Tertiary and Vocational Education Commission – 2017

The audit of financial statements of the Tertiary and Vocational Education Commission for the year ended 31 December 2017, comprising the statement of financial position as at 31 December 2017, comprehensive income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act No.38 of 1971 section 10(d)(2) of the Tertiary and Vocational Education (Amendment) Act No.50 of 1999. My comments and observations, which I consider should be published with the Annual Report of the Commission in terms of Section 14(2)(c) of the Finance Act, appear in this report.

1.2 Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1.3 Auditor's Responsibility

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)

1.4 Basis for Disclaimer of Opinion

As a result of the matters described in paragraph 2.2 of this report, I am unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded items and the elements making up the statement of financial position, statement of comprehensive income, statement of changes in equity and cash flow statement.

2. Financial Statements

2.1 Disclaimer of Opinion

Because of the matters described in paragraph 2.2 of this report, I have not been able to obtained sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Public Section Accounting Standards

The following observations are made.

(a) Sri Lanka Public Section Accounting Standard 02

(i) In the calculation of cash flows generated from operating activities, prior year adjustments and differences of opening balances amounting to Rs.1,352,722 which had not included in the operating profit and adjusted in the statement of changes in equity had been added to the operating profit and a sum of Rs.3,764,893 had been deducted as adjustments of over/ under provisions.

(ii) Even though, a sum of Rs.10,287,724 had been shown in the statement of comprehensive income as differed revenue relating to the year under review, only a sum of Rs.312,225 had been adjusted to the profit in the calculation of cash flows generated from operating activities.

(iii) Treasury capital grants of Rs.9,627,424 given for the purchase of fixed assets had not been shown as cash inflows under financing activities.

(b) Sri Lanka Public Section Accounting Standard 07

(i) In terms of paragraph 14 of the standard if an item of asset is probable that future economic benefits or service potential associated with the item will flow to the entity, it should be recognised as assets. On the contrary, sums of Rs.1,315,075 and Rs.8,454,616 spent in the years 2016 and 2017 respectively for the development of the 8th floor had been shown as recurrent expenditure in the statement of comprehensive income. Accordingly, the deficit for the year 2016 had been overstated by Rs.1,315,075 whereas the surplus for the year had been under stated by Rs.8,454,616.

(ii) A sum of Rs.194,500 incurred for the partitioning of office premises in the Finance Division had been shown in the statement of comprehensive Income as buildings reconstruction expenditure without being capitalised.

2.2.2 Accounting Policies

Even though, it was stated under Note 5.2 to the financial statements that the receipt of capital grants relating to the assets was recognised as differed income, the capital grants of Rs.9,627,424 received during the year under review for the purchase of fixed assets had been accounted as Rs.9,975,499.

2.2.3 Accounting Deficiencies

The following observations are made.

(a) As the “Thibas” Accounting Package used by the Commission had become inactivated since 09 May 2017, the financial statements of the year under review had been prepared by using a new accounting package. In that, the balances of the Trial Balance for the period of 3 months ended 31 March 2017 extracted from the old package as opening balance as at 01 April 2017 and the financial statements of the year 2017 had been prepared on the basis of a trial balance extracted from the new package as at 31 December 2017. However, when the balances of the first 3 months of the year 2017 brought forward as at 01 April 2017, the following differences were observed. As those wrong accountings had not been rectified after 01 April 2017 by journal entries, it can not be ruled out in audit that the financial statements had not been materially effected.

(i) Existence of differences of Rs.5,443,442 and Rs.1,893,230 between the final debit balances of 52 ledger accounts and the final credit balances of 31 ledger accounts in the first 3 months respectively and the opening balances of those ledger accounts as at 01 April 2017.

(ii) Non-inclusion of 67 debit balances totalling Rs.11,960,433 and 25 credit balances totalling Rs.7,920,373 included in the trial balance relating to the first 3 months, in the trial balance prepared as at 01 April 2017.

