

**Report of the Auditor General on Head 156 – Ministry of Youth Affairs and Skills Development and the Department under the Ministry – Year 2014**

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Paragraphs 1 and 2 of this Report contain the general information on the Accounts of the Ministry and the Department under the Ministry and the Audit Observations on each Head appear in paragraph 3 onwards.

**1. Departments and Institutions under the Ministry**

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<b>Head</b>	<b>Department / Institution</b>
215	Department of Technical Education and Training
-	Lanka German Technical Training Institute
-	Youth Welfare Fund
-	National Youth Reward Authority

**1.1 Scope of Audit**

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The audit of the Appropriation Accounts and the Financial Statements including the financial records, books, registers and other records of the Ministry of Youth Affairs and Skills Development and the Department under the Ministry appearing in paragraph 1 above, for the year ended 31 December 2014 was carried out in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review were issued to the Chief Accounting Officer and the Accounting Officer of the Ministry and the Department on the under mentioned dates. The 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 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.

<b>Head</b>	<b>Ministry/Department/Institution</b>	<b>Date of Issue of Management Audit Report</b>
156	Ministry of Youth Affairs and Skills Development	30 October 2015
215	Department of Technical Education and Training	23 October 2015
-	Lanka German Technical Training Institute	30 October 2015

## 1.2 Responsibilities of the Chief Accounting Officer and the Accounting Officers for the Accounts and Reconciliation Statements

The Chief Accounting Officer and the Accounting Officers are responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statements in accordance with the provisions in Article 148,149,150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and Public Finance and Administrative Regulations. The 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. Accounts

### 2.1 Appropriation Account

#### Total Provision and Expenditure

The total net provision made for the Ministry and the Department under the Ministry amounted to Rs.10,081.92 million and out of that Rs.9,042.58 million had been utilized by the end of the year under review. Accordingly, the savings out of the net provisions of the Ministry and the Department amounted to Rs.996.83 million and Rs.42.50 million or 11.6 per cent and 2.8 per cent of the net provision respectively. Details appear below.

Head	As at 31 December 2014			Savings as a Percentage of Net Provision
	Net Provision	Utilisation	Savings	
	Rs.millions	Rs.millions	Rs.millions	
156	8,538.40	7,541.59	996.83	11.6
215	1,543.49	1,500.99	42.50	2.8
<b>Total</b>	<b>10,081.92</b>	<b>9,042.58</b>	<b>1,039.33</b>	<b>10.3</b>

### 2.2 Advance Accounts

#### Advance to Public Officers Account

#### Limits Authorised by Parliament

The limits authorised by Parliament for the Advances to Public Officer Accounts of the Ministry and the Department under the and the actual amounts are given below.

Item Number	Expenditure		Receipts		Debit Balances	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
	Rs.millions	Rs.millions	Rs.millions	Rs.millions	Rs.millions	Rs.millions
15601	22.00	21.68	15.60	20.20	100.00	59.51
21501	50.00	32.58	45.00	55.42	220.00	122.09

### 2.3 Imprest Account

The total of the Imprest balances of the Ministry and Department under the Ministry as at 31 December 2014 amounted to Rs.3.67 million. Details appear below.

Ministry/Department	Imprest Account Number	Balance as at 31 December 2014
		Rs.millions
Ministry of Youth Affairs and Skills Development	7002/0000/00/0334/0014/000	1.03
Department of Technical Education and Training	7002/0000/00/0274/0014/000	2.64
<b>Total</b>		<b>3.67</b>

### 2.4 General Deposit Accounts

The balance of the General Deposit Accounts of the Ministry and the Department as at 31 December 2014 totalled Rs.61.94 million. Details appear below.

Ministry/Department	Deposit Account Number	Balance as at 31 December 2014
		Rs.millions
Ministry of Youth Affairs and Skills Development	6000/0000/00/0015/0066/000	38.48
Department of Technical Education and Training	6000/0000/00/0015/0096/000	23.46
<b>Total</b>		<b>61.94</b>

## 2:5 Audit Observation

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According to the Financial Records and Books for the year ended 31 December 2014, it was observed that subject to the audit observations appearing in Management Audit Reports, referred to in paragraph 1.1 the Appropriation Accounts, Revenue Accounts and the Reconciliation Statements of the Ministry and the Departments under the Ministry have been prepared satisfactorily. The material and important observations out of the observations included in those Management Audit Reports appear in paragraph 3 to 07 herein.

## 3. Head 156 Ministry of Youth Affairs and Skills Development

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### 3.1 Non-maintenance of Registers and Books

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It was observed during the course of audit test checks that the Skills Sectoral Development Project Office and the National Youth Corps established under the Ministry had not maintained the following registers.

Type of Register	Relevant Regulation
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(i) Register of Fixed Assets	Treasury Circular No 842 of 19 December 1978
(ii) Register of Cheques posted and handed over	Financial Regulations 388 and 389
(iii) Register of Losses	Financial Regulation 110

### 3.2 Budgetary Variance

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The following observations are made.

- (a) The entire provisions totalling Rs.815,418,000 made for 10 Objects had been saved.
- (b) The savings out of the provisions totalling Rs.8,475,000 made for 7 Objects, after the utilization of provisions amounted to Rs.7,295,000 and that ranged between 78 per cent to 99 per cent of the net provisions made.
- (c) The liabilities incurred under 08 Objects exceeded the savings of those Objects by a sum of Rs.11,344,699.

### 3.3 General Deposit Account

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Action in term of Financial Regulation 571 had not been taken on 06 deposits totalling Rs.939,286 older than 2 years.

### 3.4 Reconciliation Statement of the Advances to Public Officers Account

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The following deficiencies were observed during the course of test checks of the Reconciliation Statement as at 31 December 2014 of the Advances to Public Officers Account Item No.15601.

