

Tertiary and Vocational Education Commission - 2010

1. Financial Statements

1:1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Tertiary and Vocational Education Commission had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 1:2 of this report, the financial statements have been prepared in accordance with Sri Lanka Accounting Standards and give a true and fair view of the state of affairs of the Tertiary and Vocational Education Commission as at 31 December 2010 and the financial results of its operation and cash flows for the year then ended.

1:2 Comments on Financial Statements

1:2:1 Sri Lanka Accounting Standards

Even though the Standard No. 18 requires that the entire class of assets relating to an asset should be revalued in the revaluation of assets, that requirement had not been complied with in the revaluation of motor vehicles in the year 2008.

1:2:2 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) Sums of Rs.2,101,595 and Rs.821,033 had been transferred from the Revaluation Reserve to the Operating Reserve in the preceding years and the year under review respectively.
- (b) Even though financial assistance amounting to Rs. 6,156,450 had been provided to the training institutions in the Government Sector, it had been shown in the accounts as Rs.5,720,771, thus resulting in the understatement of expenditure by a sum of Rs.435,634.

- (c) Out of a sum of Rs.1,963,175 provided to the National Youth Services Council, a sum of Rs.1,877,605 had been spent. But the balance sum of Rs.85,570 had not been shown as receivable.
- (d) Out of a sum of Rs.3,360,399 provided to the Sri Lanka Vocational Training Authority a sum of Rs.1,945,811 had been spent. But the balance sum of Rs.1,414,588 had not been shown as receivable.

1:2:3 Unreconciled Control Accounts

Unreconciled differences totalling Rs.2,366,196 were observed between the balances of 02 accounts shown in the financial statements and the related subsidiary registers furnished to audit.

1:2:4 Accounts Receivable and Payable

The following observations are made.

- (a) An advance of Rs.120,000 granted to a Government institution remained receivable since the year 2008.
- (b) Two loan balances amounting to Rs.58,445 and a festival advance amounting to Rs.300 recoverable from an officer, whose services were terminated in the year 2006 remained outstanding due to pending legal action.

1:2:5 Lack of Documentary Evidence for Audit

The following items of account could not be satisfactorily vouched in audit due to the unavailability of the evidence indicated against each item.

Item	Value	Evidence not made available
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Students' Progress Report Books	109,708	Confirmation of Balance Schedules and Board of Survey Reports

Debtors	568,305	Confirmation of Balance
National Skills Standards	-	Stock Books, Schedules and Board of Survey Reports
Overtime and Holiday Pay	50,000	Payment Vouchers and Schedules
Telephone Charges	120,000	- do -
Training Allowances	17,000	- do -
Travelling Expenditure	20,000	- do -

1:2:6 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non-compliance were observed.

Reference to Laws, Rules, Regulations, etc.	Non-compliance
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(a) Establishments Code of the Republic of Sri Lanka	

(i) Section 4.5 of Chapter XXIV	Action had not been taken even up to 31 March 2011 to recover from sureties, the sum of Rs.192,850 due from an officer who had vacated post and an interdicted officer.
(ii) Section 13.1 of Chapter XXIV	Even though salary advances should not be paid in instances where the retention of the employee is uncertain, instances of such payments made were observed.

(b) Financial Regulation

No. 1646

Even though the Daily Running Charts and the Monthly Performance Summaries in respect of each month should be forwarded to the Auditor General before the 15 day of the month following, it had not been so done.

(c) Section 7.4.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003.

Even though the Audit and Management Committees should meet at least once in 03 months, meetings had not been held in the first, second and third quarters of the year under review.

(d) Paragraph 1.3.1 (iii) of the Public Administration Circular No.22/99 of 06 October 1999.

Even though the circular requires the provision of group transport facilities, 06 officers had been provided with motor vehicles separately.

(e) Public Administration Circular No. 26/92(1) of 03 August 1994

Even though the Government Emblem and the name of the institution should be stenciled on all motor vehicles except the allocated motor vehicles, it had not been so done.

(f) Paragraph 10 of the Financial Instructions 01 of the Commission

Advances had been granted without proper estimates while advances had been granted to officers who had not settled advances obtained previously.

2. Financial and Operating Review

2:1 Financial Results

According to the financial statements presented, the operations of the Commission for the year ended 31 December 2010 had resulted in a deficit of Rs.1,634,481 as against the surplus of Rs.990,444 for preceding year, thus

indicating a deterioration of Rs. 2,624,925 in the financial results for the year under review.

2:2 Operating Review

2:2:1 Performance

The following matters were observed.

The Commission had failed to achieve the targets in the revised Action Plan for the year under review. Particulars of targets not achieved are given below.

- (a) A sum of Rs.9.865 million had been allocated for the supply of financial assistance to the training institutions in the Government Sector in the year under review. Nevertheless, the Commission had granted a sum of Rs.7.374 million as financial assistance and the performance of supply of financial assistance amounted to 75 per cent.
- (b) Provision amounting to Rs.1 million had been made in the year under review for the supply of financial assistance to the Vocational Training Institutions in the Private and the Non-Governmental Organization Sector. Financial assistance amounting to Rs.806,143 had been supplied there from and that represented 81 per cent of the provision.
- (c) Even though it had been planned to update the registration of 204 institutions during the year under review, registration of 181 institutions only had been renewed. That represented 88.7 per cent of the target.
- (d) Information on the accreditation of Training Courses in the year under review is given below.

