

Appropriation Head 156 – Report of the Auditor General on the Ministry of Youth Affairs and Skills Development and the Department and Institution under that Ministry – Year 2011.

This Report consists of two parts.

Part I - The Summary report on the accounts of the Ministry and the Department and the Institution under that Ministry.

Part II - The detailed report on each appropriation Head.

Part I

The Summary Report on Accounts of the Ministry of Youth Affairs & Skills Development and the Department and the Institute under that Ministry.

01. Department and Institute under the Ministry.

Expenditure Head	Name of the Department/Institute
215	- Department of Technical Education and Training
-	- Ceylon German Technical Training Institute

02. Accounts

2.1 Appropriation Account

(a) Total Provision and Expenditure

The total net provision made for the Ministry and the Department under that Ministry amounted to Rs. 8,608,010,000 and out of which a sum of Rs. 7,025,536,569 had been utilized as at the end of the year under review. Accordingly the net savings of the Ministry and the Department amounted to Rs. 1,375,304,417 and Rs. 207,169,014 respectively which totalled Rs. 1,582,473,431. If represented 19 per cent and 16 per cent from the total provision respectively. Details shown below.

Appropriation Head	Ministry/Department	Net Provision		Utilization		Savings	
		Recurrent	Capital	Recurrent	Capital	Recurrent	Capital
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
156	Ministry of Youth Affairs & Skills Development	2,555,445,000	4,753,755,000	2,470,712,217	3,463,183,366	84,732,783	1,290,571,634
215	Department of Technical Education and Training	1,015,427,000	283,383,000	999,174,600	92,466,386	16,252,400	190,916,614
	Total	3,570,872,000	5,037,138,000	3,469,886,817	3,555,649,752	100,985,183	1,481,488,248

(b) Additional Provisions

(i) Utilization of Provisions Provided to the District Secretariat.

Of the provisions totalling Rs.29,572,700 given to 22 District Secretariats for various purposes, only a sum of Rs.27,981,834 had been utilized.

(ii) Utilization of Provisions given to other Institutions.

A provision of Rs. 4,510,270,000 had been given to the 10 institutions established under the Ministry, out of which a sum of Rs.3,988,488,041 had been utilized thus showing a saving of Rs. 511,781,959.

2.3 Advances to Public Officers Accounts

a) Limits Authorized by the Parliament

The following limits authorized by the parliament for the Ministry and the Department under the Ministry in respect of Advances to Public Officers Account had been complied with.

Head	Item No:	Expenditure		Receipts		Debit Balance	
		Maximum Limits	Actual	Minimum Limits	Actual	Maximum Limits	Actual
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
156	15601	23,550,000	19,259,509	8,800,000	16,728,127	85,000,000	63,978,724
215	21501	65,700,000	60,226,646	42,000,000	61,040,738	280,000,000	200,260,193

2.4 Imprest and General Deposit Accounts

(a) Imprest Accounts

There were debit balances totalling Rs.4,333,922 as at 31 December 2011 in the Imprest Accounts of the Ministry and the Department under the Ministry as detailed below.

Ministry /Department	Debit balance as at 31 December 2011
	Rs.
Ministry of Youth Affairs & Skills Development	4,249,002
Department of Technical Education and Training	84,920
Total	4,333,922

The imprest balance of Rs. 4,249,002 of the Ministry and the imprest balance of Rs. 84,920 of the Department of Technical Education and Training shown above had been settled to the Department of Treasury Operations by the end of March 2012 and on 23 January 2012 respectively.

(b) General Deposit Accounts

Balances of general deposit accounts of the Ministry and the Department under the Ministry as at 31 December 2011 totalled Rs. 50,093,534 as detailed below.