- (a) According to the Reconciliation Statement presented to audit the outstanding balances old between 01 year to 5 years as at that date totalled Rs.1,273,104 and the Ministry had failed to recover those balances even by 31 December 2014.
- (b) The Ministry had failed to recover the loan balances totalling Rs.363,795 receivable from 02 officers whose services had been terminated and remaining for more than 06 years as at 31 December 2014.

### 3.5 Assets Management

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The following deficiencies were observed during the course of audit test checks of the assets of the Ministry.

#### (a) Idle and Underutilised Assets

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The Ministry had spent a sum of Rs.2,087,950 for the construction of the Hambantota Commonwealth Conference Office for the World Youth Conference. That office remained idle even by 14 September 2015 without being used for youth affairs.

#### (b) Assets given to External Parties

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The Ministry had irregularly released 19 motor vehicles to following external parties.

Category of Assets	Number	Assets given to
Motor Vehicles	01	Ministry of Postal Services
	07	Ministry of Educational Services
	02	Vocational Training Authority
	05	National Youth Corps
	01	National Youth Services Council
	01	Office of the Senior Ministers
	02	Marine University

**(c) Irregular use of Assets belonging to other Institutions**

It was observed during the course of audit test checks that the Ministry had been using the motor vehicles belonging to other institutions without formal approval. Details appear below.

Type of Asset	Assets belong to	Number	Period of Use
			Years
Motor Vehicles	National Youth Services Council	2	2
	Ministry of Postal Services	1	4

**(d) Maintenance Work done on Buildings not Transferred**

The National Youth Corps had maintained 39 centers on lands belonging to other parties and expenditure totalling Rs.39,465,432 had been incurred during the year under review on the maintenance work thereof.

**(e) Unsettled Liabilities**

The unsettled liabilities of the Ministry, less than 01 year old as at 31 December 2014 totalled Rs.17,036,882.

**3.6 Non-compliances****Non-compliances with Laws, Rules and Regulations**

Instances of non-compliance with the provisions of laws, rules and regulations observed during the course of audit test checks are analyzed below.

Reference to Laws, Rules and Regulations.	Non – compliance
<b>(a) Statutory Provisions</b>	
Section 2(4) of the Youth Corps Act, No.21 of 2002	The Youth Corps Council should have appointed three Committees for the functions such as the professional training, youth development and required for the administration of the affairs of the Youth Corps Council and delegable authorities therefor, the Youth Corps Council had not appointed those Committees even by the end of the year under review.

**(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka**

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|---|---|
| (i) Financial Regulation 1646           | The Daily Running Charts and the Monthly performance summaries of 10 pool motor vehicles of the National Youth Corps for the year 2014 had not been furnished to the Auditor General. |
| (ii) Financial Regulation 1647(e)       | The Youth Corps had not maintained a Register of Motor Vehicles.  |
| (iii) Financial Regulations 103 and 104 | Action in terms of the Financial Regulations had not been taken in connection with the accidents caused in the year under review to 2 motor vehicles of the National Youth Corps.     |

**(c) Public Administration Circulars**

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| Circulars No. 41/90 of 10 October 1990 paragraph 02 | The fuel consumption of the motor vehicles of the Ministry and the Youth Corps had not been tested once in every 06 months. |
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**(d) Government Guidelines on Recruitment of Consultants**

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|-----------------------------|---|
| (i) Guideline 2.3.1 (c)     | The Expression of Interest relating to the need for the Consultancy Services for the procurement on the modernisation of the Skills Development Programme Office had not been prepared and approval obtained from the Procurement Committees. |
| (ii) Guideline 3.5          | Even though the Consultants for work costing Rs.2 million or more should be selected by notices published in newspapers, it had not been to done.   |
| (iii) Guideline 3.3         | The Terms of Reference had not been prepared to indicate in need for consultancy services and the consultancy fees had not been predetermined and agreed upon.  |
| (iv) Guidelines 3.2 and 4.4 | Competitive method had not been adopted to ensure the consultancy service obtained is favorable to the institution.   |

## (v) Guideline 6.6.4

Even though an advance of 20 per cent of the contract value can be granted, a sum of Rs.177,580 equal to 26 per cent of the contract value which exceeded the above limit had been paid on the approval granted by the Secretary to the Ministry. A Security bond had not been obtained in that connection.

### 3.7 Foreign Aid Programme

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According to the Loan Agreement of the Skills Sectorial Development Programme implemented during the year under review under foreign financing, the estimated cost thereof amounted to Rs.125,891 million and the Ministry and 09 institutions related to vocational training had spent a sum of Rs.9,592 million during the year under review.

The following deficiencies were observed during the course of the audit test checks of the expenditure of the Ministry and the Skills Development Unit under the Ministry, incurred from the programme.

#### (a) Audit Inspection of the Kuliapitiya University College

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The following observations are made.

- (i) The lands proposed for the construction of buildings had not been acquired by the Ministry even by 23 June 2015.
- (ii) The construction contract and the consultancy service valued at Rs.112,306,096 had been awarded to the State Engineering Corporation. There were 04 major defects in the constructed building.
- (iii) One of the 09 courses introduced by the College by the end of the year under review, the academic work of 05 courses had not been commenced. Two Lecturers had been recruited to two courses, of which academic work had not been commenced. The total number of students for following 02 courses commented had been 14. Therefore the salaries paid to 2 Lecturers recruited to two courses had been fruitless while the Laboratories constructed for 05 courses and the equipment purchased at a cost of Rs.98,648,137 remained idle even by July 2015.
- (iv) Out of the 51 items of equipment issued on 08 January 2015 for one course 31 items of equipment valued at Rs.1,349,227 had not been recorded in the Inventory.



