

## **Vocational Training Authority of Sri Lanka – 2016**

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The audit of financial statements of the Vocational Training Authority of Sri Lanka for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 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 read in conjunction with Section 13(1) of the Finance Act, No.38 of 1971 and Section 25 of the Vocational Training Authority of Sri Lanka Act, No. 12 of 1995. My comments and observations which I consider should be published with the Annual Report of the Authority 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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The management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka 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 Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority’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 Authority’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 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.

#### **1.4 Basis for Qualified Opinion**

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My opinion is qualified based on the matters described in paragraph 2.2 of this report.

### **2. Financial Statements**

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#### **2.1 Qualified Opinion**

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In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Vocational Training Authority of Sri Lanka as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### **2.2 Comments on Financial Statements**

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##### **2.2.1 Sri Lanka Accounting Standards**

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Sri Lanka Accounting Standard 16

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The following observations are made.

- (a) In terms of paragraph 34 of the Standard, it is indicated that, if items of property, plant and equipment experience significant and volatile changes in fair value, thus necessitating annual revaluation, instead it may be necessary to revalue the items with only such insignificant changes every three or five years. However, action had not been taken to carry out revaluations after the year 2008 for accounting the fair value of assets valued at Rs.5,763,014,972 owned by the Authority as at 31 December 2016.
- (b) According to financial statements, it is the Accounting Policy to eliminate the cost of assets disposed, from the relevant assets accounts. Nevertheless, the values of the assets disposed after the year 2009, had not been eliminated from the relevant assets accounts and the Register of Fixed Assets. Accordingly, action had not been taken to eliminate the cost and accumulated depreciation of the assets so disposed, in the years 2015 and 2016 from the accounts.

##### **2.2.2 Accounting Deficiencies**

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The following observations are made.

- (a) The expenditure payable totalling Rs.1,097,195 relating to the year 2016 under the contract of constructing the security wall of the National Vocational Training Institute at Narahenpita, had not been brought to account.

- (b) The expenditure of Rs.929,427 spent in the year under review for repairs of capital nature carried out for two motor vehicles had not been capitalized.
- (c) Modernization expenditure amounting to Rs.2,085,873 relating to the Skills Enhancement Project had not been brought to account.
- (d) The value of 75 cancelled cheques amounting to Rs.173,635 relating to 05 expenditures of the preceding year had been deducted from the expenditure relating to the year under review instead of adjusting to the Accumulated Fund.
- (e) In the payment of telephone charges to a private telephone company, discounts of Rs.1,818,537 granted for the years 2014, 2015 and 2016 had been shown as a balance payable under current liabilities in the statement of financial position without accounting as income.
- (f) Mobilization advances amounting to Rs.29,581,369 paid for 06 contracts of rehabilitation and improvement of training centres by the Authority in the year under review had been included in the Work-in-progress Account without accounting as advances.

### **2.3 Accounts Receivable and Payable**

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The following observations are made.

- (a) The balances receivable amounting to Rs.39,748,214 shown in the financial statements of the year under review included course fees of Rs.19,458,199 recoverable as at 31 December 2016 and out of that, a sum of Rs.2,204,788 had been recoverable for over a period of two years. Out of the remaining sum of Rs.17,253,411, a sum of Rs.10,277,809 had remained unrecovered even by 10 December 2017.
- (b) No action had been taken even in the year under review to recover loan balances of Rs.3,930,931 and Rs.131,043 recoverable from 16 years and 11 years respectively from the Ministry of Skills Development and Vocational Training or to take any other appropriate measures in that connection.
- (c) A balance of Rs.1,437,200 recoverable from Laksala which is closed down at present, was observed in the balance of Rs.2,844,106 recoverable from 11 other Government institutions for over a period of 11 years. However, the Authority had not taken any action whatsoever in respect of these balances recoverable since a long period and they were being brought forward year after year.
- (d) The balances payable as at the end of the year under review totalled Rs.130,578,519 and out of that, sums of Rs.10,080,342, Rs.4,854,746 and Rs.35,963,225 were being brought forward from periods over 05 years, 03 years to 05 years and from 01 year to 03 years respectively and no action had been taken to settle those balances or to take any other appropriate measure.