Ministry/Department	Account Number	Balance as at 31 December 2011
-----	-----	-----
		Rs.
Ministry of Youth Affairs & Skills Development	6000/0000/00/0015/0066/00	25,407,73
	0	2
- Do -	6000/0000/00/0015/0042/000	7,379,430
Department of Technical Education and Training	6000/0000/00/0015/0096/000	17,306,372
Total		----- 50,093.534 =====

Part II

Detailed Report Relating to each Appropriation Head

1. Appropriation Head 156 – Ministry of Youth Affairs and Skills Development

1.1 Scope of Audit

The audit of the Appropriation Account of the Ministry of Youth Affairs & Skills Development for the year ended 31 December 2011, comprising the financial reports, reconciliation statements, books and other records was carried in terms pursuance of provisions of Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The management audit report for the year under review had been issued to the Secretary to the Ministry on 05 September 2012. Audit observations, comments and findings on the accounts and reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and substantive test of samples of transactions. The scope and 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.

1.2. Responsibility of the Chief Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the appropriation account and the reconciliation statement in accordance with Articles 148,149,150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions, Public Finance and Administrative Regulations. This responsibility includes; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of accounts and reconciliation statements that are free from material misstatements, whether due to fraud or error.

1.3. Audit Observation on Accounts and Reconciliation Statements

According to the financial reports and books as at the end of the year 31 December 2011, it was observed that except for the effects of the general observation appearing at (a) to (c) and major audit observations in paragraphs 1.4 to 1.11 herein the Appropriation Account and the

Reconciliation Statements of the Ministry of Youth Affairs & Skills Development had been prepared satisfactorily.

(a) Budgetary Variances

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- (i) The entire estimated provision of Rs. 7,310,000 made for 9 items of expenditure had been saved.
 - (ii) Savings in 43 items of expenditure had range from Rs. 35,072 to 485,776,775 or 25 to 94 per cent.
 - (iii) The total provision of Rs. 39,025,000 in 06 items of expenditure had been transferred to the other expenditure items under F.R.66.
 - (iv) Due to insufficient provision for 6 items of expenditure, a provision of Rs. 18,509,898 had been transferred under F.R. 66, but the savings of those items as at the end of the year amounted to Rs. 11,616,277 representing 63 per cent of the provision made.

(b) Annual Performance Reports.

According to the letter No: PF/R/2/2/3/5(4) dated 10 March 2010 of the Director General of Public Finance addressed to all Secretaries of Ministries, Chief Secretaries of Provincial Councils, Heads of the Departments, District Secretaries and Heads of Local Authorities and Public Finance Circular Nos. 402 and 402(1) dated 12 September 2002 and 20 February 2004, the performance report relating to the year under review had been tabled in Parliament on 13 December 2011. However, the performance only for the first 8 months had been included therein.

(c) Reconciliation Statement of the Advances to Public Officers' Account.

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- (i) According to the recommendation statement of the Advances to Public Officers' Account bearing item No. 15601 as at 31 December 2011, the outstanding balance as at that date totalled Rs. 661,859. The follow up action of the recovery of these outstanding balances had been at a weak level.
 - (ii) Two loan balances totalling Rs. 172,407 which should have been included in the retired officers schedule had been stated in the individual list of balances.

1.4 Assets Management.

(a) Assets Released to External Parties.

Three motor vehicles belonging to the Ministry had been released to the Ministry of Sports before few years ago.

(b) Stock Shortages.

There was a stock shortage of Rs. 78,540 at the Heiyanthuduwa stores belonging to the National Youth Corp.

(c) Idle Stocks

The following observations are made.

- (i) 3513 units of uniforms and cloths purchased without being properly studied the requirement and due to change the design of the trainees' uniform from time to time by the National Youth Corp, had remained idle in the Heiyanthuduwa stores for more than 3 years and 3423 trousers stored at another location had been sent to this stores in November 2011.
- (ii) Out of 2048 units of various goods purchased by the National Youth Corp for issues but remained in the stores since July 2007, out of those only 146 units had been issued by January 2011.

1.5. Non – compliances

Non – compliance with laws, Rules, Regulations etc.

Instances of non – compliance with Law, Rules and Regulations observed at audit test checks are analyzed below.

