

Tertiary and Vocational Education Commission - 2021

1. Financial Statement

1.1 Qualified Opinion

The audit of the financial statements of the Tertiary and Vocational Education Commission for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 the 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, 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 2021, 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 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

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

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 Audit Observations on the Preparation of Financial Statements

1.5.1 Internal control over the preparation of financial statements

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

Non-Compliance with the reference to particular Standard	Comment of the Management	Recommendation
In accordance with paragraph 47 of the Sri Lanka Public Sector Accounting Standards No.07, although the revaluation should be made based on the quantitative fair value change of the property, plant and equipment, the assets stated in the financial statements costed for Rs. 127,468,319 had not been revalued since 2008.	All the information related to the revaluation of these assets had been submitted to the Valuation Department.	As per Sri Lanka Public Sector Accounting Standards revaluation should be done.

1.5.3 Accounting deficiencies

Audit Observation -----	Comments of the Management -----	Recommendation -----
(a) Although the assets costed for Rs. 5,760,324 which were given to an external institution as donations in the year 2014 were removed from the books in the year 2020, the provision for accumulated depreciation of Rs.1,881,720 related to those assets was not removed from the books even during the year under review. As such, the provision for accumulated depreciation shown in the financial statements was over stated by that amount.	Instructions were given to correct the depreciation value provided for the assets removed from the year 2015 to the year 2019 during the preparation of the accounts in the year 2022.	Should be corrected in the preparation of accounts for the next year and action should be taken to prepare the financial statements accurately.
(b) Detailed Schedules were not submitted for audit for the unidentified advance balance amounting to Rs. 1,879,170 shown in the financial statement since the year 2017.	This difference has arisen as the dual calculation of the values due to the inactive of the accounting system in 2017. Instructions had been given to submit the relevant information to the audit.	Action should be taken to submit the relevant schedules for the audit.
(c) Although a sum of Rs.1,524,941 had been credited as opening balance adjustments to the Accumulated Fund during the year under review, the related journal entries were not submitted to the audit.	While re-accounting the assets, the depreciation values allocated for them should also be adjusted, so the relevant adjustment notes were applied through the converted reserve account.	Action should be taken to submit relevant journal entries for the adjustment.
(d) In calculating the depreciation for the year, the depreciation expense related to 03 asset items was over stated by Rs.554,518 in the financial statements. As such, the surplus of the year was under stated by that amount in the financial statements.	Instructions had been given to correct the over calculated depreciation values in relation to the 03 assets mentioned in the audit.	Depreciation for the year should be correctly calculated and accounted for, in preparing the financial statements.

1.6 Receivable and Payable Accounts

1.6.1 Receivable Accounts

Audit Observation	Comments of the Management	Recommendation
Action had not been taken to recover receivable balances amounting to Rs. 740,609, since remaining from the year 2017, included in the financial statements of the year under review even till 31 December 2021.	Instruction had been given to recover the receivable balances and clear the values shown by the audit.	Prompt action should be taken to recover the receivable balances.

1.6.2 Accounts Payables

Audit Observation	Comments of the Management	Recommendation
Action had not been taken to settle payable balances amounting to Rs. 1,880,445, since remaining from the year 2017, included in the financial statements of the year under review even till 31 December 2021.	Instruction had been given to settle the payable balances shown by the audit.	Action should be taken to settle the payable balances.

1.6.3 Advances

Audit Observation	Comments of the Management	Recommendation
Action had not been taken to settle the total advance of Rs. 3,538,215 given to 73 officers of the Commission in the year 2017 and the advance of Rs. 7,640,807 given to 02 Sector Councils in the year 2019, even till 31 December 2021.	Instructions had been given to examine the advance account and take action to settle.	Action should be taken to settle the given advances.

1.7 Non-compliance to laws, rules, regulations and management decisions

	Reference to laws, rules, regulations -----	Non compliance -----	comment of the Management -----	Recommendation -----
(a)	Financial Regulations of Socialist Democratic Republic of Sri Lanka			
	i. Section 396 (c) of the Financial Regulation	Action had not been taken with regards to the 228 cheques total valued for Rs. 1,690,526 which the 6 months validity period had exceeded, as per the referred regulation.	Action had been taken to identify the values of the checks issued but not presented to the bank and to take them in to the accounts through the bank reconciliation of April 2022.	Financial Regulations should be followed.
	ii. Financial Regulation 1646	Although the running charts of the vehicles should be furnished to the Auditor General before 15 of the following month, the running charts of 12 pool vehicles of the Commission had not been submitted as per the referred regulation.	No reply was made.	Financial Regulations should be followed.
(b)	Financial Regulation 371 (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 Ad-hoc imprests can be given only up to a maximum limit of Rs. 100,000 for a specific purpose in one instance, contrary to that, ad-hoc imprests from Rs. 3,337,874 to Rs.4,911,560 were issued in 03 instances.	Thus, the ad-hoc imprests had to be issued for the National Vocational Qualification Examinations conducted throughout the island. Nevertheless, from this year onwards, an arrangement had been made to limit the ad-hoc imprest for the maximum level of Rs.100,000.	Financial Regulations should be followed.