## 2.4 Non-compliances with Laws, Rules, Regulations and Management Decisions

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The following instances of non-compliance with laws, rules and regulations were observed.

<b>Reference to Laws, Rules, Regulations etc.</b>	<b>Non-compliances</b>
(a) Establishments Code of the Democratic Socialist Republic of Sri Lanka	
(i) Paragraph 4.1 of Chapter VIII	Overtime of Rs.885,361 had been paid by the Authority to 21 Staff Officers of Tertiary Level.
(ii) Paragraph 2.2 of Chapter IX	Part time Training Instructor fees of Rs.10,930,695 had been paid in the year under review and the royalty of 10 per cent recoverable therefor amounted to Rs.1,093,069. However, the Authority had recovered only a sum of Rs.594,733 during the year. Accordingly, the royalty of Rs.498,336 had not been recovered and it had not been confirmed that royalty is charged on Instructor fees of all part time courses.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	
(i) Financial Regulation 104	Two computers pertaining to the Computer Hardware Course conducted at the National Vocational Training Center in Ratmalana, had been misplaced on 15 January 2015 and action had not been taken in terms of Financial Regulations in respect of losses and damages occurred.
(ii) Financial Regulation 110	A Register on losses or damages had not been maintained in terms of Financial Regulations in the Head Office and District Offices.
(iii) Financial Regulation 188 (2)	Two cheques valued at Rs.49,644 deposited in the bank in the year 2009 had not been realized even by 31 December 2016. However, follow up action had not been taken thereon.

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| (iv) Financial Regulation 571  | Action had not been taken to settle or take to the income, the retention money amounting to Rs.4,980,200 and lapsed deposits amounting to Rs.584,996 payable to 30 contractors and suppliers older than 2 years.   |
| (c) Treasury Circular No.842 of 19 December 1978                                 | A Register of Fixed Assets had not been maintained in terms of the Circular.   |
| (d) Public Enterprises Circular No. PED/12 of 02 June 2003 Paragraph 9.3.1 (vii) | Even though acting appointments were made for a certain reason, they should not exceed 03 months. However, contrary to that, 03 instances of covering of duties were observed on acting appointments up to 03 years.   |
| (e) Public Finance Circular No.446 of 01 September 2010                          | According to the approval of the Board of Control, on the basis of reimbursing personal telephone bills from the salaries of the employees engaged in the service of the Authority contrary to the Circular, the Authority had spent an average sum of Rs.353,853 monthly for telephones and had reimbursed from the salary after 12 days. |

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

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A sum of approximately Rs.500,000 had been paid as compensation during the year by depositing a sum of Rs.38,354,000 in a bank account of the Authority, by collecting Rs.500 each from apprentices from the year 2014 up to 31 December 2016 to raise an insurance fund. Nevertheless, the approval of the Treasury had not been obtained for the establishment of a fund in terms of paragraph 3.1 of Public Finance Circular No.PF/423 of 22 December 2006.

## **3. Financial Review**

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### **3.1 Financial Results**

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According to the financial statements presented, the financial result for the year under review had been a surplus of Rs.33,280,068 as against the deficit of Rs.75,332,249 for the preceding year, thus indicating an improvement of Rs.108,612,317 in the financial result for the year under review as compared with the preceding year. The increase in Treasury grants for recurrent expenditure by Rs.124,473,000 and other income by Rs.16,898,073 and the decrease in expenditure on promotions and career guidance by Rs.5,763,323 and expenditure on job placement, research and entrepreneurship by Rs.4,060,356 had mainly attributed to the above improvement.

An analysis of the financial results of the current year and 04 preceding years revealed that there had been financial surpluses in the years 2012 and 2016, whereas deficits had resulted in the other years. However, in considering the employees' remuneration and the depreciation on non-current assets, the contribution of the Authority from the year 2012 up to the year 2016 were Rs.1,144,087,661, Rs.1,023,595,450, Rs.1,059,237,421, Rs.1,338,404,900 and Rs.1,460,306,994 respectively. As such, a continuous increase in the contribution of the Authority is indicated from the year 2013.