Reference to Laws, Rules and Regulations etc.	Value	Non - compliance
-----	-----	-----
	Rs.	
(a) Circulars of the Presidential Secretariat		

(i) Paragraph (iii) of the Public Expenditure Management Circular No PSA/P1/40 dated 28 February 2007	2,367,270	A sum of Rs. 1,596,070, by the Ministry and a sum of Rs. 771,200 in the small Enterprises Division had been paid for conducting various programs in hotels during the year under review.
(ii) Sub – paragraph 3.1 of the Public Expenditure Management Circular No: CA/1/17/1 dated 14 May 2010.	-	Although the number of official vehicles to be allocated to the Minister and the Deputy Minister should be 3 each, in addition 11 and 8 vehicles had been allocated to the Minister and the Deputy Minister respectively.
(b) Financial Regulations		

F.R. 94	2,205,632	Liabilities in excess the provision made for 12 expenditure items had been committed.
(c) Government Procurements Guidelines		

Guideline 2.9.1	272,898	Over payments had been made to 10 procurement committee members by the National Youth Corps.
	578,500	An over payment of Rs. 578,500 had been made due to payments not made on the basis of number of Technical Education Committee meetings.

1.6. Performance

The National Youth Corp had commenced a hotel training course during the year under review by expecting a participation of 550 students and equipment valued at Rs. 8,753,292 had been purchased. Nevertheless, only 421 students had been registered but the number of students who obtained certificates after being completed the course were only 296.

1.7. Transaction of Contentious Nature

Certain transactions carried out by the Ministry had been in contentious nature. Details of few transactions so revealed at test checks are given below.

At a test check carried out in respect of procurement of foods for the year 2010 to the training centers of the National Youth Corp the following matters were observed.

- (a) Procurements valued at Rs. 63,254,400 which had been rejected by the Technical Education Committee had been awarded to 5 suppliers.
- (b) As all training centers had not been considered as one procurement in terms of 2.4.1(b) of the Government Procurement Guidelines, a procurement with a total cost estimate of Rs. 400,935,000 had not been presented to a Cabinet Appointed Procurement Committee.

1.8. Irregular Transactions

Expenditure incurred on “Youth Personification Night” programme conducted by the National Youth Corp had not been presented to the Ministry Procurement Committee for approval. According to the records made available for audit the expenditure incurred on this programme amounted to Rs. 3,939,062. Goods and Services valued at Rs. 2,634,272 included in that expenditure had been purchased without following the procurement procedures.

1.9. Uneconomic Transaction

The National Youth Corp had established a Group of Musical Band by employing 31 officers who had been recruited as Parade Instructors in May 2011 and a sum of Rs. 4,520,320 had been spent only for 5 months in the year 2011 for providing them with required equipment and clothes and ornaments and their salaries and allowances. In addition, allowances of Rs. 403,500 had been paid in 6 instances in respect of musical shows. Daily attendance of those officers had not been certified by any supervising officer.

1.10. Management Inefficiencies

The following observations are made.

- (a) Even though a sum of Rs. 3,408,363 had been spent by the National Youth Corp for the Deyata Kirula National Exhibition, the expenditure estimates had not been prepared and presented to the Procurement Committee of the Line Ministry for its approved. Similarly, this project had not been included in the Annual Action Plan as well.
- (b) According to a decision of a case filed in the Labour Tribunal, Gampaha against the termination of employment of 4 officers, the National Youth Corp had to deposit a sum of Rs. 1,272,000 in that tribunal and to spend a sum of Rs. 18,400 for making an appeal in the High Court at Gampaha against that decision.

1.11. Human Resources Management

1.11.1 Approved Cadre and Vacancies

(a) Cadre position as at 31 December 2011 is given below.