- (v) The equipment issued to 04 laboratories in the year under review had been left stacked and idling, as the laboratory set up, water and electricity had not been supplied. The value of items which issued to one course worth only Rs.2,071,000.

**(b) Purchase of Equipment for Training Centers**  
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Provision amounting to Rs.40 million had been made in the year under review under the Foreign Aid Programme for the purchase of training equipment for two modernized Training Centers of the National Youth Service Council. Accordingly, orders had been placed for the purchase of equipment valued at Rs.34,545,147 from 14 institutions. Even though the goods ordered should have been delivered by 20 December 2014, those goods had not been supplied even by 31 December 2014. Nevertheless, vouchers valued at Rs.21,029,057 prepared based on the false Goods Received Notes by the Storekeeper even without a certificate that goods conforming to the standards have been received, and submitted to the Sectoral Skills Development Programme Unit. That Unit had reimbursed a sum of Rs.30,945,799 to the Council on 21 January 2015 without a confirmation that goods have been received.

**(c) Construction of the University College, Matara**  
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The University College, Matara had been constructed by a private institution under the consultancy services of the State Engineering Corporation at a cost of Rs.117,018,871 met from the Sectorial Skills Development Programme. The contractor had completed the construction work and handed over to the Ministry on 30 December 2014. The following deficiencies were observed during the course of an audit test check.

- (i) Even though the management of the institution had, by letter dated 29 December 2014, sent a list of defects of the contract work, such defects had not been corrected even by 12 May 2015, the date of audit.
- (ii) In designing the building, rooms had been partitioned without paying proper attention to the matters such as the possibility of installing the equipment required for the courses, whether there is adequate space available for the purpose. The equipment purchased for the courses could not be installed for the conduct of the courses due to the racks for keeping equipment, water supply and electrical circuits had not been set in place up to the date of audit.
- (iii) Even though 730 library books had been purchased and despatched to the University College, the Project Office reported that 475 books only had been received by the date of audit.

- (iv) The buildings had not been properly designed to the achievement of expected targets and the conduct courses continuously and as such the constructed classrooms were adequate only for the initial intake of students and the admission of students for the next year posed problems.

**(d) Purchase of Equipment for the Production Technology Course**  
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Goods valued at Rs.186,138,494 had been ordered in the year under review in connections with the purchase of equipment necessary for the above project. According to paragraph 60 of the letter on the Implementation of the Asian Development Bank Programmes, equipment of similar nature should be classified as one group and purchased through the Competitive International Bidding Procedure. Similarly, as purchase through the Competitive International Bidding should the handled by the Ministry. Contrary to that, the goods had been grouped under Training Programme and the purchase had been made by the Ministry through the National Competitive Bidding Procedure. The following deficiencies were observed in that connection.

- (i) Out of the 97 Units for which bids were invited, bids had not been submitted for 35 items. Five institutions had submitted bids for only one group of goods.
- (ii) A total cost estimate in terms of Guideline 4.3.1 of the Government Procurement Guidelines had not been prepared for this procurement.
- (iii) According to the conditions of bid evaluation in the bid documents, bids only for a part of a group cannot be submitted. Nevertheless, the suppliers who quoted for only one group had been rejected. But the supplier selected had submitted bids only for 62 of the 97 groups of goods.
- (iv) Even though the Technical Evaluation Committee and the Procurement Committee had recommended the award of contract only for the goods for which bids were received and to call for fresh bids for the goods which had not attracted bids, the fresh bids for the goods that had not attracted bids, had not been called for even by 10 July 2015, the date of audit.
- (v) Even though the supply, installation and testing of equipment should have been completed by 06 January 2015, that period had been extended up to 11 January 2015. But the equipment had not been supplied even by that date.

### 3.8 Implementation of Project from Domestic Financing

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#### Delays in execution of Projects

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The construction of Matara Nilwala Youth Parks on a total cost estimate of Rs.160,000,000 should have been completed in the year 2011. A sum of Rs.7,657,349 had been spent by the end of the year under review and the Project had not been completed.

### 3.9 Performance

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The following deficiencies were observed in connection with the activities implemented by the Ministry and the Small Enterprises Development Unit, in accordance with the Annual Budget Estimates and the Action Plan for the year under review.

- (a) A sum totalling Rs.647,197,048 had been spent on the International Youth Conference held in May 2014 by making the Youth as the main theme for the Post Development Agenda Beyond 2015. The International Performance Corps consisting of 20 members had been appointed in the years 2013 and 2014 for the preparation of preliminary plans and organisation activities. That Committee had recommended that emphasis should be given to 10 Objectives in order to make the theme on youth introduced by the World Youth Conferenced to the made the main theme in the Colombo Declaration. Nevertheless, the Youth Development Division of the Ministry or the institutions affiliated to the Ministry had not taken action to include the objectives referred to above in the preparation of their Action Plans. In addition, the Ministry did not have a systematic course of action to ensure whether such objectives had been achieved.
- (b) The entrepreneurial exhibition and the presentation of rewards for the year 2014 included in the Action Plan of the Small Enterprises Development Division had not been held in the year under review. Even though plans had been made to hold 755 training programmes with the participation of 23,540 persons 1,141 programmes had been held with the participation of 45,606 persons. As such, the progress of holding of programmes and the participation of persons had been 151 per cent and 226 per cent respectively. The comparative financial progress had been 26 per cent. The holding of programmes had recorded increases beyond 100 per cent except in the case of 02 programmes which recorded a progress below 100 per cent. The above situation had been due to the failure to carry out an accurate assessment of the available physical and human resource in the preparation or the Annual Action Plans and in the determination of the Performance Targets.

### 3.10 Irregular Transactions

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Several transactions lacking in regularity entered into by the Ministry are given below.