### **3.2 Analytical Financial Review**

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Even though the income from course fees relating to the year under review had been shown as Rs.131,818,200 in the financial statements, a sum totalling Rs.7,861,839 relating to exemption from course fees and approved apprenticeship drop outs which could have been specifically identified in the computation of income, had been identified as income and written off as other operating expenditure.

## **4. Operating Review**

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### **4.1 Performance**

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The following observations are made.

- a) According to the Vocational Training Authority of Sri Lanka Act, No. 12 of 1995, the objectives such as conducting vocational training programmes and providing training for employment, conducting National Trade Tests and examinations and issuing certificates, carrying out research and development in vocational training, co-ordinating, facilitating and assisting vocational training in the public and private sector, offering career guidance and counselling services, offering job placement services, engaging in research activities on supply and demand for needs of the labour market, establishing links with international vocational training organizations and institutions and co-ordinating and the training of trainers required for vocational training were the key objectives of the Authority. However, no researches on the demand and supply of the labour market had been conducted whilst attention had not been paid on establishing international relationships as well.
- b) The following observations are made in the examination of the Action Plan in the year under review.
  - (i) It had been planned to enroll 35,460 apprentices for 2,584 training programmes of 133 training courses belonging to 18 different sectors during the year under review and 31,537 apprentices representing 88 per cent of the targeted number had been enrolled for 1,952 programmes implemented thereunder. Even though 4,700 apprentices had been planned to be enrolled for part time courses out of them, only 1,833 apprentices had been enrolled. Accordingly, only 39 per cent of the target of enrollment for part time courses had been achieved.

- (ii) The Authority had paid more attention in the year under review to enroll apprentices for the sector of Information Communication Technology and Multimedia Technology which is not a sector of basic vocational training and according to sectors of basic vocational training, less attention had been paid on enrollment of apprentices.
- (iii) Out of the enrollments for the year 2016 for the Information Communication Technology and Multimedia Technology (IT Sector), the highest number of enrollments of 23 per cent representing 7,439 had been made. However, the highest number of job placements which stood at 978 had been placed in the electronic and Telecommunication Sector. Accordingly, it was observed that training activities had not been planned, targeting the job market.
- (iv) The number of targeted job placements in the Job Placement Sector in the year 2016 had been 8,300 and the actual job placements had been 6,052 or 73 per cent.
- (v) Even though the target of foreign job placements was 41 per cent, the actual job placement was only 03 per cent. As such, it was observed that there was less inclination towards the foreign job market.
- (vi) The Authority had not carried out follow up action on the job placement of trainees leaving annually after obtaining training from the Authority and a data base had not been maintained thereon.

#### **4.2 Management Activities**

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The sum of Rs.106,100 recovered from 8 officers from the year 2014 up to the year 2016 had been retained in the Widows' and Orphans' Fund Account payable instead of remitting to the Widows' and Orphans' Fund.

#### **4.3 Operating Activities**

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The following observations are made.

- (a) Nineteen motor vehicles purchased by the Authority for training purposes and indicated as training equipment in the Register of Fixed Assets, had been used for running purposes of the Authority. Moreover, 22 motor vehicles used by the Authority, which were out of running condition had been provided for training activities and the registration numbers of those motor vehicles had not been cancelled through the Department of Motor Traffic before providing them for training purposes.
- (b) Deficiencies identified at the inspection of the Vocational Training Centre in Trincomalee are given below.
  - (i) According to Guidelines of the Tertiary and Vocational Education Commission, course accreditation of all courses which award National Vocational Qualification (NVQ) certificates should be carried out once in every 03 years. Even though the period of accreditation of 03 courses conducted in Vocational Training Centres located in the Trincomalee District had exceeded 06 months, the required accreditation had not been carried out even by 12 December 2017.

