

## **Head 215-Department of Technical Education and Training**

---

### **1. Financial Statements**

---

#### **1.1 Qualified Opinion**

---

The audit of the financial statements of the Department of Technical Education and Training for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 Department of Technical Education and Training was issued to the Accounting Officer on 19 May 2021 in terms of Sub-section 11 (1) of the National Audit Act No. 19 of 2018. The Detailed Annual Management Audit Report relevant to the Department of Technical Education and Training in terms of Section 11 (2) of the National Audit Act was issued to the Accounting Officer on 30 August 2021. 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 Paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Department of Technical Education and Training as at 31 December 2020, 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**

---

My opinion is qualified based on the matters described in paragraph 1.6 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 opinion.

#### **1.3 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements**

---

The 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 the Accounting Officer determine 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 Department 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 Accounting Officer shall ensure that effective internal control system for the financial control of the Department 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 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 Commission'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 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 Requirements**

-----

I express the following matters in accordance with Section 6 (1) (d) of National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year.

(b) The recommendations made by me on the financial statements of the preceding year had been implemented.

## 1.6 Comments on Financial Statements

-----

### 1.6.1 Statement of financial performance

-----

#### (a) Non-revenue Receipts

-----

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
-----	-----	-----
Although, the total receipts as per the treasury books for the advance B account was Rs. 33,894,878 during the year, the amount shown in the financial performance statement was Rs. 28,255,657 and difference of Rs. 5,639,219 was observed in advance receipts.	That the Statement of Financial Performance has been prepared including the advance balances of 215,011 as advance receipts in the preparation of the Financial Statements in 2020 considering the Going Concern concept.	Financial performance statement should be prepared comparing with treasury books.

#### (b) Recurrent Expenditure

-----

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
-----	-----	-----
Although the total payments during the year for the Advance B account and the advance payment as per the financial performance statement was Rs. 15,673,881 at the end of the year under review, the value as per the treasury books was Rs. 28,289,056 and the difference was Rs. 12,615,175.	That the Statement of Financial Performance has been prepared including the advance balances of 215,011 as advance receipts in the preparation of the Financial Statements in 2020 considering the Going Concern concept.	Financial performance statement should be prepared comparing with treasury books.

## 1.6.2 Statement of Financial Position

-----

The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
-----	-----	-----
(a) While comparing the non-financial assets format presented with the financial statements with the Treasury computer printouts, differences of Rs. 273,033,160 in opening balances of 09 assets, Rs. 221,652,126 in the procurements during the year and Rs. 51,381,030 among the closing balances were observed.	The reason for this difference is that it was practically impossible accounting of all the purchase of fixed assets in December by head office and the technical / technical colleges by 31 December through the Sigas program.	Action should be taken to include all non-financial assets procured during the relevant year in the relevant computer programs within the same year.
(b) Due to the value of the passenger vehicle worth of Rs. 2,000,000 had not been included in the statement of the non-current assets for the year under review, the financial statements was under stated by that amount.	The estimated value of this vehicle was not included in the accounts as it had not been confirmed to the Accounts Division.	Action should be taken to account all assets.
(c) The Board of Survey Report for the year 2019 recommended the dispose and sale of 2784 items of assets and those assets were sold for Rs. 303,944. But the cost associated with them had not been identified and action had not been taken to remove them from the accounts.	Since the relevant assets were procured many years ago, it is difficult to calculate the cost value of those assets. But action will be taken to estimate the cost of those assets and remove them from the financial statements in the future.	Necessary action should be taken to identify the cost values of disposed and sold assets and remove them from the accounts.
(d) Due to failure to take necessary action to assess the lands of 25 Technology / Technical Colleges, the value of these lands could not be disclosed in the financial statements.	The lands of 14 colleges had been assessed. The lands of other colleges will be assessed and included in the financial statements in the future.	Necessary action should be taken to assess all lands and account for.

### 1.6.3 Non-maintenance of Registers and Books

The Department had not maintained the following registers while certain other registers had not been maintained in the proper and updated manner.