(i) Ministry of Youth Affairs & Skills Development

Category of Employees	Approved Cadre	Actual Cadre	No: of Vacancies
-----	-----	-----	-----
Senior Level	50	32	18
Tertiary Level	67	61	06
Secondary Level	457	340	117
Primary Level	70	56	14
Others (Substitutes)	05	02	03
	----	----	----
Total	649	491	158
	====	====	====

(ii) National Youth Corp

Category of Employees -----	Approved Cadre -----	Actual Cadre -----	No: of Vacancies -----	Excess Cadre -----
Staff	10	07	03	-
Non - Staff	309	267	42	-
Others (Contract, Secondment and Daily basis)	205	244	-	39
	-----	-----	----	---
Total	524	518	45	39
	====	====	==	====

(b) the following instances of vacancies were observed At test checks carried out in respect of cadre of the National Youth Corp.

- (i) Even though the training center at Dompe had been closed down since August 2010, a sum of Rs. 727,636 had been paid to 3 officers as salaries and wages up to August 2011 since that date who had retained in that center.
- (ii) Instead of recruiting required Human Resources to the National Youth Corp, directly through the line Ministry, it had been assigned to the Youth Services Co. Ltd and as such, an administration charge of Rs. 1,792,374 had been paid to that company for 7 months only.

1.11.2. Human Resources Irregularly obtained from other Parties

In terms of Public Enterprises Circular No: 116 dated 24 January 1997, the Ministries should not utilize the resources of Public Enterprises. Nevertheless, 18 employees who were in the service of 5 Public Enterprises had been attached to the duties of the Ministry. According to the information received only from the National Youth Services Council, salaries amounting to Rs. 1,373,425 had been paid to them during the year 2011 by the council but it had not been reimbursed from the Ministry.

2. Appropriation Head 215 – Department of Technical Education and Training

2.1. Scope of Audit

The audit of the Appropriation Account of the Department of Technical Education and Training for the year ended 31 December 2011, comprising for the financial reports, reconciliation statements, books and other records was carried out in pursuance of provisions in Article 154 (I) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit report for the year under review had been issued to the Head of Department on 27 June 2012. Audit observations, comments and findings on accounts and reconciliation statements are based on a review of the accounts and reconciliation statements presented to audit substantive tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible, within the limitation of staff, other resources and time available to me.

2.2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statements in accordance with Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statuary Provisions, Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements, whether due to fraud or error.

2.3 Audit Observation on Accounts and Reconciliation Statements.

According to the financial reports and books as at the end of the year 31 December 2011, it was observed that except for the effects of general observation appearing at (a) to (g) and major audit observation in paragraphs 2.4 to 2.12 herein the Appropriation Account and the Reconciliation Statements of the Department of Technical Education and Skills Development had been prepared satisfactorily.

(a) Non maintenance of Books and Records

Audit test checks observed that the Department of Technical Education and Training had not maintained the following registers and certain registers had not been properly updated and maintained.

Type of registers	Relevant Regulation
-----	-----
Register of Liabilities	F.R. 214
Register of Computer Accessories	Treasury Circular No IAI/2002/02 dated 28 November 2002

(b) Budgetary Variances

As a result of making overprovision for 15 items of expenditure, savings after being utilized these provisions ranged from 32 to 86 per cent.

(c) Annual Procurement Plan

The Annual Procurement Plan had been prepared even by 31 December 2011 in terms of National Budget Circular No 128 dated 24 March 2006.

(d) General Deposit Account

Action in terms of Financial Regulation 571 had not been taken in respect of deposit balances of Rs.6,171,253 remained for more than 2 years as at 31 December 2011.

(e) Reconciliation Statement of the Advances to Public Officers Account

According to the reconciliation statement of the Advances to Public officers Account bearing item No. 21501 as at 31 December 2011, the outstanding balances as at that date amounted to Rs. 6,526,052 and the follow up action of the recovery of these balances had been at a weak level.

2.4 Assets Management

(a) Idle and Underutilized Assets

Hundred and twenty six units of plant and machinery and 21 items of assets had been underutilized from the period of 4 and 5 years respectively and 3 buildings had been under utilized by 31 December 2011 for which information regarding the period of underutilization was not made available for audit.

(b) Irregular Utilization of Assets belonging to the other Institutions

Action had not been taken to acquire the lands to the extent of 266 acres, 02 roods and 24 perches in which 21 Technological/Technical Colleges are located and 6 vehicles belonging to 3 Ministries had been utilized by the Department.