- (ii) Even though the Technician Course (1 year) of the Pulmoddai Rural Vocational Training Centre had been commenced on 08 August 2016, training materials required therefor had not been provided even by 01 February 2017, the date of audit.
  - (iii) In the inspection of facilities of the training courses at the rural vocational training centre of the Vocational Training Centre of the Trincomalee District, instances were observed in which electricity facilities, adequate number of chairs and adequate computers had not been provided.
  - (iv) As revealed at a sample test, Tamil medium apprentices following courses in 03 training centres of the Trincomalee District had not been provided with daily training record books for the first half year of 2017 even by 01 February 2017. Moreover, Sinhala daily books and photocopied Tamil medium books had been provided to the Tamil apprentices following the Electrician course in 02 centres.
  - (v) Twelve UPS units belonging to the Information Technology Course of the Agbopura Rural Vocational Training Centre had been inoperative and as such, the safety of computers had been at a risk.
- (c) Even though contractors should be selected for running the canteens by calling for public quotations annually, the running of the canteen at the Narahenpita National Vocational Training Centre had been awarded to the same person from the year 2011 up to the 30 September 2017 contrary to procurement guidelines.

#### **4.4 Transactions of Contentious Nature**

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Out of the sum of Rs.20,271,540 provided in the year 2016 for uplifting vocational training centres in the Districts of Vavuniya, Mannar, Batticaloa and Ampara by the World Labour Organization, a sum of Rs.1,355,755 had been distributed among 31 officers as allowances as at 31 December 2016. However, the Chairman had decided to recover it due to the irregularity in payment. Out of that, a sum of Rs.272,489 should have been further recovered by 31 October 2017.

#### **4.5 Idle and Underutilized Assets**

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The following observations are made.

- (a) Two buses to the cost of Rs.1,500,000 and Rs.1,100,000 and to the write off value of Rs.150,169 and Rs.110,124 as at 31 December 2016 had been parked in the Anuradhapura District Office premises and the Nindavur Vocational Training Centre premises in Ampara without being made use of for over a period of 2 years and one year respectively.
- (b) As revealed at a sample test, it was observed that 1,849 items of training equipment belonging to 12 courses in the centres in the Districts of Ampara and Galle of which the value could not be identified, had remained idle due to failure in conducting those courses.



- (c) It was observed during a sample test carried out on 02 February 2017 that agricultural equipment, industrial water pipes, training equipment belonging to technical courses of the Seruwawila Rural Training Centre and equipment relating to the welding course of the Verugal Training Centre had remained idle due to failure in conducting courses as a result of dearth of Instructors. Moreover, no plans whatsoever had been prepared in commencing those courses even by 31 July 2017.
- (d) Training equipment valued at Rs.10,481,619 purchased for the hotel schools of Kuchchaveli and Karainagar during the years 2015 and 2016 under the Skills Sector Enhancement Project had remained idle without being made use of even by 31 July 2017 due to incompleteness of constructions of those centres. The guarantee period of certain training equipment had expired without using the equipment and certain equipment had been subjected to rust and discolour.
- (e) (i) The modernization of the hotel school located in Ahangama in the District of Galle in which 04 courses relating to the hotel training sector had been conducted without evaluating the requirement of maintaining as a model hotel, into a three star hotel with a swimming pool had been awarded to a private contractor at a value of Rs.110,355,000 on 06 October 2014 to be completed within a period of 240 days on the approval of the Board of Control.
- (ii) Moreover, the approval of the Board of Directors had been granted for an additional estimate of Rs.12,362,223 on 29 April 2016 to make further changes as a luxury hotel in that three star hotel. Even though a sum of Rs.1,011,801,679 had been spent by 30 June 2017 for this construction, they had not been completed up to 30 June 2017 due to the change in plans from time to time and deficiencies of the contractor. However, the resources required to maintain a three star hotel are not available with the Authority and as such, bids had been invited by a newspaper announcement on 22 March 2017 for selecting an investor of the private sector to run as a state-private partnership.
- (iii) The hotel school in Ahangama had been modernized as a model hotel without accurately identifying the constructions which should be given priority. As such, the constructions of the relevant hotel on another land had been commenced in the year 2017. The four courses which were discontinued in the year 2014 due to the delay in constructing the hotel school could not be recommenced even by the year 2017. As such, the training equipment valued at Rs.8,605,519 purchased in the years 2015 and 2016 for the use of the hotel school had remained idle for over a period of two years. The objectives of the project for which funds had been provided and the objectives of the Authority had not been achieved.