- (a) A sum of Rs.24,592,115 had been spent during the year under review for modernisation of the Sectoral Skills Development Project Office and the purchase of office equipment. The following observations are made in that connection.
- (i) This work had been executed by inviting limited quotations without carrying out a classification of similar items taken as a whole and without an acceptable basis as required by the Guideline 3.3 of the Procurement Guidelines.
  - (ii) Even though 09 institutions had been selected for inviting quotations, the files did not contain the manner of such selection. The receipt of quotations through registered post had not been documented.
  - (iii) The Standard Bidding Documents containing technical specifications, designs, etc. as required by Guideline 5.1.1 (a) of the Government Procurement Guidelines had not been prepared.
  - (iv) The total cost estimates including all associated costs had not been prepared in terms of the Guideline 4.3.1 (a) of the Government Procurement Guidelines.
  - (v) Procurement had not been done from institutions with special skills by taking all similar items as a whole. As such quotations for the whole range of item had been received from only two institutions.
  - (vi) The quantities of goods or services to be supplied or the specifications as required by the Guideline 5.2.1 (a) of the Government Procurement Guidelines had not been included in the bidding documents.
  - (vii) Even though the quotations had been invited by stating that the modernisation work should be completed before 31 March 2014 the date of completion in terms of the agreements had been delayed by one month to two months.
  - (viii) Even though every bidder should submit Bid Security in the prescribed format as required by the Guideline 5.3.11 (a) of the Government Procurement Guidelines, it had not been so done.
  - (ix) The Technical Evaluation Committee had not evaluated two bids on 11 and 12 March 2014 due to the failure to produce samples in respect of one activity and the very high prices quoted for 02 other Procurements. Another Technical Evaluation Committee had been appointed on 31 March 2014, in place of the Technical Evaluation Committee, without adducing any reasons. That Technical

Evaluation Committee had recommended Procurements totalling Rs.5,738,364 received from three institutions which had not been approved previously.

- (b) The Project had purchased assets valued at Rs.4,326,791 during the year under review without following the Government Procurement Guidelines.
- (c) A sum of Rs.22,788,402 had been spent during the year under review for the modernisation and improvement of the canteen on the first floor of the Ministry Building. The following observations are made in this connection.
  - (i) The Ministry had prepared the formal Bidding Documents containing the technical specifications and designs and a total cost estimate in terms of the Guidelines 5.1.1 (a) and 4.3.1 (a) of the Government Procurement Guidelines respectively.
  - (ii) The Procurement included the construction of buildings and the supply of furniture. Separate bids had not been invited for those. As such only one bid had been received from one institution for the full work.
  - (iii) Two institutions which had skills in the field had submitted quotations only for the supply of air- conditioners and the prices were about Rs.1.8 million lesser. But the Technical Evaluation Committee and the Procurement Committee had awarded contract to the above supplier without evaluating the discrepancy in the quotations.
  - (iv) Even though the Guideline 5.3.18 (a) of the Government Procurement Guidelines requires that the Bidders should be instructed to show the Value Added Tax separately, it had not been so done and a letter indicating a sum of Rs.3,584,406 as the Value Added Tax and the Nation Building Tax sent subsequently had been accepted.
- (d) A sum of Rs.8,543,848 had been spent for painting of the buildings of 16 Training Centres of the National Youth Corps. The following deficiencies were observed during the course of the audit test checks carried out in this connection.
  - (i) Total cost estimates had not been prepared by specifically identifying the square feet expected to be painted.
  - (ii) There was no basis for the evaluation of quotations and it had been decided to award the contract based on the lowest quotations. The reasons for the variances ranging from Rs.7 to Rs.24 per square foot quoted by contractors had not been clearly shown in the evaluation.

- (iii) Following the acceptance of a bid submitted by a bidder a formal letter of acceptance should be issued forthwith to the bidder by the Ministry, and should be followed by the execution of a formal contract as required in the Guideline 8.9.1 of the Government Procurement Guidelines. Nevertheless, in 04 instances, agreements had been entered into after delays ranging from one to two months.
- (iv) The contract agreements prepared and entered into by the Ministry in terms of the Guideline 8.9.3 of the Government Procurement Guidelines did not include 5 basic matters that should be included in the contracts.

### **3.11 Management Weaknesses**

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The following weaknesses were observed during the course of audit test checks.

- (a) Five motor vehicles of the Ministry had met with accidents during the year under review causing estimated losses totalling Rs.372,630. The following observations are made in this connection.
  - (i) Out of the 5 accidents referred to above, the loss caused to the Government from 3 accidents totalled Rs.259,580 and the recovery of the loss from the insurer or the officers could not be established in audit.
  - (ii) Inquiries on the accidents had not been conducted in terms of Financial Regulation 104 (1) (a), 2 and 3.
  - (iii) According to the Financial Regulation 1647, immediately after an accident, it should be reported to the Police. But, the accident to a motor vehicle on 12 April of the year under review had been reported to the Police after on delay of 14 days. According to the preliminary report furnished in connection with that accident, it had been determined that the accident did not cause any loss to the Government as a sum equivalent to the cost of repairs had been received from the insurer. Nevertheless, action in terms of Financial Regulation 104 had not been taken against the parties responsible for the accident.
- (b) The Ministry had settled repair bills totalling Rs.456,918 in 04 instances without ensuring through a certificate of a Technical Officer that the repairs had been done appropriately.
- (c) In the preparation of a Procurement Plan for the year under review, the Ministry had not prepared a detailed Procurement Plan including an age analysis by paying attending to procurement activities for the immediately succeeding year and the limitations on

provisions. In view of the following deficiency, it was established that the procurement activities of the year under review had not been carried out efficient and effectively.

