National Institute of Language Education and Training ("Institute") - 2024

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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 2024 comprising the statement of financial position as at 31 December 2024 and the Statement of Comprehensive Income, Statement of Changes in Net Assets/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 the Finance Act No. 38 of 1971. My comments and observations which I consider should be presented in Parliament appear in this report.
In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Institute as at 31 December 2024, 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 based on the matters described in paragraph 1.5 of this report.
I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). 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 intend 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 Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the Institute is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Institute.

1.4 Auditor’s Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be 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 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 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 Reference to the Relevant Standard	Comments of the Management	Recommendation
(a)	Even though comparative information for the previous year should be disclosed for all numerical data reported in the financial statements as per the paragraph 53 of Sri Lanka Public Sector Accounting Standard 01, comparative information for the Statement of Changes in Net Assets/Equity had not been disclosed by the Instituteශ	It has been prepared in accordance with the formats used in previous years, and the balance as at 01 January 2024 should be changed as 31 December 2023.	Comparative information for the previous year should be disclosed for all numerical data reported in the financial statements in accordance with Sri Lanka Public Sector Accounting Standards.
(b)	Action had not been taken to account for the post-employment benefit obligation and the present value of the current service cost pertaining to gratuity provisions, amounting to Rs. 7,537,035, in accordance with paragraph 76 of Sri Lanka Public Sector Accounting Standard 19.	Agreed.	Action should be taken to recognize in the accounts the post-employment benefit obligation and the present value of the related current service cost pertaining to gratuity provisions, in accordance with Sri Lanka Public Sector Accounting Standards.

1.5.2 Accounting Deficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	The fixed deposit balance of the Institute had been understated due to the non-capitalization of interest on fixed deposits amounting to Rs. 7,956,098, the omission of interest of Rs. 2,218,273 from the accounts, and the incorrect recording of Rs. 783,051 in the fixed deposit account.	Agreed. Interest income of Rs. 2,218,273 on a fixed deposit of Rs. 50 million had not been recognized as income. Only the sum of Rs. 505,495 that was due to be received had been recorded in the interest income receivable account.	Deposits and the interest thereon should be accurately recognized and recorded in the accounts.
(b)	While recognizing interest income for 06 fixed deposits for the year under review, the net interest, after deducting withholding tax, was recognized as interest income, resulting in an understatement of income and withholding tax by Rs. 479,482. Furthermore, interest income of Rs. 2,361,629 relating to a fixed deposit matured on 29 May 2024 had been omitted from the accounts.	Agreed.	Interest income and withholding tax for the year should be accurately recognized and recorded in the accounts.
(c)	The gratuity provision had been overstated by Rs. 1,443,635 as a result of not recording gratuity payments amounting to Rs. 1,393,635, payable to three officers who had left the institute, as gratuities payable under current liabilities, and due to the erroneous crediting of Rs. 50,000 recovered from a retired officer for festival advances to the gratuity provision account instead of the festival advance account.	Agreed.	The gratuities payable and the recovered festival advances should be properly accounted for.

1.5.3 Unreconciled Control Accounts or Records

Subject	Value as per Financial Statements (Rs.)	Value as per corresponding reports (Rs.)	Difference (Rs.)	Comments of the Management	Recommendation
Couse Income	260,029,265	204,628,383	55,400,882	Agreed. All funds credited to the official current account of the Institute during the year have been recognized as income.	Course income should be accurately identified and reported.

1.6 Receivable and Payable Accounts

1.6.1 Cash Receivables

Audit Observation	Comments of the Management	Recommendation
For courses conducted by the institute through a third party, the total margin due to the institute from 2022 to 2024, amounting to Rs. 16,360,500, had not been collected as of 31 December 2024.	Agreed. Out of this amount, Rs. 2,575,750 has been received in 2025, while the balance amount of Rs. 13,784,750 is still to be collected.	Action should be taken without delay to recover the margin due to the institution.

1.6.2 Cash Payables

Audit Observation	Comments of the Management	Recommendation
Fees amounting to Rs. 6,247,745 payable to resource persons, and Rs. 423,000 payable for the preparation of textbooks and teachers' guides under creditors, had not been settled for the period from Year 2 to Year 6.	Agreed.	All payable expenses and fees should be settled without delay.

