

Tertiary and Vocational Education Commission - 2014

The audit of financial statements of the Tertiary and Vocational Education Commission for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014 and the statement of comprehensive income, statement of changes in equity 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 read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 10(d)(2) of the Tertiary and Vocational Education (Amendment) Act, No. 50 of 1999. My comments and observations which I consider should be published with the Annual Report of the Commission in terms of Section 14(2) (c) of the Finance Act appear in this report.

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 Sri Lanka Public Sector Accounting Standards 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 an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the

auditor’s judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission’s preparation and fair presentation of the financial statements 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. 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 financial statements. Sub - sections (3)and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and the extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Tertiary and Vocational Education Commission as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Accounting Deficiencies

The following observations are made.

- (a) According to the physical verification reports presented at the end of the year under review, the remaining stock of stationery valued at Rs.980,186, Certificates of Skills and the value of Compact Discs on National Skills Standards had not been shown in the financial statements.
- (b) Despite the non-commencement in commencement of activities connected with updating of Vocational Education and Training Plan and the absence of any liability in that regard, a sum of Rs.493,000 had been shown as an expenditure payable.
- (c) The provisions for gratuity for 07 employees had been overstated by Rs.153,187 due to errors in computation.
- (d) The adjustments of Rs.180,305 in respect of the preceding year had been made to the Translation Reserve instead of being adjusted retrospectively.

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

The following instances of non-compliance were observed.

Reference to Laws, Rules and Regulations,.	Non-compliance
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(a) Section 4.5 of Chapter XXIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka	Action had not been taken to recover the sum of Rs.176,983 recoverable from 03 officers who had vacated post and been interdicted, from the guarantors or to take any other course of action.

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| (b) Section 9.3.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003 | Even though the Acting Appointments should not be made for a period not exceeding 03 months, 02 instances of failure in taking such action were observed. |
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3. **Financial Review**

3.1 **Financial Results**

According to the financial statements presented, the financial result of the Commission for the year ended 31 December 2014, had been a surplus of Rs.4,367,161 as against the deficit of Rs.3,229,145 for the preceding year thus indicating an improvement of Rs.7,596,306 in the financial result for the year under review as compared with the preceding year. The increase in Government and Project Grants and the operating income in the year had mainly attributed to the improvement.

4. **Operating Review**

4.1 **Performance**

The following activities targeted in the Annual Implementation Plan for the year under review could not be achieved.

- (a) A sum of Rs.958,000 had been expected to be spent for 09 research proposals out of 16 presented by various institutions. A sum of Rs.346,000 had been spent for 08 of those researches and one research had been abandoned.

(b) Course Accreditation and Training Approval Division

- (i) Even though 616 courses of the Government Sector and 104 courses of the Private Sector and Non- Governmental Organizations had been evaluated for the accreditation of courses, only 451 and 70 courses respectively had been accredited.
- (ii) Out of 247 applications received from the Government Sector, Private Sector and Non- Governmental Organizations for renewal of accreditation, only 211 courses had been evaluated.

(c) National Vocational Qualifications Division

- (i) Even though it had been targeted to spend Rs.1.29 million during the year under review for publicity and awareness of national vocational qualifications and carrying out researches for gauging the productivity, a sum of Rs.2.16 million had been spent in that connection. That is exceeding the expected expenditure by 67 per cent.
 - (ii) Even though the Commission had targeted to carry out 16 audits of skills evaluation of institutions, only one audit had been carried out.
- (d) The Labour Market Information Statements from January to June of the year under review had not been issued.
- (e) Even though it had been targeted to conduct 25 local employee training programmes and 15 foreign training programmes, the number of programmes conducted had been 15 and 10 respectively.

4.2 Management Inefficiencies

(a) The following observations were made in respect of expenditure on granting financial assistance.

(i) A sum of Rs.4,337,159 had been granted during the year under review as financial assistance for purchase of materials for courses to the Government Sector, Private Sector and people in distress. According to the agreements entered into between the Commission and the recipients of financial assistance, there were 10 institutions whose courses relating to the issue of the National Vocational Qualification Certificates had not been accredited.

(ii) Financial assistance of Rs.3,446,652 had been granted in the year 2012 to 11 institutions of the Government Sector for purchase of materials. Those institutions had not got their courses accredited even by 29 May 2015.

(b) The following matters were observed in respect of project expenditure.

(i) A contract for Rs.5,948,450 had been entered into on 26 June 2014 on the basis of completing the Baseline Survey in 90 days, conducted in respect of the Technical and Vocational Education Training Division. Even though a sum of Rs.2,081,958 had been paid for this project in the year under review, it had not been completed and handed over even by 31 March 2015.

(ii) A contract for Rs.3,485,000 had been entered into on 08 August 2014 on the basis of completing the Survey on Industries Demand Gap of 04 industries in 90 days. Even though a sum of Rs.1,219,750 had been paid for that contract in the year under review, it had not been completed and handed over even by 31 March 2015. Action had not been taken in respect

of the delay of 149 days to complete the contract due to handing over the contract without conducting a feasibility study.

- (c) Even though the revision and updating of the Vocational Education Training Plan should have been commenced in October and completed in December 2014, it had not been so done. Even though a newspaper advertisement had been published at a cost of Rs.107,100 for selecting an institution to prepare the plan, an institution had not been selected. As such, the expenditure and the sum of Rs.600,000 allocated had been idle.
- (d) Action had not been taken even by the end of the year under review to remove or to repair and make use of forty nine items of goods amounting to Rs.976,975 identified as unusable at the Survey on Fixed Assets in the year 2012.
- (e) Even though a sum of Rs.190,000 had been paid in the year 2013 for the preparation of a Training Plan and it should have been completed on 05 May 2014 in terms of the agreements, that task had not been completed and handed over even up to May 2015.

4.3 Staff Administration

- (a) As the approved staff and the actual staff of the year under review had been 102 and 77 respectively, 25 vacant posts existed. Action had not been taken to fill these vacancies.
- (b) An officer had been recruited to the post of Director General on secondment basis from 01 March 2013 to January 2015 and paid a sum of Rs.2,772,806 which exceeded twice the salary entitled to the permanent post. Action had not been taken to recruit a permanent officer to the post of Director General even up to April 2015 and the Deputy Director General as well had been released on secondment basis.

4.4 Uneconomic Transactions

According to Section 8.3.5 (a) of the Public Enterprises Circular No. PED/12 of 02 June 2003, official motor vehicles of a “C” Grade Corporation should be allocated only to the Chairman, the Chief Executive Officer and the Executive Directors. Allocated motor vehicles had been provided to the Deputy Director and 5 Directors of the Commission falling under “C” Grade, contrary to those provisions and fuel allowances amounting to Rs.1,632,960 had been paid in that connection in the year under review.

05. Accountability and Good Governance

5.1 Budgetary Control

Significant variances were observed between the estimated income and expenditure of the Budget and the actual income and expenditure. As such, , the budget had not been made use of as an effective instrument of management control.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Commission from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Staff Management
- (c) Budgetary Control