(iii) Fifteen debit balances and 10 credit balances totalling Rs.14,718,451 and Rs.3,434,717 respectively which had not been included in the trial balance of the first 3 months had been included in the trial balance as at 01 April 2017.

(b) Unidentified receipts in 17 instances and unidentified payments in 71 instances totalling RS.1,086,305 and Rs.4,279,131 respectively had been posted to a Suspense account named as “Transfer for adjustment account” and the debit balance of that account amounting to Rs.3,192,826 had been shown in the income statement as an expenditure under contractual services. Evidence such as receipts of acknowledgement, bills, vouchers relating to these receipts and payments etc. was not made available to audit and due to the following matters revealed at a test check carried out on these transactions, it could not be ensured in audit that such transactions were correctly accounted.

(i) Even though the total expenditure of voucher numbers from 240113 to 240119 amounted to Rs.78,990, a sum of Rs.92,500 had been paid therefor according to the value of cheque issued, the bank statement and the cash book. The difference of Rs.13,510 had been debited to the above suspense account without being identified the expenditure for that value.

(ii) The amount of Rs.159,950 received on receipt No.259919 had been posted twice in the Treasury grants cash book and it had been erroneously credited to the above Transfer account.

(iii) A sum of Rs.273,854 paid to sundry creditors and for expenses by 5 cheques had been posted in both cash books maintained in respect of project money and Treasury grants and debited to transfer account.

(c) Computers and accessories valued at Rs.312,500 posted to the creditors and fixed assets accounts in the year 2016 were not received by the Commission even by October 2018, the date of audit. As a result, the fixed assets and creditors had been overstated by that amount and the provision for depreciation for the year under review amounting to Rs.103,125 had been made for assets physically not in existence in the Commission. As such, the surplus of the year had been under stated and the provision for depreciation had been overstated by that amount.

(d) According to the computation made by audit, the gratuity expenses relating to the year under review amounted to Rs.3,122,471 but it had been shown as Rs.1,752,096 in the financial statements. As a result, the surplus of the year under review and the balance of the provision for gratuities account had been overstated and understated by Rs.1,370,375 respectively.

(e) As the printing cost of Rs. 114,000 incurred on research books relating to the year under review had been accounted to the prior year adjustment account, the year's surplus had been overstated by that amount.

(f) As the depreciation on 5 items of fixed assets valued at Rs.3,705,040 purchased during the year under review had not been made, based on the date of purchase, the year's depreciation had been overstated by Rs.373,411 and the surplus of the year and the net value of property, plant and equipment had been under stated by that amount.

(g) Expenditure amounting to Rs.1,044,593 paid in the year under review but relating to the year 2016 had been adjusted to the year's surplus instead of adjusting to the prior year adjustment account and as such the surplus of the year under review had been understated by that amount.

(h) According to the remittance notices relating to the year under review, the 12 per cent EPF contributions of the Commission amounting to Rs.5,907,230 but according to the Employees Provident Fund Account it was accounted as Rs.7,501,011 and as such the expenditure of the year under review had been overstated by Rs.1,593,781.

(i) Even though the payment of contributions to the Employees Trust Fund relating to the year under review amounted to Rs.1,475,814, according to the financial statements it had been brought to accounts as Rs.1,356,698, resulting an understatement of the year's expenses by Rs.119,116. Further, the employees Trust Fund contributions payable amounting to Rs.122,086 had been omitted from accounts.

(j) As the distress loan instalments of Rs.162,612 recovered from the salaries of December 2017 had not been accounted to the distress loan advance account, the balance of the distress loan advance account as at 31 December 2017 had been overstated by that amount.

(k) The value of 22 journal entries amounting to Rs.395,205 passed for the settlement of advances during the year under review had been brought to account twice and as such the expenses of the year had been overstated whereas the balance of the receivable employees advance account had been understated by that amount.

(l) Furniture and equipment valued at Rs.540,800 received by the Commission in the year under review had not been brought to accounts.

(m) As the journal entry No.143 passed to account the salaries of April 2017 paid had been posted to the ledger twice, salaries and wages, relevant liabilities and revenue accounts had been overstated by Rs.4,707,763 each.

