

Report of the Auditor General on Head 197 – Ministry of Skills Development and Vocational Training -Year 2016

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 197 – Ministry of Skills Development and Vocational Training for the year ended 31 December 2016 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 was issued to the Secretary to the Ministry on 10 August 2017. 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 limitations of staff, other resources and time available to me.

1.2 Responsibility of the Chief Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statements in accordance with the provisions in Articles 148, 149, 150 and 152 of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Finance and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliations 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 amounted to Rs.11,100.10 million and out of that, Rs.7,939.03 million had been utilized by the end of the year under review. Accordingly, the savings out of the net provision of the Ministry amounted to Rs.3,161.07 million or 28.48 per cent. Details appear below.

Expenditure	As at 31 December 2016			Savings as a Percentage of the Net Provision
	Net Provision	Utilization	Savings	
	Rs.Millions	Rs.Millions	Rs.Millions	
Recurrent	3,678.25	3,412.71	265.54	7.22
Capital	7,421.85	4,526.32	2,895.53	39.01
Total	11,100.10	7,939.03	3,161.07	28.48

2.2 Advances to Public Officers Account

Limits Authorized by Parliament

Limits authorized by Parliament for the Advances to Public Officers Account, Item No.19701 of the Ministry and the actual amounts are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs.Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
25.00	18.14	9.00	9.79	90.00	45.08

2.3 General Deposit Accounts

The balances of 02 General Deposit Accounts of the Ministry as at 31 December 2016 totalled Rs.27.77 million. Details appear below.

Deposit Account Number	Balance as at 31 December 2016
	Rs. Millions
6000/0000/00/0013/0126/000	0.12
6000/0000/00/0016/0116/000	27.65
Total	27.77

2.4 Audit Observation

The Appropriation Account and the Reconciliation Statements for the year ended 31 December 2016 of the Ministry of Skills Development and Vocational Training have been prepared satisfactorily subject to the Audit Observations appearing in the Management Audit Report referred to in paragraph 1.1 above. The material and significant Audit Observations out of the Audit Observations included in the said Management Audit Report appear in paragraph 3.

3. Material and Significant Audit Observations

3.1 Appropriation Account

Budgetary Variance

The following observations are made.

- (a) The entire net provision amounting to Rs.76.44 million made for 05 Objects had been saved without being utilized.
- (b) Provisions ranging from 70 per cent to 95 per cent of the provisions totalling Rs.329.52 million made for 10 Objects for achieving objectives of the Ministry, had been saved due to failure in achieving those objectives as expected.
- (c) Commitments had been incurred exceeding the savings by Rs.3.61million after utilization of provision made for 14 Objects contrary to provisions of the Financial Regulation 94(1).

3.2 General Deposit Account

Action in terms of Financial Regulation 571 had not been taken on 43 deposits older than 2 years totalling Rs.25.53 million.

3.3 Reconciliation Statement on Advances to Public Officers Account

According to the Reconciliation Statement presented to Audit as at 31 December 2016 relating to the Advances to Public Officers Account, Item No. 19701, the balances that remained recoverable from three officers as at that date totalled Rs.415,750. Even though those outstanding balances remained over a period of 05 years, the Ministry had failed to recover those outstanding loan balances.

3.4 Good Governance and Accountability

Internal Audit

The following observations are made.

- (a) Eleven institutions were in operation under the purview of the Ministry and except for the Chief Internal Auditor and the Internal Auditor, only two officers had been attached to the Internal Audit Unit for carrying out audit. As such, a wide audit coverage could not be carried out continuously in those institutions. Five special investigations had been conducted in the year under review and only an internal audit report had been issued.
- (b) Audit activities expected by the Internal Audit Plan prepared for the year under review, had not been carried out as expected and the internal audit could not be made use of as an effective instrument of management control.

3.5 Assets Management

The following observations are made.

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

The registration of 07 motor vehicles valued at Rs.41.93 million released to the Ministry of National Policies and Economic Affairs in the year 2015 was in further favour of the Ministry and action had not been taken by the Ministry to transfer those motor vehicles properly.