2.5 Non – compliance

Non – compliance with laws, Rules, Regulations etc.

Instances of non compliance with laws, rules and regulations observed at audit test checks are analyzed below.

Reference to laws, Rules, Regulations etc.	Non – compliance
(a) Establishments Code Sub sections 14.4 of Chapter xii and Chapter xv	A sum of Rs. 556,700 spent in respect of 4 Instructors who had dropped out the Degree Course in Education Technology half way had not been recovered as per agreements.

- (b) Public Administration According to the Circular, Letters issued from time to time by the Director General with reference to this Circulars time by the Director General with reference to this Circular No 9/2006 dated 30 May 2006 Circular, the office time of the academic staff of Technical College should be 8.30 am to 4.15 pm salaries had been obtained by lecturers who had not so signed the attendance.

2.6 Performance

Observations on the progress of performance of the Department as per the annual estimates for the year 2011 are given below.

- (a) The Annual Action Plan not in Compliance with the Corporate Plan
-

In comparing the capital expenditure for the year 2011 stated in the corporate plan for the period 2008 -2012, with the action plan for that year, significant variances were observed and as such the action plan had not been prepared in conformity with the corporate plan.

- (b) Action not taken in Accordance with the Annual Action Plan
-

Although a provision of Rs.279.15 had been made for capital expenditure for the year 2011, only a sum of Rs.92.45 had been spent by 31 December 2011.

- (c) Performance of the Technological and Technical Colleges
-

- (i) According to the examination results in the years 2007 - 2010 and 2008 – 2009 in 3 and 19 colleges respectively, 4822 students or 79 per cent out of 6118 students who had participated in the examinations had failed.
- (ii) According to the test checks carried out, 886 had failed out of 927 students who sat for the examinations of 10 courses in the years 2007, 2008, 2009 and 2010.
- (iii) Out of 304 courses gazetted in 20 Technical Colleges, 147 courses had not been conducted.

(d) Evaluation of Examination Results and Conducting National Vocational Qualifications (NVQ – 05,06)

(i) Out of 365 students who sat for the written tests of the National Vocational Qualifications (NVQ) 05,06 in the years 2009 and 2010 in 7 Technological Colleges, 172 students had failed the examinations, representing 47 per cent. Similarly, 390 students had sat for the examination in the year 2011 but 275 of them had failed thus showing an increase of failures percentage up to 71.

(ii) Equipment value at Rs 87,802,126 had been given in the year 2008 under Technical Education Development Project for the Bio Medical Engineering Technology course at the Mardana College of Technology. Even though 31 and 20 students had been registered in the years 2009 and 2010 respectively for this course (NVQ 5), examinations had not been held after completing the lecture series even by December 2011 for 4 and 14 students remain respectively at the end.

(e) Even though the students bursaries and daily student allowances had been estimated at Rs. 19,000,000 and Rs 11,700,000 in the years 2009 and 2010 respectively, sums of Rs. 7,698,514 and Rs. 2,829,715 respectively had been saved representing 40.51 per cent and 24.18 per cent.

2.7 Dormant Bank Accounts

One bank account in a Technical College had been dormant for 6 years and the balance of that account as at 31 December 2011 amounted to Rs 828,436.

2.8 Losses and Damages

Losses valued at Rs.134,375 had occurred on 3 vehicle accidents during the year under review and a surcharge of Rs.4,060 had been paid due to non payment of bills within the due dates.

2.9 Un - economic Transactions

Internet Facilities had been obtained for the International Vocation Education and Training Association Seminar (IVETA) held on 19 and 24 August 2009. However, bills amounting to Rs. 56,576 for the period from June to December 2010 had been settled, even though one year period had elapsed after holding this seminar.

2.10 Management Weaknesses

The following matters are observed.

- (a) Implementation of the recommendations made by the Committee on Public Accounts, after been examine the following audit paragraph by the authorities had shown a sluggishness.