Further, according to the financial statements for the year 2017, the salaries and wages expenses amounted to Rs.47,807,117 but according to the computation made by audit, that expenditure amounted to Rs.51,001,833 and as a result, the salaries and wages expenses had been understated by Rs.3,194,716.

(n) Due to non-adjustment of salary abatements relating to the salaries of Rs.1,374,087 paid to the permanent staff during the period May to December 2017 to the relevant accounts by journal entries, the relevant abatement accounts had been understated by that amount.

(o) A sum of Rs.775,620 posted to the ledger by journal entry No.385 for the rectification of opening balance of the provision for depreciation on fixed assets as at 01 January 2017, had not been shown in the financial statements and as such the balance of the accumulated depreciation account had been overstated by that amount as at 31 December 2017.

(p) Evaluation charges of Rs.23,627,595 paid in the year under review had included the charges paid for the years 2015 and 2016 and the specific information in that regard was not made available to audit. However, audit test check observed that evaluation charges of Rs.3,906,715 paid during the month of October 2017 had included a sum of Rs.932,965 related to the year 2016 and as such it was observed in audit that the expenses relevant to the previous year had been accounted under current year.

(q) The Chairman's monthly allowance of Rs.75,000 relating to the month of May 2017 and the evaluation charge of Rs.12,300 had been posted to the cash book as well as to the relevant expenditure account thrice and the expenses of Rs.196,300 paid by 12 cheques had been posted to the cash book as well as to the relevant expenditure accounts twice and as such the balance of the cash book and the relevant expenditure had been understated and overstated by Rs.370,900.

(r) Sundry expenses of Rs.1,149,142 relating to the year under review but paid in the year 2018 had not been accounted as accrued expenses in the year under review and as such the surplus of the year and the accrued expenses as at 31 December 2017 had been overstated and understated respectively by that amount.

(s) Differed revenue grants account to be stated in the statement of financial position prepared as at 31 December 2017 under "equity" Head, had been shown under non-current liabilities.

2.2.4 Unexplained Differences

The following observations are made.

(a) According to the financial statements as at 31 December 2017 the balance of 3 employees loan accounts amounted to Rs.8,438,717, but according to the detailed schedules presented to audit, the total of such accounts amounted to Rs.6,431,601, thus being observed a difference of Rs.2,007,116.

(b) According to the Trial Balance as at 31 December 2017, the total balances of 10 items of accounts amounted to Rs.74,172,354 whereas the total of such balances according to the ledger amounted to Rs.68,234,831. As such a difference of Rs.5,937,523 had existed between the trial balance and the ledger accounts. Details are as follows.

	Item of Account	Value as per the trial balance	Value as per the Ledger
		Rs.	Rs.
1.	Loans of the Commission	1,012,319	950,875
2.	Loan interest of the Commission	39,772	43,491
3.	Advances	259,000	9,000
4.	Distress Loans	6,731,598	7,069,548
5.	Interest on distress loans	379,658	402,445
6.	Festival Advances	694,800	679,800
7.	NVQ testing charges	10,623,090	10,625,089
8.	Bank Account (PB-12268324)	4,208,448	1,219,682
9.	Grants refundable (Touch your future)	11,028,098	9,881,092
10.	Refundable grants (World Bank)	39,195,571	37,353,809
	Total	74,172,354	68,234,831

(c) According to the trial balance as at 31 December 2017, the total balances of 9 items of accounts amounted to Rs.30,852,444 but according to the financial statements it was Rs.32,830,312 and as such there was a difference of Rs.1,977,868 between the trial balance and the financial statements. Particulars are given below.

