

Head 197- Ministry of Skills Development and Vocational Training

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the Ministry of Skills Development and Vocational Training for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance and cash flow statement for the year then ended, 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. The summary report including my comments and observations on the financial statements of the Ministry of Skills Development and Vocational Training was issued to the Chief Accounting Officer on 31 May 2019 in terms of Sub-section 11 (1) of the National Audit Act, No. 19 of 2018 and the Detailed Annual Management Audit Report in terms of Section 11 (2) of the National Audit Act, No. 19 of 2018 was issued to the Accounting Officer on 31 May 2019. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution to be read in conjunction with Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Ministry of Skills Development and Vocational Training as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

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 opinion.

1.3 Responsibilities of Chief Accounting Officer for the Financial Statements

Chief Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as Chief Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the Ministry 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.

As per Sub-section 38 (1) (c) of the National Audit Act, the Chief Accounting Officer shall ensure that effective internal control system for the financial control of the Ministry exists and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

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 the summary report of the Auditor General 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 Ministry's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- 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.

I communicate with the Chief Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Report on Other Legal and Regulatory Requirements

I express the following matters in accordance with Section 6 (d) and Section 38 of National Audit Act, No. 19 of 2018.

- (a) Since there was no need for the preparation of financial statements for the preceding year, it could not be stated that the financial statements presented for the year under review were consistent with the preceding year.
- (b) Since there was no requirement for the Ministry to prepare financial statements for the preceding year, recommendations on the financial statements had not been made.

1.6 Comments on Financial Statements

1.6.1 Statement of Liabilities and Commitments

The following observation is made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
In terms of Paragraph 3.4 of the State Accounts Circular No.267/2018 of 21 November 2018, the Statement of Liabilities and Commitments presented with the financial statements should be in line with the Statement of Liabilities and Commitments of the Treasury. Nevertheless, it had not been so done and as such, a difference of Rs.199,083,986 was observed.	In terms of the Circular, the commitments and liabilities of the financial statements should be in line with the commitments and liabilities of the Treasury.	Even though all commitments and liabilities belonging to all divisions and projects were obtained and commitments and liabilities valued at Rs.322,107,031.50 have been included in the CIGAS programme, liabilities valued at only Rs.123,023,045 had been presented for payment.

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

Instances of non-compliance with the provisions in laws, rules and regulations observed in audit test checks are analyzed below.

<u>Reference to Laws, Rules and Regulations</u>	<u>Value</u>	<u>Observation</u>	<u>Recommendation</u>	<u>Comments of the Chief Accounting Officer</u>
(a) Public Finance Circular No.03/2015 of 14 July 2015	768,760	● The delay in the settlement of fuel and sundry advances granted in 19 instances ranged	Action should be taken in terms of the Circular and to settle the advances	It is kindly informed that hereafter, action will be taken to settle the advances obtained for various purposes

		from 01 month to 04 months.	immediately after the completion of the purpose.	immediately after the completion of the relevant purpose or within 14 days.
	111,440	● Advances granted in 04 instances were not spent on the relevant purpose and the entire amount had been settled after having retained in hand for a period ranging from 8 days to 40 days.		
(b) Public Expenditure Management Circular No. CS/1/17/1 of 14 May 2010	3,425,280	● Six officers of the Ministry had been attached to the staff of the Deputy Minister and salaries and allowances totalling Rs.3,425,280 had been paid from June 2017 to October 2018 disregarding the provisions.	Action should be taken in terms of provisions of the Circular.	Officers of the staff of the Ministry had been temporarily attached due to the inadequacy of staff according to the duties assigned.

2. Financial Review

2.1 Management of Expenditure

The following observations are made.

Audit Observation

Recommendation

Comments of the Chief Accounting Officer

(a) Out of the provisions of Rs.75,277,800 made for 12 Objects, provisions over 70 per cent had been saved under each Object.

Action should be taken to plan and utilize the provisions in a proper manner.

As the expenditure was not arisen as estimated in the beginning of the year 2018, the provisions of the these Objects have been saved.

(b) The original estimate of expenditure of Rs.386,850,000 pertaining to 07 Objects had been revised within a range from 114 per cent to 353 per cent during the year under review.

Estimates should be prepared in a realistic manner.

Provisions have been transferred to these Objects as the provision made was not adequate.

2.2. Incurring of Liabilities and Commitments

The following observations are made.

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Chief Accounting Officer</u>
Liabilities totalling Rs.1,962,722 had been incurred exceeding the approved limit of provisions pertaining to 09 Objects.	In terms of the provisions, action should be taken within the approved limit of provisions.	Provisions of the Treasury not made as required and the commitments to be incurred for essential expenses have been the reasons therefor.

3. Operating Review

3.1 Failure to perform the Functions

The following observations are made.

