

**1. Financial Statements**  
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**1.1 Qualified Opinion**  
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The audit of the financial statements of the Tertiary and Vocational Education Commission for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 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, except for the 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 Commission as at 31 December 2020, 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**  
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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**  
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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 Commission'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 Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the commission's financial Reporting process. As per Section 16(1) of the National Audit Act No. 19 of 2018, the Commission 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 Commission.

#### **1.4 Responsibility of the Auditor on Audit financial statements**

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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 Commission'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 Commission'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 Commission 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 Commission, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Commission has complied with applicable written law, or general or special directions issued by the governing body of the Commission.
- Whether the Commission has performed according to its powers, functions and duties; and
- Whether the resources of the commission had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws,

## **1.5 Financial Statements**

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### **1.5.1 Internal control over the preparation of financial statements**

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Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

### **1.5.2 Non-Compliance with Sri Lanka Public Sector Accounting Standards**

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	<b>Non Compliance with the reference to particular Standard</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
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(a)	Even though the error of not eliminating from the accounts the assets costing Rs. 5,760,324 that had been granted by the Commission as donations in the year 2014 should have been corrected by restating or retrospectively adjusted the comparative amounts as required by Paragraph 47 of Sri Lanka	As the value of assets donated on 12 May 2014 had not been eliminated from books up to the year 2020, action will be taken to disclose the value computed as the depreciations from the year 2014 to 2019 and the resultant impact to the accumulated profit as a Note	The error should be corrected by restating or retrospectively adjusted the comparative amounts as required by Sri Lanka Public Sector Accounting Standard.

Public Sector Accounting Standard 03, on the contrary, it had been eliminated from books during the year under review. As a result, depreciations relating to those assets totalling Rs. 1,881,720 applicable to the period from 2015 to 2019 had been understated in the profits of the relevant years and therefore, accumulated profit and the accumulated depreciation had been understated and overstated respectively.

- (b) Even though revaluation should be carried out on the change in fair value of property, plant and equipment in accordance with paragraph 47 of the Sri Lanka Public Sector Accounting Standards 07, net value of assets shown in the financial statements amounted to Rs. 19,472,941 had not been revalued after the year 2008
- Three committees have been appointed to carry out revaluation as per the classes of assets. Accordingly, the revaluation process in progress. The relevant reports will be furnished to Audit on completion of the revaluation.
- Revaluation should be carried out in terms of Sri Lanka Public Sector Accounting Standards
- (c) In terms of Paragraph 22 of Sri Lanka Public Sector Accounting Standard 08, provisions in the financial statements should be made when a reliable estimate can be made of the amount of the legal obligation. Nevertheless, no provisions had been made in the financial statements for a sum of Rs. 3,102,571 payable to the Department of Government Printing.
- As information on this payable amount had not been presented to the Accounts Division in the preparation of accounts for the year 2020, provisions could not be made for the relevant obligation. Accordingly, action will be taken to make relevant Notes to the accounts in the year 2021.
- Provisions should be made in the financial statements in accordance with Sri Lanka Public Sector Accounting Standards.

### 1.5.3 Accounting Deficiencies

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Audit Observation	Comment of the Management	Recommendation
(a) Instead of adjusting expenditure relating to the preceding year totalling Rs.477,859 to the profit of the preceding year, it had been adjusted as expenditure of the year under review and as such, surplus of the year under review had been understated by that amount.	Action will be taken to disclose this matter in the preparation of accounts relating to the year 2021.	Expenditure relating to the year should be correctly identified and financial statements should be prepared accordingly.
(b) Schedules relating to the unidentified advance balance of Rs.1,879,170 existed from the year 2017 within the advance balance of Rs.5,384,000 included in the Statement of Financial Position as at 31 December 2020 had not been presented to Audit.	Action will be taken to submit the detailed schedule on the balance of Rs.1,879,170 included in the advance balance.	Relevant schedules were not presented to Audit.

### 1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions

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Reference to Laws, Rules, Regulations etc.	Non-compliance	Comment of the Management	Recommendation
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulation 396	The referred regulation had not been followed with regard to 593 cheques worth totalling Rs. 6,868,602 that had elapsed a period from 06 months to 4 years from the expiry of their validity period relating to two banks.	Action in terms of Financial Regulations had not been taken on the cheques that had not been presented for payments despite their issuance.	Financial Regulations should be complied with.
(ii) Financial Regulation 188(2)	No action had been taken in compliance with the relevant Financial Regulations with regard to	Action has been taken to correct the error in compliance with the Financial Regulation.	Financial Regulations should be complied with.

unrealized deposits of the Commission totalling Rs.

5,025,693 that had been deposited in 448 instances during a period from 01 year to 05 years relating to two bank accounts of the Commission.