	<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
	-----	-----	-----
(a)	<b>Security Register</b> -----		
	A Security Register containing the details of all officers and employees required to keep security had not been prepared in terms of Financial Regulation 891(1)	Instruction had been given to maintain a security register of employees in accordance with the Financial Regulations 880/891 in the future.	A Security Register containing the details of the officer required to give security should be maintained in terms of Financial Regulation 891(1).
(b)	<b>Records of Losses</b> -----		
	A Record of losses had not been maintained in terms of Financial Regulation 110.	The record of losses is being maintained and instruction was given to keep the relevant record updated.	A Record of losses should be maintained in terms of Financial Regulation 110.
(c)	<b>Vehicle Log Book</b> -----		
	Vehicle Log Books had not been maintained in terms of Financial Regulation 1645 (a).	Vehicle Log Books are being maintained and instructions were issued to update the relevant books.	Vehicle Log Books in Form General 267 should be maintained in respect of each vehicle.

### 1.6.4 Certifications of Chief Accounting Officer/Accounting Officer

	<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
	-----	-----	-----
	Even though the Chief Accounting Officer and the Accounting Officer should ensure that an effective mechanism exists to conduct an internal audit in accordance with the provisions of Section 38 of the	An internal audit division has been established up and a staff has been attached under a class 1 Accountant. All sections will be audited in	Action should be taken in terms of provisions in Section 38 of the National Audit Act, No.19 of 2018.

National Audit Act No. 19 of 2018, the said requirements had not been fulfilled. accordance with an internal audit program and necessary information will be provided to make decisions.

**2. Financial Review**

**2.1 Expenditure Management**

The following observation is made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
<p>Due to lack of proper planning in estimating for the year under review in terms of provisions of the Financial Regulations 50, provisions of Rs. 81,504,354 in 14 subjects had been transferred to another 09 subjects under Financial Regulation 66 and an additional allocation of Rs. 10,889,360 had been made through supplementary estimates for one subject.</p>	<p>Provisions have been transferred under the Financial Regulation 66 and the Supplementary Estimates with the approval of the Treasury on the requirement and the trend.</p>	<p>Require to prepare expenditure estimates realistically and accurately in accordance with the provisions of Financial Regulation 50 and estimated provision should be utilized.</p>
<p>Action had not been taken in terms of the Financial Regulation 570 in respect of 3 deposit accounts with a total value of Rs. 26,624,109 over a period of 2 years.</p>	<p>Relevant sections have been informed to settle the remaining balances.</p>	<p>Action should be taken in accordance with the Financial Regulation 570.</p>

**2.2 Deposits**

### 2.3 Advance Accounts Balances

-----

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
Action had not been taken to recover a total loan balances of Rs. 3,433,197 from 16 officers who were transferred to other Ministries, Departments and Provincial Councils, and from 66 officers due to termination, resignation and retirement.	Have been informed through Reminders to recover the loan balances and action will be taken to recover the dues from the retired officers as soon as the pension gratuity is received.	Need to take immediate action to recover the loan balance.

### 2.4 Obligation in Liabilities and Commitments

-----

The following observations are made.

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
(a) While comparing the obligations and liabilities balance submitted with the Financial Statements and obligations and liabilities balance in the Treasury, a sum of Rs.12,977,769 in 16 subjects were over stated and a sum of Rs. 61,499,176 in 30 subjects were under stated in the financial statements.	The Treasury obligations and liabilities statement were under stated due to the inadequate of the 2020 budget allocation to include all the liabilities stated in the financial statements through the Sigas program.	Obligations and liabilities for the year should be accurately stated in the Statement of Obligation and Liabilities.
(b) The unpaid liabilities of Rs. 10,141,374 relevant to 17 subjects as at 31 December of the year under review had not been shown in the statement of obligations and liabilities but had been shown in the statement of obligations and liabilities of the Treasury.	Vouchers for 2019 which have not been submitted for payment after obtaining approval under FR 115, have been stated as liabilities in the financial statement.	All un paid liabilities and obligations should be stated in the statement of obligations and liabilities.

- (c) Contrary to the Financial Regulation 94 (1), it had been entered in to obligations for Rs. 15,229,922 and Rs. 1,774,366 in 11 recurrent subjects and 04 capital subjects respectively, exceeding the savings. Had been entered in to the obligations exceeding the budgetary provisions due to the unpaid bills in the technology / technical colleges. Should act in accordance with the Financial Regulation 94 (1).

## 2.5 Operation of Bank Accounts

-----  
The following observations are made.