The audit test check revealed that the Ministry had purchased 2 computers and a scanner for Rs.323,676 in 03 instances, 5 air-conditioners for Rs.592,935 in 3 instances, and 6 office equipment for Rs.305,899 in 6 instances by following the Shopping Procedure. The Ministry had not paid attention to the possibility minimizing the costs by limiting the number of instances to one and inviting to one and inviting for National Competitive Bids.

- (d) A motor van of the Sectoral Skills Development Programme had met with an accident on 17 December 2014 and the inquiries in terms of Financial Regulation 104 (1), (2) and (3) had not been taken even up to 26 March 2015, the date of audit. The file indicated that the accident had taken place and the other information had not been reported. The estimated loss relating to the accident amounted to Rs.194,533 and that amount had neither been obtained from the insurer or recovered from those responsible even up to 14 August 2015, the date of audit.

### 3.12 Human Resources Management

#### (a) Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2014 had been as follows.

- (i) Ministry of Youth Affairs and Skills Development.

	<b>Category of Employees</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Number of Vacancies</b>
(i)	Senior Level	52	34	18
(ii)	Tertiary Level	181	134	47
(iii)	Secondary Level	906	663	243
(iv)	Primary Level	77	68	09
(v)	Others (Casual/ Temporary/ Contract Basis )	06	01	05
	<b>Total</b>	<b>1,222</b>	<b>900</b>	<b>322</b>

**(ii) National Youth Corps**

	<b>Category of Employees</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Number of Vacancies</b>
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(i)	Senior Level	03	03	-
(ii)	Tertiary Level	05	05	-
(iii)	Secondary Level	256	230	26
(iv)	Primary Level	55	53	02
(v)	Others (Casual/ Temporary/ Contract Basis )	357	300	57
	<b>Total</b>	<b>676</b>	<b>591</b>	<b>85</b>
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Even though the staff for a National Youth Corps Training Centre should comprise 10 Academic Officers, 4 Non-Academic Officers, there were vacancies in 74 posts of Training Centres and those vacancies included the Heads of Centres Of 17 Centres and 13 posts of Assistant Head of Centres.

**(iii) Small Enterprises Development Unit**

The Small Enterprises Development Unit is a separate Unit remaining within the scope of the Ministry. The Unit did not have an approved staff comprising all grades of staff. The Ministry Staff had been deployed for the Tertiary Grade employment and as such the actual staff as at 31 December 2014 had been as follows.

	<b>Category of Employees</b>	<b>Actual Cadre</b>
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(i)	Senior Level	36
(ii)	Tertiary Level	101
(iii)	Secondary Level	38
(iv)	Primary Level	06
	<b>Total</b>	<b>181</b>
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**(iv) National Centre for Leadership Development, Embilipitiya**

	<b>Category of Employees</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Number of Vacancies</b>
(i)	Senior Level	01	01	-
(ii)	Tertiary Level	05	03	02
(iii)	Secondary Level	27	25	02
(iv)	Primary Level	36	31	05
	<b>Total</b>	<b>69</b>	<b>60</b>	<b>09</b>

**(b) Non-recruitment of Staff**

Even though a period nearly one year had elapsed since the commencement of the Sectoral Skills Development Project action had not been taken for the recruitment to the following 05 out of the 20 approved posts in the management level.

	<b>Designation</b>	<b>Number of Posts approved</b>	<b>Number of Vacancies</b>
(i)	Vocational Guidance Specialist	01	01
(ii)	Accountant	02	01
(iii)	Procurement Officer	02	01
(iv)	Social Security Officer	01	01
(v)	Human Resources Development Officer	02	01

#### 4. Head 215 Department of Technical Education and Training

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##### 4.1 Non-maintenance of Registers and Books

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Type of Register	Relevant Regulation	Observations
Register of Fixed Assets	Treasury Circular No.842 of 19 December 1978	The assets purchased after the year 2014 only had been entered in the register.
Register of Fixed Assets on Computers, Accessories and Software	Treasury Circular No. IAI/ 2002/02/ of 28 November 2002	Not updated

##### 4.2 Budgetary Variance

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Excess provisions had been made for 10 Objects and as such the savings, after the utilisation of provision, ranged between 13 per cent to 44 per cent of the provision made.

##### 4.3 General Deposit Account

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Action in terms of Financial Regulation 571 had not been taken of 25 deposits totalling Rs.1,141,615 older than two years.

##### 4.4 Reconciliation Statement of the Advances to Public Officers Account

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According to the Reconciliation Statement as at 31 December 2014 the balances that remained outstanding as at that date totalled Rs.3,724,570. Even though the balances had been outstanding over periods ranging from 01 year to 18 years, the follow up action on the recovery of those outstanding balances had been at a weak level.

##### 4.5 Good Governance and Accountability

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###### 4.5.1 Internal Audit

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Instances in which the Department had not taken action to rectify the deficiencies pointed out by the Internal Audit are given below.

- (a) Even though the Board of Survey of the Technical College, Ampara for the year 2012 had reported a shortage of goods valued at Rs.647,911 that loss had not been recovered from the Storekeeper concerned.

- (b) The copies of qualifications relating to the recruitment of External Instructors for the Technical College at Embilipitya, Hasalaka, Ampara and Samanthurai had not been confirmed as true copies. In addition Officers in the Public Service had not forwarded their applications through their Head of Department.
- (c) Failure to update Leave Registers, deficiencies in the leave applications and non-recovery of no-pay leave.
- (d) The External Instructors allowance amounting to Rs.3,653,380 of the Technical College, Dehiattakandiya for the years 2012 to 2014 had been paid in cash by drawing cheques in favour of the Principal and instead of writing cheques in favour of the officers concerned. In addition thing to that, cheques drawn in favour of the Principal had been issued for the purchase of goods and services and fuel.
- (e) Out of the 27 programmes planned for the year 2014 by the Vocational Guidance Division of the Technical College, Ampara only 09 had been held.
- (f) The milometer of a motor vehicle of the Technical College, Dehiattakandiya had been altered by 203,691 kilometres in a single instance. Differences appear in the originals and duplicates of the Daily Running Charts.

