

National Apprentice and Industrial Training Authority

1. Financial statements

1:1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1:2 of this report, the financial statements give a true and fair view of the financial position of the National Apprentice and Industrial Training Authority as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standard.

1.2 Comments on Financial Statements.

1.2.1 Accounting deficiencies.

Following accounting deficiencies were observed.

- (a) The rental income amounting to Rs. 240,000 receivable from a private company had not been brought to the accounts.
- (b) Electricity charges pertaining to communication towers due from the relevant companies had not been computed and recovered.
- (c) A sum of Rs.2,158,962 that should have been shown as fixed assets had been shown as maintenance expenditure.
- (d) A sum of Rs.2,210,404 remitted to the regional offices by the head office had not been credited to the accounts and the said amount had not been shown as cash in transit.
- (e) A sum of Rs.176,352 receivable as rental of the official quarters had not been recovered or brought to the accounts as cash receivable .
- (f) A sum of Rs.595,997 paid in respect of 04 employees who had been released to the other institutions on the basis of salary reimbursement had not been reimbursed and shown in the accounts.

1.2.2 Un reconciled accounts.

Following observations are made.

- (a) A difference amounting to Rs.596,122 was observed between the amounts indicated in the financial statements presented to audit and the supportive documents applicable thereto.
- (b) A difference amounting to Rs.1,466,033 was observed between the balances of two accounts indicated in the trial balance and the balances shown in the financial statements.

1.2.3 Accounts receivable and payable

Following observations are made.

- (a) There were 94 debtors balances to the value of Rs.73,440,010 at the end of the year under review and out of which 59 balances valued at Rs.38,998,039 were internal debtors and 35 balances amounting to Rs.34,445,971 were external debtors. The Authority had not taken action to obtain confirmation of balances from the debtors.
- (b) Within the balance of Rs.5,038,743 older than 5 years and recoverable from 31 external debtors there was a balance of Rs.1,180,181 recoverable from 13 government institutions and a balance of Rs.1,036,283 older than 3 years recoverable from 10 institutions. Further, action had not been taken to recover the balance of Rs.2,443,451 due from 07 internal debtors.
- (c) Action had not been taken to recover the loan balance of Rs.108,999 recoverable from the employees who had vacated their posts, even by the end of the year under review.

- (d) Action had not been taken to settle the advance balance of Rs. 795,162 which had been granted to the external parties by the Authority during 1995 to 2011, even by the month of December 2012.
- (e) Within the balance of Rs.93,944,300 payable in the year under review there was a sum of Rs.4,074,000 payable to Sri Lanka Excise since year 2010.
- (f) The loan amounting to Rs.830,917 recoverable from 23 employees who had resigned the service had not been recovered.

1.2.4 Lack of evidence for audit

The evidence indicated against the following items shown in the financial statements had not been submitted for audit.

<u>Particulars</u>	<u>Value</u>	<u>Evidence not made available</u>
	Rs.	
i Stock	9,799,040	Report of the Board of survey, detailed schedule
ii Land	46,939,652	Title deeds in support of the ownership of three lands
iii Advances	14,492,718	Confirmation of balance
iv Sundry debtors	34,445,971	Confirmation of balance
v Creditors	28,908,661	Confirmation of balance
vi Bank balance	2,237,265	Bank reconciliation statements relating to 07 bank accounts
vii Cancelled cheques	4,234,354	Detailed schedule
viii Cash received from a Private Institute	724,574	Agreement entered into with the institute

1.2.5 Non-compliance with laws, rules, regulations and management decisions

Following observations are made

Reference to laws, rules and regulations etc.

Non compliance

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| (a) Section 11 of the Finance Act. No.38 of 1971 | In case of financial investments is made in a corporation approval of the Ministry of Finance should be obtained. Nevertheless, the Authority had not taken action accordingly in an investment amounting to Rs.79,406,970. |
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| (b) <u>Establishments code</u> | |
| (i.) Section 6.1 of the paragraph VIII | Even though the overtime allowance due to be paid for an hour should be computed as 1/8 of a day's pay and a day's pay should be computed as 1/30 of the monthly consolidated salary, the Authority had paid overtime allowance by computing a day's pay at a rate of 1/20 of the monthly salary. |
| (ii.) Section 2.2 of the chapter IX | Even though 10 per cent of the allowances received for the duties performed outside the official hours should be credited to the Consolidated Fund, it has not been so done in respect of lecturer fees of part time courses and other allowances. |
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| (c) Section 5 (1) of the Payment of Gratuity Act.No.12 of 1983. | Even though the gratuity of a retired employee should be paid within 30 days from the date of termination of the service of the employee concerned, 13 instances of delays for the payments were observed. |
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| (d) Extraordinary gazette | Stamp duty of Rs.25 should be recovered on payments |

notification No.1530/3
dated 01 January 2008. exceeding Rs.25,000 and remitted to the Commissioner General of Inland Revenue. Nevertheless, action had not been taken accordingly in respect of payments to the value of Rs.899,863 during 9 instances.