	Item of Account	Value as per the financial statements	Value as per the trial balance
		Rs.	Rs.
1.	Accumulated Depreciation		
	- Computers	21,484,361	20,924,366
2.	Accumulated Depreciation		
	- Office Equipment	5,694,175	5,478,548
3.	Year’s depreciation		
	- Computers	3,044,802	2,484,807

4.	Year's depreciation		
	- Office Equipment	977,267	761,642
5.	Evaluation Charges	-	11,500
6.	Main cash Transfer Account	-	6,000
7.	Recovery of PAYE Tax payable account	-	8,449
8.	Prior year adjustments	1,157,183	1,177,132
9.	Touch your Future Program (Others)	472,524	-
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	Total	32,830,312	30,852,444
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2.2.5 Lack of Evidence for audit

The following observations are made.

(a) As all serially numbered payment vouchers and the cheque counter foils with voucher numbers were not made available for audit, a sufficient and fair audit could not be carried out. Furthermore, due to non-maintenance of ledger accounts, including the cash book properly, it could not be established in audit the correctness and completeness of transactions and balances appeared in the financial statements.

(b) As the bank reconciliation in respect of the year under review had not been properly prepared, the correctness of the bank reconciliation statements could not be established in audit.

2.3 Accounts Receivable and Payable

The following observations are made.

(a) Action had not been taken to recover a sum of Rs.167,895 due from a private entity since the year 2007 included in the accounts receivable balances.

(b) Seven employees loan balances totalling Rs.117,140 lapsed for more than 5 years and shown in the financial statements had not been settled even by 31 December 2017.

2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed.

	Reference to law, rules etc.	Non-compliance
(a)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
	(i) Financial Regulation 272(1), (3)	In terms of the Financial Regulation, all paid vouchers should be forwarded to audit monthly not later than 6 weeks from the end of the month to which they relate. However, 155 paid vouchers relating to the year under review, had not been forwarded to audit even by 15 October 2018, the date of audit.
	(ii) Financial Regulation 341	A register of counterfoil books had not been maintained in terms of the Financial Regulation.
	(iii) Financial Regulation 372	An advance register in respect of advances given to the officers of the Commission for various purposes had not been maintained.
	(iv) Financial Regulation 396	Action in terms of Financial Regulation had not been taken in respect of 147 cheques valued at Rs.1,321,122 issued but not presented to the bank as at 31 December 2017, lapsed for periods from 7 months to 2 years.
	(v) Financial Regulation 454(1)	An Inventory Register to record the inventory article used by the Commission had not been maintained.
(b)	Public Finance Circular No.05/2016 of 31 March 2016	Even though, boards of surveys had been appointed on 22 December 2017 and 04 October 2018 for the annual survey of goods in the year 2017 by the Commission, board of survey reports for the year 2017 had not been forwarded to the Auditor General even by 10 November 2018.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Commission for the year ended 31 December 2017 had resulted a surplus of Rs.16,912,796 as against the deficit of Rs.15,982 for the preceding year thus indicating an improvement of financial results by Rs.16,928,778 in the year under review, as compared with that of the preceding year. Even though, the overall expenditure of the year under review had increased by Rs.3,281,150 as compared with the preceding year, increase of government recurrent grants and operating income by Rs.12,088,546 and Rs.4,658,896 respectively had mainly attributed to this improvement.

In analysing the financial results of the year under review and the preceding 4 years, the deficit of Rs.4,846,384 in the year 2013 had improved to a surplus of Rs.16,912,796 by the year 2017. However, when the employees remuneration and depreciation on non-current assets had been re-adjusted to the financial results, the contribution of Rs.39,198,869 in the year 2013, had improved to Rs.87,726,750 by 2017.

3.2 Legal events initiated against and by the Commission

The Commission had filed a case against a private party for the recovery of financial assistance and one case against the Commission had been field by a private party. This had not been disclosed in the financial statements.

4. Operating Review

4.1 Performance

4.1.1 Planning

The following observations are made.

(a) The corporate plan prepared by the Commission for the period 2014 – 2018 had not been updated relating to the year under review.

(b) Even though the performance report should have been prepared in a manner to show the progress of the functions stated in the Action Plan prepared by the Commission for the year 2017, it had not been prepared accordingly.

4.1.2 Operations and Review

The following observations are made.

