31 December 2023 for telephone connections provided to officers holding non-staff positions who were not entitled to telephone allowance.	That only the monthly fees of Rs.100 and government taxes had been paid to the private telephone company for the telephone connection provided by the institution to officers holding non-staff positions due to duty requirements.
			All cheques exceeded 06 months should be dealt with in accordance with financial regulations. Circulars provisions should be complied.

2. Financial Review

2.1 Financial Results

The operations in the year under review had resulted in a deficit of Rs.81,595,958 as compared with the corresponding surplus of Rs.6,715,737 for the preceding year, thus observing a deterioration of Rs.74,880,221 in the financial result. Increase in depreciation expenses had mainly attributed to this deterioration.

3. Operational review

3.1 Management Inefficiencies

	Audit observation	Comment of the Management	Recommendation
(a)	The training equipment worth of Rs.73,804,932 included in the project value to enhance the technological training activities of the Katunayake Institute of Engineering Technology had not been received by the Katunayake Institute of Engineering Technology even by 16 August 2024. Furthermore,	A report regarding the undelivered training equipment has been sent to the supervisory officers appointed by the Ministry and to the KIP Institute, but no proper action has been taken so far.	The equipment that has not been received by the institution should be checked and action should be taken to promptly bring the relevant equipment.

training equipment worth of Rs.87,588,591 had not been effectively utilized for over 02 years due to the fact that it was not installed in a usable manner and the other equipment required to use it was not available.

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| (b) | Due to a procurement irregularity committed in 2014, an amount of Rs.29 million was lost which was agreed to provide the Authority with the Sectoral Skills Development Fund in 2015. No formal investigation had been conducted in this regard and no action had been taken against the responsible officers. | This amount of Rs.29.9 million was removed from the accounts by make an adjustment to the retained profit in the year 2023 and approval was received from the Board of Directors meeting held in May 2024 in this regard. | Action should be taken against the officials responsible for the loss of Rs.29 million to the Authority due to a procurement irregularity. |
| (c) | A sum of Rs.48,995,619 collected by the 03 National Institutions under the National Apprenticeship and Technical Training Authority for the student's welfare fund had been invested without using for the welfare and without the approval of the Treasury as at 31December of the year under review. | The approval is available to keep the amount charged from students at the beginning of the course in a fixed deposit account on a repayable basis in accordance with the Student Welfare constitution and to use the interest to purchase materials required for students' field trips and practical tests. After the course is completed, money will be refunded to the students or will be used for the certificate ceremony depending on their consent. | A program should be developed to repay the money collected on repayment basis from students which was not used for welfare purposes. |
| (d) | A total sum of Rs.7,024,147 had been collected from the students of the Orugodawatta Automotive Engineering Training Institute owned by the Authority on a repayment basis in previous years, but action had not been taken to repay any amount to the students even by 31 December 2023. | Request has not been made by any students since 2016. | Action should be taken to repay the money charged on refund basis from students in previous years. |

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| (e) | A private company named NAITA Foreign Employment (Pvt) Ltd had been established on 16 March 2022 with the aim of sending persons for foreign employment without formal approval, contrary to the objectives of the Tertiary and Vocational Education Act No. 20 of 1990. An amount of Rs.1,270,500 collected from 121 individuals was credited to the bank account of the Authority and out of that Rs.402,955 was spent on paying salaries and fuel allowances to a person who did not have a formal appointment. Also, a sum of Rs.448,000 was spent on registering with the Foreign Employment Bureau. | The company in question has not sent any person abroad and action has been taken to refund Rs.10,500 each to 42 job applicants who did not appear for the interview in 2023. | An investigation should be conducted into the private company established deviate from the purposes of the Act and without formal approval. Actions should be taken to refund the money charged to those individuals who passed the interview but did not receive foreign employment. |
| (f) | The Line Ministry had requested to release a high-capacity motor vehicle imported by a third party that was not suitable for training purposes at the Motor Engineering Training Institute of the Authority. Accordingly, although the Authority had spent a sum of Rs.16,510,115 as customs, port and clearance fees in 2017, the said vehicle had not been used for training purposes even by the end of the year under review. | Students studying NVQ 04 do not have the knowledge and ability to disassemble and assemble such a high-tech vehicle, and the Automotive Engineering Training Institute has a large fleet of vehicles for the practical activities of the students. | Actions should be taken to purchase training equipment suitable for the training activities of the institute and to utilize the purchased vehicle effectively. |

3.2 Operational Inefficiencies

Audit observation	Comment of the Management	Recommendation
(a) The Civil Engineering Department, which had enrolled over 100 students annually from 2016 to 2020, had received inventory and non-inventory equipment worth Rs.286,330,412 through the Technical Training Improvement Project of the Katunayake Institute of Engineering Technology. But, the number of students enrolled for the years 2022 and 2023 had decreased to 41 and 18 respectively, as such, this high-value training equipment had not been utilized to its maximum benefit.	Plans are being made to implement a new technology diploma and an advanced technology diploma this year to increase student enrollment.	The Authority should take actions to maximize the use of the assets received through this project by increasing the number of students enrolled as planned. When approving the project obtained as foreign aid (loan)

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| (b) | Equipment worth of Rs.661,111,008 had received in 2021 for the Mechanical General Engineering course, which had enrolled 70 students in the year 2020. But, due to lack of planning to utilize the equipment effectively the number of students enrolled in the years 2022 and 2023 was 31 and 25 respectively. Accordingly, student enrollment in 2023 decreased by 64 percent compared to 2020. | As there has been a decrease in students turning to civil engineering and mechanical engineering fields due to the decrease in employments in this field. | The Authority should take actions to maximize the use of these assets by increasing the number of students enrolled as planned in the obtain of the approval for the project. |
| (c) | A sum of Rs.7,699,518 given to the Authority by the Sectoral Skills Development Project since 2021 had not been used to achieve the objectives of the relevant project. Out of that, a sum of Rs.7,000,000 of it had been invested in a fixed deposit based on a decision of the Board of Directors. | The balance of Rs.7,699,518 remained due to the completion of the project has been invested in fixed deposits until a decision is made. | The funds provided to achieve the relevant objective should be used for that purpose without delay. |
| (d) | External instructors had been recruited for the three national institutions without a formal recruitment process and without issuing appointment letters and a sum of Rs.99,034,763 had been paid as external instructors allowances during the year under review alone. | An appointment letter will be issued to the external instructors including relevant allowances and statutory allowances and their services will be obtained. The payment of external instructors allowances will be monitored by the Training Division of the Head Office and the District Offices. | External instructors should be recruited through a formal recruitment process and through the issuance of appointment letters, and formal supervision should be carried out by the head office. |

3.3 Procurement Management

Audit observation	Comment of the Management	Recommendation
The procurement methodology has been completely deviated in the procurement of air conditioners worth of Rs.1,805,652 procured on 14 December 2022 for the Orugodawatta Training Center. After the purchase order was issued, a file was submitted for audit, including specifications prepared to suit and fake procurement documents tailored to that supplier, and out of that 02 machines were still inactive even by January 2024.	In order to prevent these shortcomings in the future, proper procurement activities will be carried out in accordance with the Procurement Guidelines.	The procurement procedure should be followed for the purchasing process and disciplinary action should be taken against the officer responsible for preparing false files.