(e) Financial regulations of
the Republic of Sri Lanka

(i.) No. 104 The reports of losses and damages on vehicle accidents caused during the year under review had not been furnished to the Auditor General.

(ii.) No.138 Even though the officer certifying the payments should certify the each voucher, the payments amounting to Rs.3,703,190 had been made without such certification.

(iii.) No. 210. (1) Even though payments should be made so as to receive the discount benefits, action had not been taken accordingly in making payments for the water bills and assessment tax of the Authority.

(iv.) No.241 (1) Even though payments should be made upon entire vouchers being certified by the Certifying Officer, instances of not adopting the said procedure were observed.

(v.) No. 264 (1) Even though a receipt in support of each and every payment should be obtained from the payee ,the receipts relating to the payments valued at Rs.5,368,133 made in 10 instances had not been furnished.

- (vi.) No.395 (a), (c) The bank reconciliation statements should be prepared and furnished to the Auditor General before 15th of the following month. Nevertheless, bank reconciliation statements had been furnished with delays and the bank reconciliations statements pertaining to 08 bank accounts had not been presented.
- (vii.) No.396 Action had not been taken in terms of Financial Regulations on 100 outstanding cheques totalled to a sum of Rs.2,693,338 pertaining to 13 bank accounts.
- (viii.) No.702 (3) Copies of the agreements executed during the year under review had not been furnished to the Auditor General.
- (ix.) No.1646 Even though daily running charts and monthly summaries relating to vehicles should be submitted to the Auditor General before 15th of the following month, daily running charts and monthly summaries relating to 10 vehicles for the year under review had not been furnished.
- (f.) Public Administration Circular
Sections 1.1.6(v) and 1.3.1 (iii) Instances were observed that vehicles had been individually of Circular No 22/99 dated 08 assigned to officers entitled to transport facilities in groups.
October 1999

(g.) Ministry of Finance Circular

Section 3.1(ii) of Ministry of Finance Circular No 446PED/12 dated 10 September 2010

Approval should have been obtained from the Secretary to the Ministry for providing the officers with telephone facilities with IDD though, this requirement had been unheeded

(h.) Ministry Circulars

Section 1.1.1 of Circular No TVET/1//2004/1 dated 28 January 2004

Courses had been conducted for less than the minimum No of apprentices without obtaining the prior approval of the Ministry.

(i.) Circular No NPA/8 of National Procurement Agency

Sections 3.2.2 and 3.4.2

Though competition should be encouraged in inviting for quotations for Public works and services , this requirement was unheeded in 25 instances when supplies and services, valued at Rs. 2,594,879 were obtained.

(j.) Section 7 of Department of Public Enterprises Circular No 50 dated 28 July 2008.

Though it should be within 50 Kilometers for a return journey when group transport facilities are provided, there were instances in which transport facilities had been provided for a distance more than that.

2. Financial Review

2.1 Financial Result

As per the financial statements presented, the operations of the Authority for the year ended in 31 December 2012 resulted in a deficit of Rs. 29,244,981, in contrast with a deficit of Rs. 75,837,077 for the previous year indicating a decrease of Rs. 46,592,096 in the deficit for the year under review. The growth of the financial result had been contributed by the increase in Government grants , miscellaneous and deferred income.

2.2 Legal Actions against the Institute.

An employee had filed a case against the institute and two cases had been filed by external institutes and persons whereas, another case had been filed by the Authority.

3. Operations Review

3.1 Performance.

Following observations are made.

- (a.) A description on students enrolled , completed the courses within the year and following the courses at the end of the year at District offices of the Authority and national training institutes in Katubedda, Orugodawatta, and Katunayake , in contrast with the previous year , is as follows.

<u>Category</u>	<u>2012</u>	<u>2011</u>
No of students at the beginning of the year	29,609	28,558
No of students enrolled during the year	32,613	32,479
No of students who completed the courses during the year	27,522	26,036
No of students following the courses at the end of the year	27,463	29,609

- (b.) A performance report on the financial and physical performance of the Authority had not been prepared.