(b) **Improper Utilization of Assets not vested**

The following observations are made.

- (i) Out of 38 motor vehicles **remained** in the Ministry as at 31 December 2016, four motor vehicles not belonging to the Ministry, had been used by the Ministry since the year 1999 without vesting them properly with the Ministry.
- (ii) Eight officers belonging to 03 institutions that come under the Ministry had been deployed in the service of the Ministerial Office and the Office of the State Minister exceeding the approved cadre of the Offices of the Hon. Ministers and Deputy Ministers in terms of the Presidential Circular No.CA/1/17/1 of 14 May 2010. A total sum of Rs.2.71 million had been paid by those institutions as salaries and allowances to those officers.

3.6 Non-compliance with Laws, Rules and Regulations

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

**Reference to Laws, Rules
and Regulations**

Non-compliance

(a) **Public Administration Circulars**

Circular No.10/2007 of 09 May 2007 as amended by the Circular No.10/2007(1) of 05 August 2009

Contrary to provisions of the circular, a total sum of Rs.1,308,937 had been spent for water and electricity bills of the official quarters of the Hon. Minister of the Ministry, exceeding the limits of the said Circular.

(b) Circulars of the Ministry of Finance and Planning

TA Circular No.2013/2014(ii) of 24 October 2013

Even though 11 officers of the Ministry had participated in foreign training programmes in the year 2016, no information was made available to Audit for confirming that those officers had submitted the reports relating to the said foreign training to the Secretary of the Ministry in terms of provisions of the Circular.

(c) Circulars of the Department of Pensions

Paragraph 8 of the Circular No.7/2015 of 23 July 2015

The Government contribution to the Public Service Provident Fund relating to the staff of the Ministerial Offices and the Offices of the State Ministers, had been remitted to relevant institutions with delays of periods mentioned in the Circular.

3.7 Performance

Three hundred and ninety seven Centres were in operation throughout the Island, attached to 07 institutions which were under the purview of the Ministry with a view to developing the human resources necessary for the world through providing a quality vocational training. The following observations are made at the audit test checks carried out on the performance of those institutions.

(a) Non-provision of Facilities for Vocational Training Opportunities in relation to the Youth who lose the University Entrance through the School System annually

There were about 210,695 students who had failed the G.C.E.(O/L) and G.C.E.(A/L) Examinations and lost the opportunity of higher education by the year 2015. According to information made available to Audit by 08 institutions including the University Colleges for the year 2016, a number of 97,925 students had been admitted for vocational training. As such, opportunities for vocational training had not been provided in relation to the students who lose the opportunities for higher education. Even though the Ministry should pay its attention to increase the number of students quantitatively, enrolled for the courses conducted by the Higher Technology Institutions, Technical Colleges and Vocational Training Centres, attention had not been paid therefor.

(b) Failure in taking action to improve the Quality of Training Programmes

Even though the training programmes should be accredited for conducting courses with National Vocational Qualifications (NVQ) in terms of the Tertiary and Vocational Education Act, No.20 of 1990, action in terms of provisions of the Act had not been taken in respect of 526 courses out of 2,148 courses conducted by the institutions implemented under the Ministry. Moreover, inadequacy of laboratory facilities and non-development of infrastructure facilities so as to use laboratories, had attributed to the decrease in the quality of training programmes. As such, the objective of the Ministry of creating an employable workforce strengthened globally through the quality courses locally and internationally recognized with a proper standard, had not been achieved.

(c) Decrease in the Quantitative Participation of Students in Training Courses

The following deficiencies were revealed in this connection.