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Chief Accounting Officer</u>
(a) Facilities had not been provided for opportunities of vocational training appropriate to approximately 150,000 youth community who do not get the admission to Universities or proper vocational training through the school system annually. According to the information made available to Audit relating to the year under review, admissions of students for vocational training by 367 institutions including universities and colleges stood at 81,563. Further, it was not observed that training centres had taken adequate course of action to enrol the maximum number of students for the courses conducted by the said institutions.	New opportunities and requirements of vocational training should be identified and action should be taken to commence new courses and develop the existing training centres further.	A decision has been taken at the Management Committee Meeting to direct the institutions to double (at least by 50 per cent) the number of students enrolled in the institutions for courses and accordingly, action is being taken by the Heads of Institutions to increase the number of students enrolled.
(b) Generating a labour force appropriate to the job market and modernization of mechanical and technical education is a function of the Ministry. Nevertheless, it was not observed that attention has been paid to the functions such as creating new	Attention should be paid to commence and improve the courses after identifying the local and foreign job requirements	The Ministry has given instructions to the Tertiary and Vocational Education Commission in the year 2019 to identify the local job market and make the institutions aware of preparing the

courses based on the requirements identified in local and foreign job market , improvement of syllabuses etc.

collection of information named Labour Market Bulletin and to include a forecast therein.

- (c) According to the Tertiary and Vocational Education Act No.20 of 1990, training courses should be accredited for the conduct of courses with National Vocational Qualifications (NVQ). Nevertheless, out of 2,834 courses conducted by the institutions under the purview of the Ministry, 561 courses had not been accredited as per the information made available to Audit.
- Opportunities should be provided for a qualitative vocational training by the accreditation of courses.
- It has been informed that the courses conducted by vocational training centres in remote areas could not be accredited due to the lack of required basic elements such as, trainers for relevant courses, infrastructural facilities and machinery pertaining to courses and the accreditation can be done after fulfilling the necessary requirements.
- (d) It was observed that the participation of students for certain training courses conducted by Training Centres under the purview of the Ministry, was unsatisfactory. Accordingly, there were 68 courses with less than 05 students, 29 courses with students between 6 to 10 and 142 courses with less than 15 students. It was not observed that attention of the Skill Development Assistant Officers attached to the Divisional Secretariats had been paid to direct the students for the said courses despite the availability of adequate resources and all necessary facilities.
- Action should be taken to make a proper arrangement to attract the students for courses and to direct the students for courses with little attraction.
- It is scheduled to be cancelled the courses with less participation of students with the concurrence of the Heads of Institutions through Rationalization programmes commenced in January 2019 and to commence new courses with more demand. Hereby, it is expected to mitigate the above situation.
- (e) Adequate academic staff should be recruited and adequate training programmes should be implemented with a view to improving the quality of vocational training programmes. Nevertheless, vacancies of 81 Lecturers and 178 Instructors in the approved cadre of 04 institutions under the purview of the Ministry, were observed in Audit.
- Action should be taken to conduct training programmes for the academic staff continuously and to provide qualitative and proper trainings to the students who are undergoing vocational training by filling the
- Approval of the Department of Management Services is obtained for the recruitments made to the vacant posts in the approved cadre. Accordingly, action will be taken by the relevant institutions to fill the vacancies of Lecturers and Instructors after obtaining the approval of the Department of

vacancies required for Management Services required
essential duties. to fill the vacancies.

3.2 Delays in the Implementation of Projects

The following observations are made.

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comment of the Chief Accounting Officer</u>
(a) Even though a sum of Rs.200 million had been allocated in the year 2017 for the National Vocational Training Institute proposed to be constructed in the Matara District as a budget proposal, that project had been changed by a Cabinet Memorandum as to construct a hostel of the Sri Lankan German Training Institute in Kilinochchi. Nevertheless, action had not been taken to commence the new project even by 08 May 2019, the date of audit.	Funds should be utilize efficiently and a significant contribution to the development of training sector is expected through the proper planning and implementation of projects without delay.	Activities pertaining to the bid evaluation is being carried out by the Evaluation Committee after calling for tenders in respect of awarding the contract for construction of the hostel of Sri Lankan German Training Institute in Kilinochchi.
(b) Even though the Project for the improvement of research and education skills of the Ocean University of Sri Lanka (KOICA) had been planned to be commenced in the year 2017, it had not been possible to acquire a suitable land therefor.	Expected results should be achieved through the completion of planned projects without delay.	Even though suitable lands were proposed and acquired since the year 2017, the environmental reports of such lands were not in a satisfactory level due to various practical difficulties arisen. At present, action is being taken to acquire a plot of land from the land where the National Aquatic Resources Research and Development Agency is located.

3.3 Other Observations

3.3.1 Reconciliation Statement on the Advances to Public Officers Accounts

The following observation is made.

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Chief Accounting Officer</u>
Action had not been taken even by 08 April 2019, the date of audit, to settle the loan balances totalling Rs.415,750 recoverable from three	Action should be taken to recover the loans in terms of the provisions.	All files relating to the said matter have been submitted to the Government Audit Division.

officers whose service was terminated 05 years ago.

4. **Human Resource Management**

The following observations are made.

Audit Observation

Eighty two posts including 09 posts in senior level had been vacant as at 31 December of the year under review.

Recommendation

The staff required for the efficient performance of the Ministry should be maintained.

Comments of the Chief Accounting Officer

Not replied.