#### **4.6 Underutilization of Funds**

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The following observations are made.

- (a) A sum totalling Rs.331,133 had been retained in 05 bank current accounts without utilizing for achievement of objectives.

- (b) A sum of Rs.9,815,342 provided for purchasing training equipment in the year 2011 from the Tertiary and Vocational Education Commission had been retained in the Project Fund Account Payable without taking action to utilize it for relevant purposes or to settle same.

#### **4.7 Uneconomic Transactions**

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The reasons given for non-acceptance of procurements submitted with minimum bids in 10 instances by Technical Evaluation Committees during the course of audit test checks carried out on the purchase of training equipment in the year 2016 could not be accepted. Moreover, an overpayment of Rs.3,220,900 had to be made by the Authority for those purchases due to accepting higher bids therefor.

#### **4.8 Resources of the Authority released to other Public Institutions**

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Three officers and two motor vehicles belonging to the Authority had been released to the Ministry of Skills Development and Vocational Training and in addition to that, one officer had been released to the Skills Sector Project. The Authority had incurred an expenditure of Rs.1,477,596 during the year as salaries and allowances therefor.

#### **4.9 Staff Administration**

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The following observations are made.

- (a) The post of Director (Finance) of the Authority had been vacant from 30 April 2015 and the Chief Internal Auditor had been appointed to act full time in this post from 05 May 2015 and as such, the independence of internal audit had become questionable in audit.
- (b) The approved permanent cadre of the Authority had been 2,361 as at 31 December 2016 while the actual cadre had been 1,814 , thus observing 547 vacancies. Out of the vacant posts, 269 had been Instructors and as a result, training programmes could not be conducted as targeted.
- (c) According to the approved Scheme of Recruitment, despite not having provisions made for the recruitment of Instructors on contract basis, Instructors who had not fulfilled qualifications had been continuously recruited on contract basis and had been made permanent in the post without qualifications, considering the period of contract as the period of probation. Eighty Instructing Officers with a service period of over 03 years, who had been so recruited on contract basis, had been made permanent as Instructors in January 2017.
- (d) In making recruitment for the post of Instructor in terms of Section 5.1.1 of the approved Scheme of Recruitment of the Authority, a certificate of competence should be obtained by following a technical course on or above par with NVQ Level 5. However, it was observed in the audit test check carried out in respect of the Instructors recruited in the year 2014 on contract basis that out of the 91 Instructors recruited, 23 of them had not fulfilled that requirement.

- (e) In terms of the Scheme of Recruitment of the Authority, recruitment for the post of Director (Human Resources and Administration) should have been made after calling for applications from the external and internal applicants and adhering to the system of granting marks by an Interview Board comprising of the officers specified in Section 5.2.6 of Chapter II of the Establishments Code. Nevertheless, contrary to that, an officer had improperly been recruited to the said post with effect from 22 April 2015 in accordance with a letter signed by 08 members of the Board of Directors along with the recommendation of the Chairman of the Authority dated 05 June 2015.
- (f) Even though the Authority had not conducted a training course on media, an Instructress who had not completed the basic qualifications in that field, had been recruited in the year 2011 on contract basis. Despite her failure in carrying out the duties relating to the post of Instructor, extension of service had continuously been granted to her and her scope had been changed in the year 2014 as an Information Technology Instructress on the training obtained from the Authority itself. It was observed in audit that the duties in that field had not been performed properly as well.
- (g) According to cadre information approved by the Department of Management Services on 17 December 2013, the Management Assistant-Non-Technical service category (MA 1-2) had been further maintained by making the Instructors recruited on contract basis without basic qualifications permanent, under the salary scale (MA 1-2) created as personal to holder basis to each officer.

#### **4.10 Procurement and Contract Process**

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The following observations are made.

