

AUDITOR GENERAL'S DEPARTMENT**My No: HS/F/NA/2002****24th April 2003****The Chairman,****National Apprentice and Industrial Training Authority.****Report of the Auditor General on the Accounts of the National Apprentice and Industrial Training Authority for the year ended 31 December 2002 in terms of Section 14(2)(c) of the Finance Act No.38 of 1971.**

The audit of accounts of the National Apprentice and Industrial Training Authority for the year ended 31 December 2002 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 Section 13(1) of the Finance Act No.38 of 1971. My observations which I consider should be published with the annual report of the Authority in terms of Section 14(2)(c) of the Finance Act appear in this report. A detailed report in terms of Section 13(7)(a) of the Finance Act will be issued in due course.

1.2 Scope of Audit

Audit opinion, comments and findings in this report are based on a review of the financial statements presented to audit and substantive tests of samples of transactions. The scope and the extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me. The audit was carried out in accordance with Sri Lanka Auditing Standards, methods and practices to obtain reasonable assurance as to whether the financial statements are free of material misstatements. The audit included examination of evidence supporting the amounts and disclosures in financial statements and assessment of accounting principles and significant estimates and judgments made in the preparation of financial statements, evaluation of their overall presentation and determining whether accounting policies adopted were appropriate, consistently applied and adequately disclosed. Sub-sections (3) and (4) of section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

2. Accounts

2.1 Audit Opinion

Except for the effects of the adjustments arising from the matters referred to in paragraph 2.2 of this report, I am of opinion that the financial statements have been satisfactorily prepared to present fairly in all material respects, the financial position of the Authority as at 31 December 2002 and the results of its operations and the cash flow for the year then ended in accordance with Sri Lanka Accounting Standards and the stated accounting policies as set out in Note No.1 to the financial statements.

2.2 Comments on Accounts

2.2.1 Accounting Deficiencies

According to the accounts presented, understatements amounting to Rs. 181,781, overstatements amounting to Rs. 80,500 and inappropriate disclosures amounting to Rs.8,540,870 were observed in audit.

2.2.2 Unreconciled Control Accounts

No-reconciliations disclosed at a reconciliation of balances of accounts of various types with the particulars in schedules of the Head Office and the various branches aggregated Rs.22,010.

2.2.3 Accounts Receivable and Payable

The following observations are made

- (a) The value of sundry debtors and deposit balances outstanding for over one year amounted to Rs.4,291,452 of which balances outstanding for over 5 years amounted to Rs.902,235. Action had not been taken to recover these outstanding balances.
- (b) According to the age analysis furnished by the Authority, the value of other creditor balances outstanding for over one year amounted to Rs.3,103,042 of which the value of balances outstanding for over 5 years amounted to Rs.1,800,331. Steps had not been taken for settlement of these balances.

2.2.4 Lack of Evidence for Audit

In the absence of detailed schedules in respect of fixed assets amounting to Rs. 324,611,275, schedules relating unrepresented cheques for payments amounting to Rs.260,582, detailed schedules for staff loans amounting to Rs.24,852,233, age analysis for prepayments and advances amounting to Rs.4,727,600 and age analyses for advances payable, provision for apprentice allowances payable, expense creditors and refundable deposits aggregating Rs.78,159,923, those items could not be satisfactorily vouched or accepted in audit.

2.2.5 Non-compliance with Laws, Rules, Regulations and Management Decisions.

Instances of non-compliance with the following Acts, Circulars, Financial Regulations, etc. were observed.

- (a) Finance Act No. 38 of 1971
 - (i) Sections 8(1), 8(2) and 14 (1) and
 - (ii) Section 14(3) and Section 1 and 2 of Public Finance Circular No. PF/PE/21 of 24 May 2002.
- (b) Schedule 3 of Treasury Circular No. 842 of 19 December 1978 and Treasury Circular No. IAI/2002/02 of 28 November 2002
- (c) Public Finance Circular No. PF/PE/3 of 19 November 1999
- (d) Public Finance Circular No. PF/PE/17 of 19 October 2001
- (e) Financial Regulations 391(b)(c) and 396

3. Financial and Operating Review

3.1 Financial Results

The operations of the Authority during the year under review had resulted in a deficit of Rs.72.15 million as compared with the deficit of Rs.61.35 million for the preceding year thus indicating a further deterioration of Rs.10.80 million in the financial result as compared with the preceding year. Although the total income had increased by Rs.7.29 million, the total training expenses had increased by Rs.18.15 million which had mainly contributed for the deterioration in the financial result.

3.2 Operating Performance

The following matters were observed at an examination with regard to the annual enrolment of students, students who had completed the courses and the students who were following the courses as at end of the year under the provincial offices of the Authority and the main training centres at Moratuwa, Orugodawatte and Katunayake.

- (i) It was observed that the percentage of students completing the courses was at a low level as compared with the students enrolled during the year.
- (ii) It was also observed from the information furnished that there were more instructors than necessary for certain courses.