- (i) The quantitative participation of students in training courses had not improved and according to information made available to Audit for the year under review, the number of courses for which a number of students less than 70 per cent was enrolled, in 09 institutions including the University Colleges belonging to the Ministry, had been 306.
- (ii) Moreover, necessary facilities for vocational trainings of 05 institutions which are under the Ministry and participation of students enrolled for 375 courses with National Vocational Qualifications, had been at a minimum level. Accordingly, there were 204 courses for which a number of students between 5 and 10 students was enrolled and 40 courses for which a number of students less than 05 students was enrolled while no students had been enrolled in the year under review for 131 courses. Further, non-implementation of a systematic arrangement for the improvement of the attraction of youth had been the main factor for the failure in using resources of training institutions efficiently and effectively in the year under review. Action should be taken to direct the students for courses by conducting awareness programmes on courses of each institution and making the school students and school leavers aware continuously through vocational guidance programmes. However, the contribution of the Ministry in this connection had been at a minimum level. As such, the expected material result could not be achieved from courses.

(d) Location of Training Centres focused on the Region

As the Training Centres **in which similar courses are conducted**, of various institutions which were under the Ministry, had been located in the centre of the region, there was a possibility of arising problems in selecting courses for students and it had **been the reason for** the decrease in the number of students for courses. Moreover, the Ministry had not paid attention on the

requirement of the location of training centres for providing an opportunity to students with economic and social difficulties.

(e) Implementation of Budget Proposals – 2016

Out of provisions of Rs.800 million made for strengthening the vocational and technical education under the budget proposal 2016, a sum of Rs.371.6 million had been spent therefor and the financial progress thereof was 53 per cent. The following observations are made in this connection.

(i) Commencement of New Degree Courses in the Ocean University

It had been proposed by the Annual Budget 2016 to commence new degree courses in the Ocean University in the fields such as Marine Biology, Marine Recreation and Sea Port, Boat/Ship Building and Integrated Coastal Resource Management and provisions of Rs.300 million had been made therefor. Even though a five storeyed building had to be proposed to be constructed in the year under review, a sum totalling Rs.6.49 million alone had been spent for consultancy fees and soil testing thereon.

(ii) Increase in the Number of Students of the Ceylon German Technical Training Institute by 200

Provisions of Rs.500 million had been granted in the year under review with a view to increasing the number of students and only a sum of Rs.20.61 million out of Rs.29 million made for increasing the space capacity of class rooms and laboratories, had been spent therefor. Even though provisions of Rs.108 million had been made for the construction of a hostel, the entire provision had been saved due to failure in performing that purpose in the year under review.

(f) Yowun Diriya Programme

Provisions of Rs.30 million had been made from the Annual Budget Estimate for the Yowun Diriya Programme expected to be implemented by the Ministry in the year under review with a view to developing vocational training activities. The following observations are made at the audit test checks carried out in this connection.

(i) World Youth Skills Day

Even though provisions of Rs.10 million had been made by the Annual Budget Estimate for the World Youth Skills Day, objectives intended to be achieved from those provisions had not been identified and plans therefor had not been prepared. Accordingly, except for the organization of a commemorative ceremony for the World Youth Skills Day - 2016, no other activity had been performed and sums of Rs.244, 734 and Rs.903,527 had

been spent for the said purpose and for newspaper advertisements under the Yowun Diriya Programme.

(ii) Public Private Partnership

The Ministry of Youth Affairs and Skills Development had entered into a Memorandum of Understanding with the Ministry of Power and Energy and the Ceylon Electricity Board on 23 August 2012 with a view to directing the apprentices for the apprentice training of the Ceylon Electricity Board, who undergo theoretical trainings on the **Electrical Technology** at Vocational Training Institutions which are under the Ministry of Youth Affairs and Skills Development.

Two year Electrician Courses in National Vocational Qualification Level 4, are conducted annually in 30 Technical Colleges located Island wide and according to information made available to Audit by 19 Technical Colleges, 448 students had completed the said course from the year 2013 to the year 2016. However, no action had been taken to attach those students to the Electricity Board for the apprentice training. Moreover, according to a Register sent by the Electricity Board, 512 students had been attached to 18 Technical Colleges since September 2012 and a separate one year special Electrician Course had been conducted for those students. A sum of Rs.8,168,195 had been spent for their studies by the Ministry. Further, it was revealed that this special Electrician Course which has the one year course duration at National Vocational Qualification Level 4, had included subject matters of the General Electrician Course. Matters attributed to conduct two courses for teaching same subject matters in this connection had not been explained to Audit.