Reference to Auditor General's Report		Reference Subject	Date of COPA Meeting	Recommendation of the COPA
----- year	----- Para no	-----	-----	-----
2005	5.1	Loan balance	19.08.2010	To take action to recover loan balances

- (b) The same question in part 1 and 11 of the second question of first paper on estimate and costing bearing subject number 646 in the National Technology Certificate quantity Survey full time (day) course held on August 2011 in Technical Colleges had been printed.
- (c) Although it was started that candidates should be selected for registrations in terms of paragraph iv of the gazette notification in order to ensure the educational and professional qualifications of the applicants who had participated in the interview only after an interview called for by the Director/ Principal of the relevant Technological/ Technical college. However, there was no evidence to ensure the educational and professional qualifications of the applicants who had participated in the interview.

1.11 Human Resource Management

Approved Cadre and Vacancies

Cadre positions as at 31 December 2011 is given below.

Employee Category	Approved	Actual	Vacancies	Surplus
-----	-----	-----	-----	-----
Senior level	1205	444	761	
Tertiary level	40	10	30	
Secondary level	1343	941	402	
Primary level	981	896	85	
Others (substitutes)	-	03	-	03
	-----	-----	-----	-----
Total	3569	2294	1278	03
	=====	=====	=====	=====

1.12 Internal Control

(a) Internal Audit

Internal Audit programmes had not been prepared and implemented in terms of F.R 134(2) and the Treasury Circular No IAI/98/02 dated 3 August 1998.

(b) Implementation of Audit and Management Committees

Audit and Management Committee meetings at Ministry level had been properly held during the year under review but a proper system had not been adopted in the implementations of committee decisions.

Report of the Auditor General on the Financial statements of the Ceylon – German Technical Training Institute for the year ended 31 December 2011

The Audit of Financial Statement of the Ceylon German Technical Training Institute for the year ended 31 December 2011, Comprising the balance sheet as at 31 December 2011 and the income statement and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information 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. My comments and observations on these financial statements appear in this report. A detailed report for the year under review had been issued to the Principal of the institute on 14 of November 2012.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting principles and for such internal control as the management determines is necessary to enable the preparation of Financial Statements that are free from material misstatements whether due to fraud or error.

1.3 Auditor's responsibility

My responsibility is to express and opinion on these financial statement based on my audit. I conducted any audit in accordance with Sri Lanka Auditing Standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessments of risks of material misstatements of the financial statements whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to the institution preparation and fair presentations of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing and opinion on the effectiveness of the institutions internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtain is sufficient and appropriate to provide a basis for my qualified audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Ceylon German Technical Training Institute as at 31 December 2011 and its financial performance and cash flows for the years then ended in accordance with Generally Accepted Accounting Principles.

2.2 Comments on Financial Statements

2.2.1 Accounting Deficiencies

- (a) Although the balance obtain after adjusting the rectification of errors through journal entries, should be equal to the balances shown in the final financial statements and unreconciled difference of Rs.903,107 in 11 items of accounts had been existed.
- (b) Due to non passing the correct journal entries, 13 items of accounts totalling Rs 64,127,930 posted to the leader, could not be matched with the trial balance and the final financial statements.
- (c) Figures shown in the final financial statements prepared as at 31 December 2011, could not be matched with the trial balance prepared as at that date in certain instance.
- (d) The value of 6 motor vehicles, 1080 books and 91 items of various equipment received as donations from various countries and persons had not been computed and brought to accounts. The quantifiable value of only 55 units of these items was amounted to Rs 565,500.

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

Instances of the follows non – compliances were observed.

Reference to Laws, Rules,
Regulations etc.

Non - compliance

(a) Acts

Section 26(a) of Value Added Tax Act as amended by Act No. 14 of 2007

33¹/₃ of the Value Added Tax amounting to Rs. 101,430 to be deducted from the payments to be made to supplies contractors for the remittance to the Commissioner General of Inland Revenue had not been withheld.