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| (iii) | Financial Regulation 753   | No evidence was furnished to Audit that the items costing Rs. 5,760,324 awarded as the donations to a Government school were accepted by the school.  | Puliyankulama Primary School has been informed to send a confirmation letter on the acceptance of the relevant items. The letter will be furnished to Audit soon after the receipt of it.  | Financial Regulations should be complied with.                                 |
| (b)   | Approved Scheme of Recruitment and Department of Management Services Letter No. DMS/1675-VII dated 15 August 2016. | Four officers who had not completed relevant service period had been granted the posts of Directors and one of those officers had not received the postgraduate degree which is required to the post of Director. | These officers have been recruited to the post of Deputy Director of the Commission in accordance with the Scheme of Recruitment which was in effective at the time of their recruitment. There was no post of Assistant Director by the year 2012 and it was not possible to make direct recruitment to the post of Deputy Director according to the scheme of recruitment approved on 11.05.2012. Promotions should be received from the post of Assistant Director. | Instructions of the Department of Management Services should be complied with. |
| (c)   | Public Finance Circular No.438 dated 13 November 2009.   | Even though items to be disposed of and piled up in the Public institutions should be disposed of expeditiously, 212 items  | Action will be taken to dispose of these items by following the proper tender procedure.   | Action should be taken in accordance with the Public Finance Circular.         |

worth Rs. 8,071,885 of the Commission had been filed up in the office premises since a period of 05 to 08 years.

- (d) Regulation 371(2)(b) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka as amended by Public Finance Circular No.3/2015 dated 14 July 2015. Although an ad hoc imprest up to maximum of Rs.100,000 can be granted at a time for a specific purpose, on the contrary, an ad hoc imprest of Rs. 5,239,895 had been granted during the year under review without obtaining approval of the General Treasury. Under the situation experienced in the country, these advances were granted for examination activities on the verbal approval of the Department of Treasury Operations and the officers concerned have been instructed to take immediate steps to obtain the written approval thereon. Action should be taken in accordance with the Public Finance Circular.
- (e) Circular No. 01/2018 dated 15 February 2018 and Trade and Investment Policy Circular No. TIP/SS/01/27 Dated 27 January 2020. As per the referred circular, although a motor vehicle permit on concessionary basis can be granted to the officers who have completed an active service period of 12 years in a post of Senior Executive Level of the State Corporations and statutory bodies, on the contrary, a motor vehicle permit on concessionary basis had been granted to an officer who had completed a service period of 08 years 04 months and 18 days in a senior executive level post. It is accepted that a motor vehicle permit on concessionary basis was granted to an officer in the executive level who had completed a period of service of 08 years 04 months and 19 days and the officers concerned have been instructed to prevent such mistakes in the future. Circular instructions should be complied with.
- (f) Tertiary and Vocational Education Act No.20 of 1990 and Act (Amendment) No.50 of 1990. While powers had been vested only to undertake researches and development activities carried out on vocational education and training under the powers of the Commission, researches were in progress As the provisions made by the General Treasury for researches were limited and as a separate Object, that is, DLI (Disbursement Link Index) had been establish in the budget Action should be taken in accordance with the powers vested by the Act

with the use of funds of the Commission. estimate for carry out researches by the SSDP Project, the funds so allocated were used for the researches.

- (g) National Vocational Qualification Frame Work of Sri Lanka, Operation Manual - 2009  
(i) Section 3.1.1
- There observed 66 fields and vocations for which Competency Standards had been prepared, but curricular had yet to be prepared.
- The Director (N.V.Q) has been instructed to prepare curricular relating to the fields for which curricular had not been prepared.
- Curricular should be prepared immediately.
- Section (ii) 3.1.7
- Although Competency Standards should be reviewed once in 03 years or in case of the areas where technologies are advancing rapidly, less than a period of 3 years, competency Standards and curricular relating to 11 areas had not been reviewed since a period from 01 to 10 years.
- The Director (N.V.Q) has been instructed to take expeditious action to review the curricular, which have not been reviewed as yet.
- Action should be taken to update the Competency Standards.

## 2. Financial Review

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### 2.1 Financial Results

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The operations of the Commission for the year under review had resulted in a surplus of Rs. 22,164,882 as compared with the corresponding surplus of Rs. 14,567,899 for the preceding year, thus observing an improvement of Rs. 7,596,983 in the financial result. This improvement was mainly due to decrease in the operating expenditure and project expenditure by Rs. 35,142,813, despite the decrease in the income by Rs. 28,916,994.

## 3. Operating Review

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### 3.1 Management Inefficiencies

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Audit Observation	Comment of the Management	Recommendation
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The scheme of recruitment and promotion of the Commission approved by the Department of Management Services on 17 July 2012 had been had been amended in	In order to make amendments to the existing scheme of recruitment on the instructions of the Department of Management Services, an internal committee	A scheme of recruitment and promotion should be prepared and approval therefor



many instances and as such, the Department of Management Services had informed the Commission on 15 August 2016 to prepare and approve a scheme of recruitment and promotion inclusive of all the amendments. Nevertheless, action had not been taken accordingly even up to 10 November 2020.

was appointed. Accordingly, should be obtained as expeditiously as possible.

having conducted internal discussions, relevant amendments were made and it is to be forwarded to the Department of Management Service after obtaining relevant approval of the Commission.