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
-----	-----	-----
(a) Action had not been taken in terms of Financial Regulation 396 (d) in respect of 103 cheques in 09 bank accounts total valued for Rs. 641,601 issued over a period of 06 months but not submitted for payment.	Each division had been instructed to deal with unpaid cheques and will be settled soon after the information is received.	Should be complied with the Financial Regulation 396 (d).
(b) According to the bank reconciliation statement as on 31st December 2020 in relation to a bank account at the head office, 100 unidentified receipts total valued for Rs. 1,160,984 and 64 unidentified payments total valued for Rs.637,882 were unidentified for the period from 31 January 2019 to 25 June 2020.	Further action will be taken soon after the information is received on unrecognized receipts and payments.	Unrecognized receipts and payments should be identified and necessary adjustments should be made in financial statements.



### 3. Operational Review

#### 3.1 Assets Management

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
Action had not been taken to identify and remove the cost of 3259 items recommended for dispose and 5726 items recommended for sale at the board of survey in 2019 from the accounts.	Action will be taken to remove the values of the relevant assets from the computer sources and from the financial statements in the future.	Recommendations made at the stock verification should be implemented. Action should be taken to identify the cost values and remove from the accounts.

#### 3.2 Security of Public Officers

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
Even though the officers who have to keep securities in the Department of Technical Education and Training and the technological / technical colleges should obtain securities within 02 months from the date of appointment to the post in accordance with Financial Regulations 880 and 881 (i) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka, securities had not been obtained from any of the officers.	Instructions had been given to the Administration Division to maintain a security register regarding the officers who are required to keep security in accordance with Financial Regulation 880.	Should act in accordance with Financial Regulations 880 and 881 (i).

#### 3.3 Losses and Damage

The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) Action had not been taken to recover the value of the damage of Rs. 133,076 occurred from a van accident	A lawyer had been instructed to take appropriate action and the arrangements will	Immediate action should be taken to recover the loss.

of a technical college in the year 2012 from the insurance company till the end of the year under review.

be taken to recover the loss as soon as the legal papers of the magistrate are received.

- (b) The test report stated that the engine of a vehicle had malfunctioned on 18 March 2011 due to improper use of oil and water. As per the final report on the loss under Financial Regulation 104 (4), although it was decided to recover 40 percent out of the total loss of Rs. 1,737,568 from the driver, no action had been taken to recover the loss till the date of audit of 19 February 2021.

Based on the decision of the formal disciplinary inquiry into the engine malfunction, the recovery of loss had been done from July 2018 to December 2019 on installments basis from the monthly salary. The officer has appealed to the Secretary to the Ministry and the Secretary to the Ministry has instructed to consider granting a relief to him.

Action should be taken to recover the loss as per F.R 104 (4) report.

### 3.4 Un-economical Transactions

-----

The following observation is made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
-----	-----	-----
Even though a fuel injection pump was installed by spending a sum of Rs. 961,908 for a van on 03 November 2016, another fuel leak was identified again on 28 May 2019, within less than 3 years period. It was observed that the above expenditure was become an uneconomical expenditure as the officers did not take action to rectify the error.	Due to the physical condition of fuels available in the local market and environmental conditions in which the vehicle is driven, the fuel pump installed in 2016 with due approval shows faults in less than 3 years. Similar repairs have been suspended from now on.	Officers should take action to get maximum benefits from the expenses incurred.

### 3.5 Management Inefficiencies

-----

The following observations are made.

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
-----	-----	-----
(a) Officers and employees of the Kandy Technology College have been working in the same place for 04-29 years due to non-implementation of transfer policies.	No reply was made.	Annual transfer policy should be implemented.
(b) 977 students of 49 courses in the Kandy Technology College had dropped out without completing their courses during the last five years period.	No reply was made.	Should find out the reasons for dropping out of the course and should take remedial action.

### 4. Human Resources Management

-----

Following observation is made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
-----	-----	-----
(a) The academic and non-academic approved permanent cadre of the head office and 39 technology/technical colleges was 1345 and 2525 respectively and the actual cadre was 636 and 1651 and the vacancies were 709 and 874 respectively. Due to vacancies in the approved academic cadre, services of external lecturers and external instructors had been received and a sum of Rs. 229,490,266 had been paid as allowances during the year under review.	Action will be taken to fill the vacancies in future.	Necessary action should be taken to fill the vacancies in the essential posts expeditiously.