(b) Circulars

(I) Sub-paragraph 1.1.6 (V) of the Public Administration Circular No.22/99 of 08 October 1999

Without the approval of the Board of Directors and the Secretary to the Ministry, a van had been given to the Chief Engineer of the institute to travel between home and the office. He had used this vehicle for 21 months, until his retirement.

(II) Public Enterprises Circular N0. PED/12 of 02 June 2003

- Sub-paragraph 9.2

The organization chart and the cadre had not been registered with the Department of public Enterprises.

- Sub- paragraph 9.8.2

A sum of Rs.920,390 had been paid as incentives for the staff but the approval of the Department of Public Enterprises had not been obtained thereon.

3. Financial Review

Financial Results

The operation of the Institute for the year under review had resulted in a deficit of Rs. 13,181,942 as compared with the deficit of Rs. 44,070,519 for the preceding year. Arising a loss of Rs. 13,583,739 from sale of obsolete stock in the preceding year, decrease the provision for gratuity by Rs. 24,216,326 as compared to previous year and increase in operating income by Rs. 4,313,263 had been specially affected for favorable increase of the financial results of Rs. 30,888,577 as compared with that of the preceding year.

4. Operating Review

4.1 Performance

Performance of the Institute as at 31, December 2011, as compared with previous few years is given below.

Course -----	No. of Students -----			
	2011 -----	2010 -----	2009 -----	2008 -----
Full-time Courses -----				
No of courses conducted	09	09	09	09
No of students applied for courses	1848	1922	2033	2335
No of students enrolled	406	341	334	364
No of students dropped out course intermittently	09	14	20	30
No of students sat for examination at the end of the course	284	316	329	267
No of students passed	248	265	280	242
No of students failed	36	51	49	25
Part- time courses -----				
No of students entered	2716	2427	2412	2491

No of students completed the courses	1802	1781	1675	1715
Drop outs intermittently	469	283	281	273

Borella Branch

Full- time courses

No of courses conducted	02	01	01	-
No of students enrolled for courses	50	18	15	-
Drop outs intermittently	No details	06	03	-
No of students sat for examination at the end of courses	No details	09	12	-

Part- time courses

No of courses conducted	02	-	-	-
No. of students being followed courses	64	-	-	-

The following matters were observed

- Number of students who apply for fulltime courses had shown a gradual decrease.
- Although facilities for 100 students are available in the Borella Branch, it had not been fulfilled. However, a progress was observed in the enrolment of students.
- Number of excess students enrolled for 06 part time courses had ranged from 38 per cent to 70 per cent. As such, if the period of practical training to be covered and the quality of courses not been deteriorated, action could have been taken to revise the number of students to be enrolled.
- Out of the total course income during the first half year of 2011, 83 per cent had been spent for staff allowances.

4.2 Irregular Transactions

- The Apprentice Insurance fund had been established for the payment of compensations to apprentice students who meet accidents during the training period by recovering an annual premium of Rs. 275 from the monthly allowances of Rs. 1,000 paid to a apprentice students but the approval of the Treasury had not been obtained for this fund. Even though a balance

of Rs. 1,751,403 had existed in the fund as at 31 December 2011, no accidents had occurred during the years 2010 and 2011.

(b) A sum of Rs. 20,495,318 had been invested in fixed deposits without obtaining the Treasury approval.

4.3 Management Weaknesses

There were three unsettled loan balances totalling Rs. 8,013,111 brought forward prior to the year 2005.

4.4 Uneconomic Expenditure

A sum of Rs. 50,000 had been paid to the welfare fund of the line Ministry for the Bakmaha Festival 2011.

05. Accountability and Good Governance

Budgetary control

In considering variances between the budgeted expenditure and the actual expenditure of the year under review, only 32 per cent of the budgeted expenditure in 3 expenditure items had been spent. As such it was observed that the budget had not been made use of as an effective instrument of management control.

06. System and Control

Deficiencies observed during the course of audit were referred to the attention of the Principal of the Institute from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Budget
- (c) Recruitment of employees
- (d) Debtors