Institution Providing Training	Number of Applications received	Number of Courses evaluated	Number of Courses accredited	Accredited Courses as a Percentage of the Evaluated Courses
National Apprenticeship and Technical Training Authority	05	05	01	20%
National Youth Services Council	06	06	--	00%
Department of Technical Education and Training	23	27	12	44%
Sri Lanka Vocational Training Authority	135	195	113	58%
Other Government Institutions	07	08	03	37%
Private and Non-Governmental Organizations	85	79	52	66%

The following observations are made.

- (e) Even though 05 applications made by the National Apprenticeship and Technical Training Authority for the accreditation of Training Courses had been evaluated only one course had been accredited. That represented 20 per cent of the number of courses evaluated. Even though 06 applications made by the National Youth Services Council had been evaluated, not even a single course had been accredited.
- (f) The Department of Technical Education and Training had made 02 applications for the renewal of accreditation. Even though the Commission had evaluated 10 courses including those received in the preceding year, the accreditation of 02 courses only had been renewed. That represented 20 per cent of the number of courses evaluated. Even though 60 applications for the renewal of accreditation of courses had been made by the Sri Lanka Vocational Training Authority, the Commission had evaluated only 33 courses or 55 per cent. The Chairman informed the audit that several criteria should be satisfied in the evaluation of courses for accreditation and that courses cannot be accredited merely because of the receipt of applications.
- (g) Even though holding of 9 meetings of the Inter-institutional Committees had been planned for the year under review, 07 Committee meetings only had been held.

Even though 10 workshops for skill based evaluation had been planned to ensure the conformity of the Skill Based Evaluation System, 05 workshops only had been held. Out of that, one workshop had been held for the Heads of Training Centres.

- (h) Even though financial provision amounting to Rs.300,000 had been made for updating the management information system in the year under review, no expenditure whatsoever had been made therefrom.

2:2:2 Operating Inefficiencies

(a) Grant of Financial Assistance

The following matters were observed.

- i. The progress reports on the utilization of the financial assistance in terms of the agreements entered into between the two parties had not been furnished to the Commission even up to 31 March 2010 by 10 institutions in the private sector and 17 institutions in the Government Sector which were supplied with financial assistance amounting to Rs.1,647,699 and Rs. 5,565,474 in the preceding year. The physical supervision of these institution had been at a weak level.
- ii. According to Clause 12 of the agreements entered into with the Training Institutions provided with financial assistance, action on the accreditation of the respective Training Courses should be taken within 06 months from the date of agreements. Nevertheless, action in compliance had not been taken while the unspent money had not been recalled by the Commission.
- iii. The Commission had established through physical inspections that 03 institutions provided with financial assistance amounting to Rs.794,010 in the year 2007 for commencing 05 Training Courses and 02 institutions provided with financial assistance amounting to Rs.79,030 in the year 2008 for commencing 02 Training Course had not commenced those courses even by the end of the year 2009. There was no documentary evidence furnished in support of the commencement of those courses in the year 2010 as well.

(b) Inspection of the Transport Fleet

The following observations are made.

- (i) The Commission had 12 motor vehicles only 6 drivers had been deployed in service. Thus it was observed that 06 motor vehicles remained idle without using them on full time basis.
- (ii) Even though 05 motor vehicles of the Commission had been allocated for providing group transport facilities to officers, those motor vehicles had been allocated separately to individuals instead of being used for group transport.
- (iii) A test check of the Daily Running Charts and other registers of the pool motor vehicles allocated to officers revealed overstatement of 4,034 kilometers in 63 instances.

(c) Repair and Servicing of Motor Vehicles

Even though a sum of Rs.470,295 had been spent in the year under review for carrying out repairs to a motor vehicle that motor vehicle had not been used for running even up to 08 April 2011, the date of audit.

2:2:3 Utilization of Funds

It was observed that considerable cash balances had been retained idle during year under review in the 02 main Bank Current Accounts. The monthly average of the money retained in those 02 Bank Accounts amounted to Rs.3,540,743 and Rs.4,537,729. As such the attention of the Commission had not been paid to an alternative course of action to invest such surplus money on short term basis to generate income instead of leaving surplus cash in current accounts.

2:2:4 Resources of the Commission supplied to other Government Institutions

Contrary to the provisions of Sections 8.3.9 and 9.4 of the Public Enterprises Circular No. PED/12 of 02 June 2003 a motor vehicle of the Commission had been released from January 2005 to the Ministry of Vocational and Technical Training.

2:2:5 Budgetary Control

The budget for the year under review had been revised. Significant variances between the amounts appearing in the revised budgets and the actuals were observed. Thus it was observed that the budget had not been made use of as an effective instrument of management control.

3. Systems and Controls

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

- (a) Accounting
- (b) Financial Activities
- (c) Performance
- (d) Supply of Finance Assistance
- (e) Motor Vehicles Utilization
- (f) Personnel Management