- (c.) Though it was targeted to enroll 31,300 apprentices during the year under review, only 23,763 had been enrolled but, the actual No of apprentices was 23,763 owing to vacating of courses. The Authority had been able to achieve 76 per cent of its target though, the decrease in the enrollments at the district level was in the range of 1.3 to 39.9 per cent.
- (d.) The targeted No of apprentices had not been enrolled in 7 districts.
- (e.) Though it was targeted to enroll 450 apprentices for the Institute of Engineering Technology , Katunayake, the No of enrollments were 299 which was a 33.6 per cent decrease in the targeted No of enrollments.
- (f.) Details on the actual position and programs targeted to be conducted in each division are as follows.

<u>Program</u>	<u>Target</u>	<u>Actual Progress</u> <u>Achieved</u>	<u>Difference</u> <u>Increase/Decrease</u>
<u>Professional Guidance Division</u>			
Programs to develop career guidance tools	06	-	(06)
Professional guidance programs for school leavers	140	126	(14)
Professional guidance programs for school children	125	91	(34)
<u>Professional Research Division</u>			
Programs for training the trainers	30	27	(3)
Trainees of professional craft level	5,000	3,982	(1018)
Other trainees	20,000	18,783	(1217)

- (g.) Though 15 ISO/QMS programs had been scheduled to be conducted during the year under review, only one program had been conducted.

- (h.) A description on the numbers of apprentices enrolled during the year under review and the previous 5 years and those who vacated the courses, is as follows.

<u>Year</u>	<u>No Enrolled</u>	<u>No Left the Courses</u>	<u>No of Those Who Left as a Percentage of Enrollments</u>
2012	32,613	8,850	27.14
2011	32,479	5,391	16.60
2010	27,780	9,668	34.80
2009	29,721	6,238	20.98
2008	23,617	4,682	19.82
2007	16,281	4,653	28.57

3.2 Management Inefficiencies

Following observations are made.

(a.) Board of Survey

- i. Necessary action had not been taken even by September 2013 on recommendations of the Board of Survey and 461 items in excess and a shortage of 1811 items identified in the year under review together with 1,522 items in excess and a shortage of 1,509 items identified in the Board of Survey conducted in the previous year.
- ii. Board of Surveys had not been conducted at a division in Head Office and 3 divisions of 3 centers.

(b.)

- i. Approval had not been obtained from the Board of Directors for 11 fixed deposits.
- ii. Approval had been obtained for 4 fixed deposits from the Board of Directors though, a possible income of Rs. 267,666 had been deprived as the investments had been delayed for more than a month.

- (c.) A motor vehicle obtained by paying Customs charges amounting to Rs.1,134,000 in February 2010, had not been utilized even by September 2013 and had been parked at the Automobile Engineering Training Institute , Orugodawatta with parts disassembled.
- (d.) Despite the adequate No of vehicles at the head office of the Authority, an amount of Rs.138,482 had been paid for vehicles obtained on rent.
- (e.) An amount of Rs.7,367,731 that should have been recovered over the breach of agreements due to failure of employees to return who went abroad on scholarships, had not been recovered without mentioning in the accounts as well.

3.3 Transactions of Contentious Nature

Following observations are made.

- (a.) Even though 08 training centers had been constructed at the lands owned by external parties at the expense of Rs.61,634,667, action had not been taken by the Authority to take over those lands even by 2014.01.31
- (b.) Payments had been made in such a way that service charges for the television channels had been deemed to be official telephone bills.

3.4 Idle and Underutilized Assets

Following observations are made.

- (a.) There were 08 bank current accounts with balances over Rs.8 million and the total of the balances at the end of the year amounted to Rs. 25,945,283. It was also observed in audit that monthly balances in some of the accounts ranging from Rs. 1.3 million to 64 million had remained idle.
- (b.) Five vehicles had remained idle in the year under review whereas, another 4 vehicles remained underutilized.

- (c.) The District center in Polonnaruwa had not conducted courses owing to lack of students. Hence, the equipment related to those courses remained idle.

3.5 Contract Administration

Following observations are made.