#### 4.5.2 Audit and Management Committee

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Formal steps had not been taken on 05 decisions relating to the Department taken at the meetings of the Audit and Management Committee of the Ministry held on behalf of the Department during the year under review.

#### 4.6 Assets Management

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The following deficiencies were observed during the course of audit test checks of the assets of the Department.

##### (a) Idle and Underutilized Assets

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The following assets of the Department had been either idle or under utilised.

	<b>Category of Assets</b>	<b>Number of Units</b>	<b>Whether Idle or Underutilised</b>	<b>Period</b>
	-----	-----	-----	-----
(i)	Buildings	01	Underutilised	Over 04 years
(ii)	Official Quarters	01	Underutilised	Over 04 years
(iii)	Computers	31	Idle	Over 01 year less than 04 years
(iv)	Other Assets	64	Underutilised	Over 04 years

**(b) Conduct of Annual Boards of Survey**

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The following observations are made.

- (i) In certain instances certain goods of the Technical College, Embilipitiya and Anuradhapura had not been recorded in the Inventory Register. Therefore it was not possible to be satisfied in audit with regard to Board of Survey reports.
- (ii) According to the register maintained by the Department in connection with the excesses and shortage pointed out and other recommendations made in the Reports of the Boards of Survey for the year 2013, information on 12 Colleges had not been recorded therein while those activities of 09 Colleges had not been completed in terms of Financial Regulations.

**(c) Assets given to External Parties**

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Instances in which the Department had irregularly released certain assets to external parties were observed.

Details appear below.

Category of Assets	Number/Units/Quantity of Assets	Assets given to	Value	Period
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(i) Lands	30 Acres	University College	Rs. 25,000	Information not supplied
	110 Perches	Ministry of sports		
	07 Acres	Uva wellassa Play Ground		
	08 Acres	National Youth Corps		
	1.5 Acres	Open University		
	9.5 perches	Mrs.G.G. Premawathie		
	01 Acre	National and Technical Training Authority		
(ii) Building	02 Units	National Gem and Jewellery Authority	1,155,000	
(iii) Other Assets				
Human Resources	01	Ministry of Youth Affairs and Skills Development		

#### 4.7 Non-compliances

##### Non-compliances with Laws, Rules and Regulations

Instances of non-compliance with the provisions in laws, rules and regulations observed during the course of audit test checks are analysed below.

Reference to Laws, Rules and Regulations	Non-compliance
<b>(a) Statutory Provisions</b>	
Tertiary and Vocational Education Act No. 20 of 1990	Even though all Technical and Vocational Training Institutions should be registered with the Tertiary and Vocational Commission, 15 Technology College of which the registrar had lapsed, had not renewed the registration.
<b>(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka</b>	
Financial Regulation 104 (4)	A full report on the accident caused to the motor vehicle of the Ministry had not been furnished.
<b>(c) of the Ministry of Youth Affairs and Skills Development</b>	
Undated Circular No.01/2013	Even though the officers in the academic staff of the Technology College, Maradana should engage in teaching work for 25 hours per week, 21 lecturers had not engaged in teaching work for the specified number of lecture hours.

#### 4.8 Foreign Aid Projects

The following observations are made in connection with the renovation of the buildings of the Technical Colleges at Matara, Kegalle and Batticaloa , under the Sectoral Skills Development Programme.

- (a) According to the letter of the Director General dated 03 December 2014, thirteen deficiencies had been identified from the consultancy provided in connecting with the above renovations. According to the letter of the Director General dated 19 February 2015, losses had been caused due to the consultancy provided by the Consultants. As

such, the services which had been suspended temporary had been terminated on 04 February 2015. The Department had spent a sum of Rs.2,012,875 on this service.

- (b) Even though provision of Rs.149 million had been made for the above renovations, a sum of Rs.101 million out of that only had been spent. As such, above 32 per cent of the provision made for the work had not been utilised.

#### **4.9 Performance**

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The Observations on the progress of the Department according to the Annual Budget Estimates and the Action Plan for the year 2014 are given below.

According to the Statistics obtained from the Academic Division, a sum of Rs.10,406,500 should have been recovered as course fees from the students who had followed the part-time/evening courses. Nevertheless, according to the reports sent by the Technology/Technical Colleges to the Department, course fees amounting to Rs.9,418,100 only had been received. Accordingly a difference of Rs.988,400 existed.

#### **4.10 Management Weaknesses**

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The following observations are made.

- (a) Newspaper advertisements costing Rs.69,216 had been published for the purchase of 150 computers and 150 UPS. Bidding Documents had been issued to 17 institutions by 3 December 2013 and 12 out of those had furnished the bids. Those bids had not been opened even by 26 September 2014, the date of audit. According to the note made by the subject clerk dated 18 February 2014, the opening of bids had been suspended on the oral institutions of the Ministry and being informal by the Director General.
- (b) A motor vehicle, the engine of which had been rendered inactive on 18 March 2011 and the rear window glass had been broken while it was parked in the premises of the Technical College, Beliatta on 05 June 2011 had been repaired at a cost of Rs.1,973,825. Action had not been taken even by the end of the year under review for the recovery of the loss from the parties responsible.
- (c) A motor coach had met with an accident while being driven by the Director without obtaining the approval of the Head of Department and a loss of Rs.307,405 had been caused. Action had not been taken even up to the end of the year under review for the recovery of the loss.
- (d) Even though a period exceeding 2 ½ years since the date on which the engine failed to start, to reach a final determination in that connection, the Department had failed to reach a determination even by the end of the year under review.