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| (c) | Management Services Circular No. 05/2017 dated 25 October 2017 | A Professional allowance can be paid from 01 October 2017 only for the officers who do not receive any special allowance other than the circular approved allowances in addition to their present salary. Contrary to that, professional allowances of Rs. 2,655,000 were paid to 9 officers of the Commission who were receiving 1/3rd allowance from their basic salary for the duties in the Sectoral Skill Development Project from January 2018 to December 2021. | This allowance was paid for the performance of agreed duty as per a bilateral agreement entered into with the project outside the normal duties of the concerned officers. This allowance will be paid only after an evaluation of the works done by each officer to achieve the project objectives. If not satisfied with the work done, will not be entitled to the allowance. | As per the provisions of the Management Service Circular, two allowances cannot be paid, so action should be taken to recover the overpaid allowances. |
| (d) | Public Administration Circular No. 30/2016 dated 29 December 2016 | Although fuel consumption should be compulsory checked after 12 months of every fuel check or after running of 25,000 kilometers in government vehicles, 12 vehicles used by the Commission were not dealt with accordingly. | No reply was made. | Fuel combustion tests should be carried out in accordance with the instructions in the circular. |

2. Financial Review

2.1 Financial Results

The operation result in the year under review had been a deficit of Rs. 3,548,803 as compared with the corresponding surplus of Rs. 22,164,883 for the preceding year, thus observing a deterioration of Rs.25,713,686 in the financial result. The decrease in the project grants and increase in the cost of national vocational certificate examinations had mainly attributed to this deterioration.

3. Operational review

3.1 Management inefficiencies

	Audit observation	Comments of the Management	Recommendation
(a)	(i) The evaluators of the commission had carried out the evaluation of the apprentices of a private institution contrary to the ethics of the evaluators issued by the commission in accordance with the powers of the Tertiary and Vocational Education Act No. 20 of 1990.	The evaluation activities of the evaluators related to the relevant evaluation have already been temporarily suspended. A committee of officials appointed by the Director General to conduct a preliminary investigation on 05.05.2022 and its report is due. According to the report of the committee, necessary action will be taken in the future.	According to the powers of the act, the evaluation should be done in accordance with the ethics issued by the commission.
	(ii) According to the powers given to the commission, the certificates of the commission were issued to the apprentices of a registered private vocational training institute by deviating from the internal control methods that had been introduced regarding registration of institutions, external on the job training period for courses, supervision of institutions and issuance of certificates.	National Vocational Qualification Certificates will be issued only after comparing the student evaluation report with the data entered by the institution into the National Vocational Qualification System. Both the requirements were met and the two certificates were printed. However, the issuance of certificates of the concerned institution had been temporarily suspended until the completion of investigations conducting on a public complaint received regarding the concerned institution. The two certificates issued so far have also been temporarily removed from the national vocational qualification system.	

3.2 Operational Inefficiencies

Audit observation	Comments of the Management	Recommendation
<p>(a) The Tertiary and Professional Education Commission was established with 89 officers and 08 divisions to achieve the targets. In comparing the targets achieved by each division according to the action plan prepared in relation to the year 2021, the achievement of targets in 4 divisions out of 08 divisions was remained at a low level of 20 percent to 60 percent.</p>	<p>Due to the Covid epidemic situation in the country, it was unable to reach the identified targets.</p>	<p>Action should be taken to achieve the identified targets.</p>
<p>(b) In examining the issuance of certificates by the Commission, the targeted issuance of certificates in 2021 and the achievement of actual issuance targets were remained at less than 50 percent. While considering the issuance of certificates from the year 2017, a 31 percent decrease was observed by the year 2021.</p>	<p>Due to the Covid epidemic situation in the country, it was unable to reach the identified targets.</p>	<p>More attention should be given to the issuance of national level vocational certificates and the issuance of certificates should be done promptly.</p>
<p>(c) According to the information obtained from the information system of the Tertiary and Vocational Education Commission by the Internal Audit Division of the Commission, about 820 institutions which were 58 percent of the 1,423 institutions which were registered from the beginning have not applied for renewal of registration even though the registration period had expired by 30 April 2021. Even so, action had not been taken to aware them to renew the activities of the institutions.</p>	<p>A director had been assigned and a special mechanism had been prepared for renewing the registration of institutions whose registration had expired.</p>	<p>Action should be taken to fulfill the objectives and achieve the identified goals in the Tertiary and Vocational Education Act. The regulations of the vocational training institutes in the country should be done properly.</p>

- (d) It was observed that out of 1,423 registered institutions, only 820 institutions were conducting vocational training activities at active level.
- It was observed that many of the institutions which have been registered since the establishment of the institution have been closed and action is being taken to designate them as closed institutions.
- Action should be taken to fulfill the objectives and achieve the identified goals in the Tertiary and Vocational Education Act. The regulations of the vocational training institutes in the country should be done properly.