- (a.) Following matters were observed over the construction of three storey hostel building for the Apprentice Training Institute in Moratuwa.
- i. An agreement had been reached for this contract valued at Rs.31,289,371 to be completed on 30 June 2012. The Authority had entered into another accord with a consultancy firm at an amount of Rs.2,289,000 for the inspection of architecture, structure and the construction; however, the construction process had not been completed even by August 2013.
 - ii. Though the consultancy firm should have furnished monthly progress reports and issued necessary instructions to the contractor as per the agreement, this requirement had been unheeded.
 - iii. It was observed in audit that the construction had been delayed due to failure in assigning sufficient number of laborers and machinery, unavailability of qualified staff and delays in obtaining approval for material samples.
 - iv. The service period of the consultancy firm had to be extended owing to delay in contract and an amount of Rs.500,000 had been agreed to be paid.
 - v. Sanction of the Urban Development Authority had not been obtained before the construction of the building began.
 - vi. Rs.2,114,645 worth of surety bond for the building had been expired on 19 June 2013 though, the validity period had not been further extended.

- (b) The following matters were observed in relation to construction of the three storied student hostel at Institute of Engineering Technology Katunayake.
- i. A contract agreement valued at Rs.33,368,508 had been entered into for this construction, whereas assistance of consultancy firm had been obtained on the basis of payment of Rs.2,289,000. Even though decisions had been taken to complete the same construction work at June 2012, it had not been completed even as at August 2013.
 - ii. Though the consultancy firm should have furnished monthly progress reports and issued necessary instructions to the contractor as per the agreement, this requirement had been unheeded.
 - iii. Additional payments had to be made for advisory services due to delay of construction work.

3.6 Resources of the Authority Given to Other Government Institutions

Having being released by the Authority, seven employees had been deployed in other institutes as at the end of the year under review contrary to the Provisions of the Public Enterprises Circular No.PED/12 dated 02 June 2003. An expenditure amounting to Rs.1,033,029 in the year under review and Rs.5,694,712 in previous years had been incurred by the Authority as salaries and allowances of the employees who were released from the service.

3.7 Staff Administration

Details of the approved cadre and actual cadre in the year under review are given below as compared with preceding year.

<u>Description</u>	Approved	<u>2012</u>		Approved	<u>2011</u>	
		Actual	Deficit		Actual	Deficit

Executive Grade	192	111	81	138	88	50
Management Assistants and parallel services	664	491	173	515	466	49
Junior	<u>136</u>	<u>118</u>	<u>18</u>	<u>110</u>	<u>97</u>	<u>13</u>
	992	720	272	763	651	112
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The following matters were observed in relation to that.

- (a) In addition to the approved cadre, 58 employees had been recruited on casual, temporary and contract basis without getting approval from the Ministry or Department of Management Services and a sum of Rs.7,997,525 had been paid to them as salaries and allowances in the year under review.
- (b) Employees attached to the training centres had continuously deployed in the same centre and action had not been taken to transfer them.
- (c) Defects such as failure to call applications when granting of promotions in the Authority, failure to conduct interviews, calling of applicants who did not have qualifications stated in the scheme of recruitment, granting of appointments since the appointed date of acting duties, failure to appoint members of the relevant Ministry and Ministry of Finance for the board of interview and appointing only the officers of the institute for board of interview were observed.
- (d) An officer who had been recruited for a period of one year on secondment basis had been appointed for the permanent post of the Director Administration and Human Resources before completion of the duration. It was observed in audit that applications had not been called for recruitment of the same post and the recruitment had been made contrary to the Provisions of the Establishments Code and he had been placed on the maximum of the salary scale entitled to the post.

4. Accountability and Good Governance

4.1 Presentation of Financial Statements

Even though according to the Public Finance Circular No.PF/PE/21 dated 24 May 2002, Financial Statements should be presented to audit within 60 days of the end of the financial year , financial statement of the institute in the year under review and the preceding year had been presented to audit on 15 July 2013 and 06 June 2012 respectively.

4.2 Budgetary Control

Significant variances were observed between the revised budgeted expenditure and the actual expenditure, thus indicating that the Budget had not been made use of as an effective instrument of management control.

5. Systems and Controls

Weaknesses in systems and controls observed in audit were brought to the attention of the Authority from time to time. Special attention is needed in respect of the following areas of controls.

- (a) Fixed Assets
- (b) Cash and Bank Accounts
- (c) Accounting
- (d) Vehicle Utilization
- (e) Apprentices and Training Activities
- (f) Staff Management
- (g) Welfare Funds
- (h) Income and Expenditure
- (i) Stores Control
- (j) Control Of Publicity and Telephone Charges