- (a) A contract agreement to the value of Rs.1,781,424 had been entered into on 29 July 2016 for constructing the boundary wall of the National Vocational Training Centre at Narahenpita and according to the agreement and the Bill of Quantities on constructions, in preparing the land, instead of filling with 14 cubes of soil, the Technical Evaluation Committee had recommended filling with 16.16 cubes of ABC on 26 December 2016. The Technical Officer who supervised the constructions had certified the final bill of Rs.1,280,146 submitted by the contractor. However, that payment had been withheld and according to the report obtained by the Authority on the preparation of the land from the National Building Research Organization, it had been confirmed that bricks and pebbles had been used in the preparation of the land instead of using ABC. No steps whatsoever had been taken against the officers responsible thereon.
- (b) (i) An agreement to the contract value of Rs.169,164,622 had been entered into on 23 December 2014 for completing the contract of the hotel school at Kuchchaveli, Trincomalee in 365 days. Even though 772 days had lapsed therefor as at 03 February 2017, the constructions had not been completed.

- (ii) The legal ownership of the said land had not been vested with the Authority even by 29 September 2017, the date of audit. Moreover, in constructing the aforesaid building, it was observed at the physical verification that constructions are being carried out so that a part of a land belonging to the Sri Lanka Tourist Board, located outside the land marked by the District Surveyor is included as well.
  - (iii) A former Professor of the University of Moratuwa had carried out a basic soil and underground water test and based on the instructions given to carry out constructions by filling with soil to a height of one metre on the naturally located land, an estimate of Rs.12,650,000 had been prepared for filling the land using 11,500 cubic metres of soil at the rate of Rs.1,100 per cubic metre. Nevertheless, it was observed at the physical verification on 17 February 2017 that breaking of rocks of 636.34 cubic metres had been carried out by removing the basement rock instead of filling the land of construction with soil without the recommendations of the Technical Evaluation Committees and the approval of the Procurement Committee. A sum of Rs.7,884,253 had been paid to the contractor therefor.
  - (iv) It was observed in audit that, as constructions are carried out on a low land, it could be easily subjected to floods.
- (c) (i) A contract agreement had been entered into with a private company on 07 October 2013 to a value of Rs.42,613,557 to complete the constructions of the workshop building at the National Vocational Training Centre at Mirijjawila in 150 days and the works should have been completed as at 31 December 2014 with 02 extensions. However, the purpose of constructions had been suspended by the Authority from 05 January 2015 on the failure of completion of works as at that date. The contractor who had failed to agree to this, had referred this case to a mediation board. This dispute had not been settled even up to 30 June 2017.
- (ii) According to the report prepared on 25 October 2015 by the Authority the instructions of a consultancy firm appointed by the Authority after suspending constructions, a sum of Rs.3,819,000 had to be recovered from the contractor after deducting a sum totalling Rs.25,584,110 including a sum of Rs.16,957,562 as payment of bills (inclusive of VAT) and mobilization advances out of the value of work done amounting to Rs.21,765,110 and a surcharge of 25 per cent amounting to Rs.6,022,991, liquidating damages and other charges amounting to Rs.2,603,557 according to the agreement.
  - (iii) Even though bids had been recalled on 08 April 2016 for completing the purpose of constructions, a final decision had not been made on the original contractor who had carried out constructions. As such, the procurement committee held on 27 October 2016 had decided to suspend the evaluations on the second bidding. However, the constructions of the contract had delayed for over a period of two years as at 31 December 2016.

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

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### **5.1 Presentation of Financial Statements**

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A Draft Annual Report for the year 2016 had not been presented to the Auditor General along with the financial statements in terms of section 6.5.1 of Public Enterprises Circular No. PED/12 of 02 June 2003.

### **5.2 Corporate Plan**

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The Corporate Plan prepared by the Authority for the period from 2014-2018 had not been updated.

### **5.3 Action Plan**

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The following observations are made.

- (a) According to the Action Plan, the Authority had targeted to enroll 1,285 apprentices for 99 programmes in the year. However, those programmes had not been implemented.
- (b) Twelve programmes unplanned by the Authority had been implemented in the year and 294 apprentices had been enrolled therefor.