Example - Carpentry and masonry courses at the Katubedda/Apprentices Training Institute

3.3 Utilization of Funds

- (i) Expenditure of Rs.27,842,965 had been incurred under 17 recurrent objects over the limits prescribed in Government Expenditure Estimates and Rs.2,070,849 out of money provided for capital expenditure had also been spent for recurrent expenditure.
- (ii) Savings amounting to Rs.3,045,160 were observed under 3 recurrent objects.
- (iii) The total of apprentice allowances for the year under review amounted to Rs.77,236,711. A sum of Rs. 70,000,000 had been received from the Treasury for this purpose. Whereas a sum of Rs.52,583,300 had been paid during the year in respect of the year under review and the preceding year, information relating to the expenditure of Rs.17,416,700, out of the sum received for apprentice allowances, was not available for audit. The apprentice allowances payable as at end of the year amounted to Rs. 67,884,253.
- (iv) Although a sum of Rs. 3 million had been received from the Treasury, no expenditure had been incurred in respect of concessionary season tickets during the year under review. Only a sum of Rs.1,363,523 out of Rs. 2,469,079 payable as at Balance Sheet date for the preceding year had been settled and the balance shown as a liability of Rs.1,105,556.

4. Systems and Controls

Special attention is needed in respect of the following areas of systems and controls.

1. Accounting
2. Bank Accounts
3. Utilization of Funds
4. Fixed Assets
5. Apprentice Allowances
6. Repairs and Maintenance of Vehicles
7. Stocks
8. Investments

(S.C.Mayadunne)

Auditor General

NATIONAL APPRENTICE AND INDUSTRIAL TRAINING AUTHORITY
BALANCE SHEET AS AT 31ST DECEMBER 2002

	Note	2002 (Rs)	2001 (Rs)
Fixed Assets	2	324,611,274.91	355,732,124.39
Capital Work in progress	3	-	-
		324,611,274.91	355,732,124.39
Current Assets			
Stocks	4	6,693,340.10	6,297,867.13
Receivables	5	28,713,292.70	25,246,947.01
Deposits, Prepayments & Advances	6	5,379,484.63	2,361,506.40
Investments	6(1)	4,312,488.15	1,434,705.14
Cash in Transit	7	47,225.28	411,497.81
Cash in hand & at Bank	8	598,834.84	6,196,797.25
		45,744,665.70	41,949,320.74
Less: Current Liabilities			
Payables	9	84,198,047.11	61,151,999.15
Net Current Assets/(Liabilities)		(38,453,381.41)	(19,202,678.41)
Net Assets		286,157,893.50	336,529,445.98
Financed by			
National Apprentice & Industrial Training Fund	10	232,547,182.94	285,597,891.64
Capital Reserve	10(1)	204,717.81	412,352.59
		232,751,900.75	286,010,244.23
Long Term Liabilities	11	53,405,992.75	50,519,201.75
		286,157,893.50	336,529,445.98

NATIONAL APPRENTICE & INDUSTRIAL TRAINING AUTHORITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 31.12.2002

		2002 Rs	2001 Rs
Net cash outflow from operating activities	NOTE 1	(6,930,762.96)	5,814,796.74
Return on Investment & Servicing of Finance			
Gratuity paid		(2,321,291.25)	(2,499,613.00)
Net cash outflow from investing activities	NOTE 2	(12,787,136.38)	(11,316,879.84)
Net cash inflow from Financing activities	NOTE3	18,954,738.66	11,712,858.36
Net Increase /(Decrease) in cash & cash equivalents		<u>(3,084,451.93)</u>	<u>3,711,162.26</u>
cash & cash equivalents at beginning of period	NOTE 4	<u>8,043,000.20</u>	<u>4,331,837.94</u>
Cash & cash equivalents at end of period	NOTE 4	<u>4,958,548.27</u>	<u>8,043,000.20</u>
NOTE 01			
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>			
Surplus/ (deficit) of income over expenditure		(72,154,118.12)	(61,354,834.48)
Adjustment in respect of previous years	(A)	108,965.59	6,353,104.77
		<u>(72,045,152.53)</u>	<u>(55,001,729.71)</u>
Items not involving movement of cash:			
Depreciation		43,728,086.25	45,277,412.78
Provision for gratuity		5,208,082.25	11,908,239.25
Previous year (over)/under provision of depreciation embedded in (A) above		(1,330.00)	583,421.90
Cancelled Cheques		13,300.00	44,611.30
		<u>(23,097,014.03)</u>	<u>2,811,955.52</u>
Adjustment for working capital movements;			
Increase in stocks		(395,472.97)	(144,014.31)
Increase in receivables		(3,466,345.69)	66,555.72
Increase in deposits,prepayments & advances		(3,017,978.23)	1,322,785.83
increase in payables		<u>23,046,047.96</u>	<u>1,757,513.98</u>
Net cash inflow/ (outflow) from operating activities		<u>(6,930,762.96)</u>	<u>5,814,796.74</u>