(iii) Trainings and holding Exhibitions

Even though provisions of Rs.15 million had been made under the Yowun Diriya programme for trainings and holding exhibitions in the year under review, only seven 05-day residential workshops on vocational guidance for 175 officers and a two-day work shop for 75 Assistant Development Officers had been conducted. Accordingly, a sum of Rs.3.39 million had been spent therefor during the year and when comparing it with the budget provisions, the financial progress was 22.6 per cent. Moreover, the exhibition named "Touch Your Future" planned to be held under the said programme, had not been implemented in the year under review.

(iv) It was revealed in the analysis of provisions made during several preceding years and utilization thereof that a proper procedure had not been implemented for the effective utilization of provisions made from the Annual Budget Estimate for the Yowun Diriya Programme. Details appear below.

Year	Annual Budget Provisions	Utilization	Utilization as a percentage of the Provisions
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	Rs. Millions	Rs. Millions	
2013	100.00	17.74	17.7
2014	104.00	71.96	69.2
2015	80.00	14.96	18.7
2016	30.00	6.27	20.9

(g) Performance of University Colleges

Twenty University Colleges had been planned to be established with a view to creating Technicians at medium level by conducting courses in National Vocational Qualification Level 5 and 6 under the Skills Sectoral Development Programme for the students who had followed the **Technical subject stream** but lost the opportunity for university entrance. However, only 06 University Colleges had been commenced in Ratmalana, Kuliyaipitiya, Jaffna, Matara, Anuradhapura and Batangala by the year 2016. Moreover, it was observed that those Colleges were not in operation properly due to following matters.

- (i) Resignation and vacation of the service by the Directors of the University Colleges and giving transfers temporarily among Colleges from time to time had affected the administrative activities of the Colleges and conducting of discipline in students, academic and non-academic staff.
- (ii) A proper guidance and supervision had not been carried out at the Vocational Technology University or Ministry Level for carrying out administrative activities and financial management activities of Colleges in compliance with Government Administrative Provisions, Circulars and Financial Rules.
- (iii) Action had not been taken to introduce a code of ethics for protecting the professionalism and vocational practices of the academic staff of the College.
- (iv) Diploma courses conducted in Colleges should be registered and accredited in the Tertiary and Vocational Education Commission. However, courses conducted in other University Colleges except for 8 courses conducted in the Kuliyaipitiya University College had not been accredited.
- (v) Activities of Colleges had not been subjected to an internal audit.
- (vi) Even though the total students capacity for 49 courses of University Colleges stood at 1,470, only 1,380 students had been registered in the year under review and out of them, 245 students had dropped out of courses.
- (vii) Vacancies in the academic staff such as 51 and 22 in the post of Lecturer and Demonstrator respectively and one in the post of Instructor existed.

- (viii) There were no laboratory and infrastructure facilities for the use of training equipment.

3.8 Transactions of Contentious Nature

Four and 14 officers had been recruited in January and July 2015 respectively for the non-academic staff before the commencement of the Batangala University College and expenditure totalling Rs.10,282,015 had been incurred as salaries, allowances and other recurrent expenses from the Fund of the Sectoral Skills Development Project.

3.9 Management Weaknesses

The following observations are made.

- (a) Action in terms of paragraph 7 of the National Budget Circular No.2/2015 of 31 March 2015 had not been taken in respect of 03 motor vehicles owned by the Ministry, which had been in the condition of repairing and unusable.
- (b) Even though a motor vehicle owned by the Ministry had been sent to a private institution for repairs in the year 2013, that motor vehicle had not been repaired and brought back to the Ministry even by the end of the year under review.

3.10 Human Resources Management

Approved Cadre and Actual Cadre

The position on the cadre as at 31 December 2016 had been as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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(i)	Senior Level	27	21	06
(ii)	Tertiary Level	03	01	02
(iii)	Secondary Level	437	374	63
(iv)	Primary Level	49	39	10
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	Total	516	435	81
		=====	=====	=====