- (e) According to Section 7.13 (1) of the Technical Colleges Operations Manual of the Department of Technical Education and Training all Courses should be accredited.

Nevertheless, out of the 21 National Vocational Qualifications Courses as at 31 October 2014, five courses or 24 per cent only had been accredited.

- (f) Even though the National Certificate Course on the Engineering Designs Technology is being conducted by the Department, from the examination conducted in the year 2013 in respect of the academic year 2013 of the Technical/ Technology Colleges where the course had not been accredited, 580 students comprising 392 first year students, 188 second and third year students had passed the examination. Out of that 254 students of 12 Technical Colleges where the course had not been accredited, had been deprived of the opportunity to obtain the certificates approved and issued by the Tertiary Vocational Education Commission. Accordingly the number of students deprived of the recognised certificate represented a very high 44 per cent of the total number of passed students. Out of the students who had followed the same course, those from the accredited Technical Colleges would be receiving the recognised Certificate with National Vocational qualifications while the students who followed the course in the Technical Colleges not accredited would be receiving a certificate issued by the Department an injustice had been caused to those students.

#### 4.11 Human Resources Management

##### Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2014 had been as follows.

	<b>Category of Employees</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Vacancies</b>	<b>Excess</b>
(i)	Senior Level	1,313	533	780	-
(ii)	Tertiary Level	144	18	126	-
(iii)	Secondary Level	1,272	842	430	-
(iv)	Primary Level	1,167	919	248	-
(v)	Others (Casual/ Temporary/ Contract Basis )	-	10	-	10
	<b>Total</b>	<b>3,896</b>	<b>2,322</b>	<b>1,584</b>	<b>10</b>

The following observations are made in this connections.

- (a) An officer appointed as Building Instructor in the year 1987 had been granted a promotion without obtaining confirmation of his qualifications for the appointment and promotion.
- (b) A notice had been published in the Gazette No.560 of 26 May 1989 for the recruitment of officers to the Academic Staff contrary to the conditions of the Service Minute on the Sri Lanka Technical Education Service.
- (c) According to the Minute of the Sri Lanka Technical Education Service, applicants for the post of Instructor should have experience not less than 05 years. Nevertheless, according to the Personal Files of two officers, the documentary evidence had not been furnished to audit. In this connection, the Director General informed that it is concluded that at the time of interviews were held for the recruitment of these officers had been recruited after checking the specified qualifications required at that time and a precise reply cannot be given in this connection as all the certificates are not available in the personal file.

## **5. Ceylon-German Technical Training Institute**

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### **5.1 Scope of Audit**

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The audit of financial statements of the Ceylon-German Technical Training Institute for the year ended 31 December 2014 comprising the statement of final position as at 31 December 2014 and the statement of financial performance/ statement of changes in net assets 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 the above financial statements appear in this report. The detailed report for the year under review will be furnished to the Principal of the Institute in due course.

### **5.2 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.



### **5.3 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 Public Sector 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute'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 Institute'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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **5.4 Incorporation of the Institute**

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According to the Cabinet Memorandum No.05/0994/029/013, it had been decided that until the formal incorporation of the Institute, to allow the further maintenance of it on the identity of the Central Transport Board. Even though 11 years had elapsed since the date of such decision, action had not been taken to incorporate the Institute.

### **5.5 Basis for Qualified Opinion**

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My opinion is qualified based on the matters described in paragraph 5.6.2 of this report.

### **5.6 Financial Statements**

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#### **5.6.1 Qualified Opinion**

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In my opinion, except for the effects of the matters described in paragraph 5.6.2 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 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

## 5.6.2 Comments on Financial Statements

### 5.6.2.1 Sri Lanka Public Sector Accounting Standards

The following observations are made.

- (a) Even though the contributions to the Employees Provided Fund of 02 Groups of Officers of the Institute, are computed under two systems, the additional information on the expenditure on staff benefits had not been disclosed in the financial statements in term of the Sri Lanka Public Sector Accounting Standard No.01.
- (b) Instead of adjusting the errors of preceding periods with retrospective effect and restatement of the financial position of the preceding year in accordance with the Sri Lanka Public Sector Accounting Standard 03, sums of Rs.47,088,488 and Rs.29,989 had been adjusted to the Reserve Accounts and the profit of the year under review respectively.

### 5.6.2.2 Accounting Deficiencies

The following observations are made.

- (a) Instead of crediting the Advance Account the sum of Rs.35,500 received in cash for the settlement of an advance granted, the Income Account had been credited. As such the balance of the Advance Account and the income for the year had been overstated by that amount.
- (b) Advance amounting to Rs.44,520 paid to an external institution had been posted as an expenditure instead of posting the Advance Account while in the settlement that amount had been debited again to the Expenditure Account and credited the Advance Account. As such the balance of the Advance Account had been understated and the balance of the Expenditure Account had been overstated by that amount.

## 5.7 Lack of Evidence for Audit

The evidence indicated against the following 03 items of accounts totalling Rs.14,328,966 had not been furnished to audit.

Item of Account	Value	Evidence not made Available
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	Rs.	
Expenditure Payable	11,149,826	Age Analysis and Detailed Schedules
21 Creditors Balance	3,059,019	Evidence in support for being payable (Bills)
Motor Vehicle Repair Expenditure	90,121	Bills

## 5.8 Accounts Receivable

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Debtors balances amounting to Rs.4,199,935 remained recoverable as at 31 December of the year under review and Rs.3,018,576 out of that related to a period exceeding one year.

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

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Instances of non-compliance with the following laws, rules, regulations and management decisions were observed.

