

## **Tertiary and Vocational Education Commission - 2013**

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The audit of financial statements of the Tertiary and Vocational Education Commission for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 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 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**

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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**

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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 judgements, 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

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### 2.1 Opinion

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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 2013 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

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#### 2.2.1 Accounting Deficiencies

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Excess provision amounting to Rs.142,883 had been made due to the errors in the computation of expenditure on gratuity.

#### 2.2.2 Unexplained Differences

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Even though the balance of Computers and Accessories Ledger Account amounted to Rs.15,309,664, it had been shown as Rs.15,359,464 in final accounts. Thus, a difference of Rs.49,800 was observed.

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

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The following instances of non-compliance were observed.

Reference to Laws, Rules, Regulations, etc.	Non-compliance
(a) Section 11 of Finance Act, No.38 of 1971 and Section 8.2.2 of Public Enterprises Circular No. PED/12 of 02 June 2003	A sum of Rs.3,448,406 had been invested in Fixed Deposits without obtaining the approval of the Minister of Finance.
(b) Public Administration Circulars No. 26/92(1) of 03 August 1994 and No. 01/2002 of 25 February 2002	Even though the State Emblem and name of the institution should be stenciled on all motor vehicles excluding the allocated motor vehicles, instances of non-compliance were observed.

## **2.4 Transactions not supported by Adequate Authority**

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In terms of Section 8.3.5(a) of Public Enterprises Circular No. PED/12 of 02 June 2003, allocation of official motor vehicles by a Corporation in the “C” Grade could be made only for the Chairman, Chief Executive Officer and the Executive Directors. Contrary to that provision, the Deputy Director General of the Commission and five Directors had been provided with motor vehicles only under the approval of the Secretary to the Ministry and had been paid fuel allowances amounting to Rs.1,241,100 during the year under review.

## **3. Financial Review**

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### **3.1 Financial Results**

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According to the financial statements presented, the operations of Commission for the year ended 31 December 2013, had resulted in a deficit of Rs.3,229,145 as against the surplus of Rs.1,495,496 for the preceding year. Accordingly, a deterioration of Rs.4,724,641 in the financial result of the year under review was observed.

## **4. Operating Review**

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### **4.1 Performance**

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The following targets of the Annual Action Plan for the year under review had not been achieved.

- (a) Even though the conduct of 44 programmes under 4 Divisions had been planned for the proper formulation, investigation and updating of policies and strategies of the tertiary and vocational education and training, the actual number of programmes conducted had been 32. Thus, the number of programmes which had not reached the target had been 12.
- (b) Even though plans had been made for the preparation of a plan for tertiary education and training of the Transport Division for the development of industrial sector, it had not been completed.
- (c) Even though two workshops for the development of provincial vocational education had been planned to be conducted, it had not been done.

- (d) Even though 748 programmes had been planned under five Divisions for the expansion and maintenance of National Vocational Qualification System, only 156 programmes had been actually conducted while 592 programmes had not been conducted.

## 4.2 Operating Inefficiencies

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The following observations are made.

- (a) Even though a sum of Rs.12,467,374 had been made available in the year under review for the purchase of equipment for the public sector, private sector and those affected by disasters had been brought to account as expenditure at the time of receipt, it had not been ascertained whether such expenditure was actually incurred.
- (b) Instances of action not taken by the Commission in terms of Tertiary and Vocational Education Act are given below.
- (i) Even though Vocational and Training Institutions should be registered with the Commission, a proper procedure did not exist in the Commission to identify and register the institutions which should be so registered.
- (ii) Failure to take action for renewal of the registration of institutions of which the registered period had expired.
- (iii) Lack of supervision of Tertiary and Vocational Education institutions and failure to take action in terms of provisions of the Act on 44 institutions not registered.
- (c) Even though the preparation of the National Competency Standards for the courses on Tea Production Technology and the Cosmetology under the provision made available by the Ministry should have been completed and forwarded before 30 May 2013, those had been forwarded after a delay exceeding two months. Twenty six workshops had been conducted in this connection at a cost of Rs. 487, 073 and the work scheduled for completion in 03 months had taken 08 months.
- (d) The following observations are made in connection with the sum of Rs. 1,184,760 spent on research activities during the year under review.
- (i) Nine researches commenced in the year 2012 had been completed during the year under review while one research had been abandoned. In submitting research proposals, a study on the practicability of implementation had not been carried out.

- (ii) Even though five officers of the Commission had agreed to conduct researches, no agreement had been entered into with those officers.
  - (iii) Even though researches should be conducted through specialists competent in the field, only staff members of the institutions under the Ministry had been engaged in research activities.
- (e) Coordination activities of the Skills Competition organized by the Ministry had been carried out by the Commission and a sum of Rs.4, 127,802 had been spent thereon. The following observations are made in this connection.
- (i) Even though advances had been granted to four institutions at a rate of Rs. One million per institution in respect of the competition, action in terms of the conditions of granting advances had not been taken by the said institutions.
  - (ii) The advance granted to an institution had not been settled even by 30 November 2014.
  - (iii) Out of the amount granted to the Vocational Training Authority of Sri Lanka, the balance of Rs.275,574 had not been refunded to the Commission.
  - (iv) Even though officers of the Commission had been engaged in the supervision of the purchase of equipment and training materials, no information regarding such supervision had been made available to audit.

#### **4.3 Idle Assets**

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A balance of approximately Rs.2,000,000 existed in a Bank Current Account throughout the year, while that balance had increased to Rs.5,000,000 in certain instances, thus indicating weaknesses in financial management.

#### **4.4 Staff Administration**

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The following observations are made.

- (a) Even though the approved cadre of the Commission for the year under review had been 85, the actual cadre had been 70. Thus, the number of vacancies and excess cadre had been 16 and 01 respectively.

- (b) Even though the recruitment of 05 officers to the staff had been approved for the establishment of an Evaluation Unit for Examinations in the year 2012, that Unit had not been established by recruiting the staff.

## **5. Accountability and Good Governance**

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### **5.1 Corporate Plan**

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Sub- targets of each Division for the achievement of targets set in the Corporate Plan had not been specified while the period of completion of strategies and the expenditure and income thereof had not been stated.

### **5.2 Budgetary Control**

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The budget for the year under review had been revised and the variances between the amounts shown in the revised budget and the actual amounts ranged between 5 per cent and 117 per cent. As such, it was observed that the budget had not been made use of as an effective instrument of financial control.

## **5. Systems and Controls**

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

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