### **5.4 Internal Audit**

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An Internal Audit Unit had been established as mentioned in the Department of Management Services Circular No. DMA/2009 (i) of 09 June 2009 and Financial Regulation 133 and 12 officers, attached to it. However, audit had not been carried out by paying attention to planning and implementing audit programmes and follow up action and the progress in achieving objectives and targets mentioned in the Corporate Plan for the period from 2012-2016.

### **5.5 Unresolved Audit Paragraphs**

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No measures whatsoever had been taken by the Authority in respect of the following deficiencies pointed out by my previous report.

- (a) According to a recommendation of the Board of Inquiry appointed in February 2009, six years after meeting with an accident in respect of a cab vehicle in the year 2003, action had not been taken to recover the loss of Rs.421,000 occurred from the accident even as at 30 October 2017.
- (b) Even though the Secretary had been directed at the COPE meeting held on 12 September 2014 for the Vocational Training Authority of Sri Lanka that instructions be obtained from the Secretary to the President in respect of obtaining a sum of Rs.5,444,015 from the Central Cultural Fund for performing as a member of the Board of Control of the Central Cultural Fund and in performing duties in the post of Working Director from 17 January 2006 up to the year 2014 by a Deputy Director of the Authority in addition to his permanent post, the measures taken in that connection had not been made available to audit.

- (c) Recruitments had been made for 06 posts of Executive Level including the post of Director General whose qualifications or experience had been contrary to the Scheme of Recruitment of the Authority. Moreover, an officer had been recruited to the post of Assistant Director (Finance) not included in the approved cadre. The recommendations made by the report issued after carrying out an investigation relating to those appointments in the year 2015 by a former judge, had not been implemented even by 12 December 2017.
- (d) A sum of Rs.7,500,000 had been received from the Sri Lanka Tourism Promotion Bureau in February 2012 for making payments to the Selacine Television Institute for celebrating the World Tourism Day in the year 2011. The sum of Rs.1,000,000 remaining after making the relevant payments had been taken into the income of the Authority in the year 2015 without the approval of the Board of Control.
- (e) A sum of Rs.1,711,961 had been paid as salaries in the year 2008 without approval to an officer interdicted on financial misappropriation and against whom a case had been filed. Moreover, the required measures had not been taken even up to the year under review by carrying out an inquiry on making payments inconsiderately.
- (f) The sum of Rs.1,875,747 payable to a private firm for fixed assets purchased in the year 2012 had not been settled even during the year on the controversial position that had arisen due to the deficiencies in the Procurement Process.

## 5.6 Budgetary Control

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Variances ranging between 78 per cent and 1,363 per cent were revealed in the comparison of the budgeted income and expenditure and the actual income and expenditure for the year under review, thus observing that the budget had not been made use of as an effective instrument of management control.

## 6. 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 Authority from time to time. Special attention is needed in respect of the following areas of control.

### Areas of Systems and Controls

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### Observations

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| (a) Staff Administration | <ul style="list-style-type: none"> <li>- Recruiting officers who had not fulfilled the minimum qualifications.</li> <li>- Failure of the Boards of Interview and Practical Test to function properly.</li> <li>- Non implementation of a proper transfer scheme.</li> </ul> |
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(b) Assets Management

- Failure to maintain a Register of Fixed Assets properly.
- Failure to use codes for identifying the assets.
- Existence of idle assets.
- Failure to ensure all assets being inventorized and non confirmation of the safeguard of assets.
- Non-elimination of disposed assets from Registers of assets.

(c) Operating Control

- Failure in obtaining confirmation from the apprentice that the apprentice allowance has been obtained.
- Differences in the methodology in computing the allowance.
- Granting permission to Instructors to obtain course fees by cash without banking.
- Failure in confirming the recovery of royalty for all part time courses.
- Failure in accounting the royalty as a separate income.

(d) Financial Control

- Failure to assign the functions among officers so as to create internal control.
- Failure to carry out supervisions properly.