### Reference to Laws, Rules, Regulations and Management Decisions.

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#### (a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

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Financial Regulation 188 (2)

The Money Orders totalling Rs.35,036 deposited in the years 2006 and 2007 and remaining without being realized had not been settled.

#### (b) Treasury Circulars

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(i) Treasury Circular No.IAI/2002/02 of 28 November 2002

A Register of Fixed Assets on Computers, Accessories and Software had not been maintained.

(ii) Letter No. PFD/RED/03/03/01 dated 17 October 2014 of the Secretary to the Treasury and the Public Finance Circular No.2/2014 of 17 October 2014

Even though the Report of the Board of Survey for the year under review should have been furnished to the Auditor General before 17 March 2015 the Reports of the Board of Survey on the inventory goods valued at Rs.6,383,077 had not been furnished to the Auditor General even by 02 September 2015 the date of audit.

## 5.10 Financial Review

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### 5.10.1 Financial Results

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The operations of the Institute during the year under review had resulted in a deficit of Rs.28,776,819 as compared with the corresponding deficit of Rs.31,919,207 for the preceding year, thus indicating an improvement of Rs.3,142,388 in the financial result of the year under review as compared with the preceding year. The increase of the Recurrent Treasury Grants in the year under review by a sum of Rs.7,288,000 had been the main reason thereto.

### 5.10.2 Operating Review

#### ----- Performance -----

The Institute had conducted 10 full-time training programmes during the year under review. Out of that 02 courses had not been accredited.

### 5.11 Management Inefficiencies

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The following observations are made.

- (a) A sum of Rs.591,100 had been spent in the years 2010 and 2011 for the installation of a Computer Accounting Software System valued at Rs.1,103,200. The system could not be implemented even by the end of the year under review due to the deficiencies and defects in the system. As the management had not paid due attentions to the matter, the expenditure incurred had become fruitless.
- (b) Even though an advance had been paid in June 2014 to a private institution for the purchase of a training equipment valued at Rs.1,517,824 that equipment had not been supplied to the Institute even by 29 September 2015, the date of audit. The management had not taken action to obtain the equipment.
- (c) Action had not been taken even up to the end of the year under review, to identify the short-term courses income of Rs.848,398 credited direct to the Bank Account, according to the years and the courses and settle.
- (d) The Institute had under-taken repairs to motor vehicles of external parties. A cost Accounting Methodology to show the financial results by the absorption of expenditure to enable the measurement of the performance of the sections had not been introduced.

### 5.12. Operating Inefficiencies

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Even though an average cash balance amounting to Rs.37,769,860 was available in the Bank Current Accounts, the attention of the management had not been paid for using the money to achieve the objectives of the Institute or otherwise invest the money appropriately.

### 5.13 Idle and Underutilised Assets

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A sum of Rs.345,674 earned from the sale of lottery tickets issued in connection with the Silver Jubilee the Institute had been kept idle over a period exceeding 30 years without being utilised for a purpose.

#### **5.14 Staff Administration**

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The approved cadre of the Institute as at 31 December 2014 had been 252 and the actual cadre had been 223. Accordingly, there were 34 vacancies and 05 excesses.

#### **5.15 Systems and Controls**

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The deficiencies in systems and controls observed during the course of audit were brought to the notice of the Director of the Institute from time to time. Special attention is in respect of the following areas of contain.

- (a) Procurement
- (b) Internal Control
- (c) Debtors and Income Receivable

### **6. Youth Welfare Fund**

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#### **6.1 Introduction**

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With the objective of utilising the movable and immovable properties confiscated by the Government under the Emergency (Confiscation of Property) Order No. 1 of 1990 referred to in the Gazette Extraordinary No.610/2 of 15 May 1990, for the welfare of the youth, the Youth Welfare Fund had been established under the Youth Welfare Fund Regulation No. 01 of 1993 authorised by the President on 21 May 1993 in terms of Section 5 of the Public Security Act, (Cap.40) in accordance with Gazette Extraordinary No. 768/1 dated 24 May 1993. Accordingly the Fund had been brought under the purview of the Minister of Youth Affairs and Sports with effect from 29 June 1993.

However, with the annulment of the Public Security Act, which was in operation until then, in August 1994, the Emergency (Confiscation of Property) Order No. 01 of 1990 enacted there under, together with the Youth Welfare Fund Regulation No. 01 of 1993 had become non-operational.

#### **6.2 Audit Observations**

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- (a) The Fund had become non-operational following the annulment of the Public Security Act in August 1994 the accounts relating to the liquidation in of the Fund had not been presented to audit even by the end of the year under review.

- (b) Even though the Attorney General had, by his letter dated 09 August 1999, informed that there was no legal impediment preventing the transfer of this ownership of the immovable properties of the Fund to the National Youth Services Council, the ownership of the said property had not been properly transferred to the National Youth Services Council even by the end of the year under review. Furthermore, action had not been taken even by the end of the year under review in connection with the matters pointed out in the audit report for the year 2012 with regard to the non – settlement of the jewellery and the cash deposits of the Fund.

**7. National Youth Award Authority**  
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Action for the establishment of the National Youth Award Authority had been taken in accordance with the Cabinet decisions dated 25 July 1979 and 24 September 1980 taken under the Cabinet Memorandum No. 11 of 1979. This Authority, affiliated to the National Youth Service Council under the Ministry of Youth Affairs and Employment had been established in the year 1980 by following the Duke of Edinburgh’s International Award Scheme established in the year 1956 by the Duke of Edinburgh of Great Britain. The National Youth Award Authority so established had been brought under the purview of the National Youth Service Council as the National Youth Award Division in accordance with the Cabinet Decision No. 14/6299/539/005 of 25 February 2014.