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

	Reference to Laws, Rules and Regulations, etc.	Non-compliance	Comments of the Management	Recommendation
(a)	Section 9(c) of the National Institute of Language Education and Training Act, No. 26 of 2007, Paragraph II of the Management Services Circular No. 03/2018 dated 18 July 2018, and Management Services Circular No. 01/2020 dated 21 February 2020.	Even though the authority for staff appointments and disciplinary control rests with the Director General as per the Act, the Chairman of the institute recruited 8 officers to the permanent staff in 2021 and 2022, and a sum of Rs. 3,433,086 had been paid in the year 2024 as gross salary.	Agreed. An investigation regarding this matter is currently being conducted by the Commission to Investigate Allegations of Bribery or Corruption	Staff appointments should be made in accordance with the Act of the Institute and the relevant circulars and regulations.
(b)	Sections 2(1) and 102 of the Inland Revenue Act, No. 24 of 2017	Steps had not been taken by the Institute to register for income tax or to obtain tax exemption.	Agreed.	In terms of the Inland Revenue Act, action should be taken to register for income tax or to obtain tax exemption.
(c)	Financial Regulation 383 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Even though control procedures should be established and implemented to manage account transactions when funds are directly credited to the bank account of the Institute, deposits totaling Rs. 58,583,495, received directly into the bank account from January to December 2024, had not been properly identified.	Agreed. Action has been taken to recognize all funds credited to the current account during the financial year as income before the end of the year.	Income credited to the bank account of the Institute should be specifically identified and promptly recorded in the relevant accounts.

(d)	Section 3.5 of the Public Enterprises Circular No. PED/01/2015 dated 25 May 2015.	Even though officers provided with an official vehicle and those receiving transport allowances were not permitted to use pool vehicles or other office vehicles, the former Chairman of the institute had used office pool vehicles on 44 occasions from April 2022 to October 2023, traveling a total of 19,342 km. The related loss had not been calculated and recovered during the year 2024.	Agreed.	Vehicle utilization should be conducted in accordance with the circular instructions. Action should be taken to recover the related loss from the Chairman.

2. Financial Review

2.1 Financial Result

The operating result for the year under review was a surplus of Rs. 112,952,401, compared to a surplus of Rs. 92,498,165 in the preceding year. Accordingly, an increase of 20,454,236 in the financial results was observed. This increase was mainly due to the rise in course income by Rs. 89,157,706 and the increase in training program expenses by Rs. 25,139,489, despite the fact that a Treasury grant of Rs. 50,203,000 received in the previous year was not received during the year under review.

3. Operational Review

3.1 Transactions of Contentious Nature

Audit Observation	Comments of the Management	Recommendation
According to the valuation obtained from the Valuation Department in December 2016 for the office building maintained by the institute, a monthly rent of Rs. 1,250,000 had been agreed for the following two years, and with the approval of the Cabinet of Ministers, the institute had entered	Rent has been paid in accordance with the reports provided by the Valuation Department.	When entering into rent agreements, actions should be based on a valid valuation applicable to the relevant period. Officials responsible for causing losses to the institute due to

into a rent agreement for the subsequent 3 years. However, from January 2017 to February 2024, a total amount of Rs. 107,500,000 had been paid as rent at a rate of Rs. 1,250,000 per month for 7 years and 2 months. Subsequently, in February 2024, a second valuation was obtained from the Valuation Department, based on which the monthly rent was Rs. 800,000. Accordingly, due to the delay of over 4 years in conducting the valuation that should have been carried out in 2019, a higher rent amount had to be paid.		negligence should be identified through an investigation.

3.2 Idle or underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation
The multifunction printer purchased in 2019 for Rs. 2,024,000 remained idle to date, as it was acquired without preparing technical specifications that met the actual requirements.	Agreed.	The usability of the machine should be assessed, and action should be taken according to a plan to utilize it. If it cannot be used, measures should be taken to dispose of it or transfer it to another institution in a manner that minimizes losses. Appropriate action should also be taken against the Technical Evaluation Committee for preparing specifications that did not meet the requirements.

4. Accountability and Good Governance

4.1 Corporate Plan

Audit Observation	Comments of the Management	Recommendation
As per Paragraph 2.3 of the guidelines issued through Public Enterprises Circular No. 01/2021 dated 16 November 2021, the institute had not prepared a strategic plan for the year 2024.	The “Committee to Review on State-Owned Non-Commercial Institutions” has recommended that the institute be converted into a government-owned company. Appropriate action will be taken in the future to prepare the relevant strategic plan based on the forthcoming decision.	In accordance with the circulars and guideline regulations, the institute should prepare a strategic plan.