(a) The key function of the Commission in terms of the Act is that the supervision and cautiousness of awarding NVQ certificate method introduced by the Commission as a method of awarding certificates nationally recognised. Nevertheless, there were delays in all steps such as the appointment of evaluators, evaluation payments to evaluators and the issue of certificates due to insufficient resources in the Commission therefor. Further, the following matters observed that the supervisory functions of awarding NVQ certificates were not adequately carried out.

(i) Even though it was planned to evaluate 360 institutions consisting of 150 public sector Vocational Training Institutes and 210 private sector Vocational Training Institute in the year 2017 for the registration, according to the performance report, only 210 consisting of 37 and 173 institutions respectively had been evaluated. Accordingly, the overall achievement of performance attained was only 58 per cent.

(ii) Even though, it was planned to evaluate 500 courses for accreditation newly, comprising 400 vocational training courses conducted by the public sector and 100 vocational training courses conducted by the private sector in the year 2017, according to the performance report, only 273 courses comprising 195 and 78 courses respectively had been evaluated. Accordingly, the overall achievement of performance attained was 55 per cent.

(b) Even though, it was planned to print and distribute 2 periodical magazines in the year 2017, only one magazines had been printed and distributed.

(c) Even though, it was planned to establish quality management systems for 90 training centres during the year under review under the Skills Sector Development Project Funds, only 65 centres had been established during the year under review.

(d) According to the targets of the project Action Plan for the period 2014-2020, four Skills Councils had been set up by the end of the year under review for constructions, information and communication technology, light Engineering and production and Hospitality and Tourism Sectors. The following observations are made in that connection.

(i) Although a sum of Rs.11.64 million had been spent for three Skills Councils in the year 2017, the annual action plan and the performance reports thereon had not been presented.

(ii) Affairs of the Councils not supervised either by the Ministry or the Skills Development Project.

(iii) According to the Business plan, earing of income should commence since the year of commencement of the Councils, such a methodology had not been adapted.

(iv) Annual accounts of those entities, operated as companies limited by guarantee not presented to the Auditor General.

4.2 Management Activities

The following observations are made.

(a) The contract for a value of Rs.6,575,375 had been awarded on 24 November 2016 subject to a contract period of one month to arrange the 8th floor of the building suitably belonged to the Ministry where the Commission was located in the 3rd floor to provide additional accommodation. The following observations are made in this regard.

(i) Before being developed the 8th floor, no feasibility study was carried out. An agreement had not been entered into between the Ministry and the Commission even up to 07 September 2018, the date of audit in respect of the use of the 8th floor for the affairs of the Commission.

(ii) According to the contract agreement, the development work of the above 1st stage had not been completed within the specific period and the contract had been completed on 23 May 2017 after delays of 142 days. The period of contract had not got extended and the demurrage charges thereon to be recovered amounted to Rs.466,856 but only a sum of Rs.144,658 had been recovered.

(iii) As the first design for the development of the 8th floor was incomplete, bids were called in September 2017 again for the development of items not included in the first design. However, without awarding the contract for the minimum bid value of Rs.6,552,695 recommended by the Evaluation Committee, bids had been called for again and the contract had been awarded on 29 December 2017 for a sum of Rs.7,628,324 for the contract period of 90 days.

(iv) Even though, a sum of Rs.9,769,691 had been spent by 31 December 2017 for 2 stages of the development of the 8th floor, the report presented to the Commission by the Central Engineering and Consultancy Bureau (CECB) on 31 October 2018 stated that the 8th floor was not in a suitable position for office purposes of the commission and as such it had to be fully developed again.

(v) In terms of the letter of the Deputy Director dated 02 March 2018, equipment and documents belonged to the Commission kept in the 8th floor, were damaged due to leaking rain water. The cost of damage had not been assessed and only a sum of Rs.22,000 had been recovered for a 2 office tables from the contractor.

(b) In terms of Section 14(1) of Chapter III of the Tertiary and Vocational Education Act No.20 of 1990, without being registered under this Section, establishment, management, operation or control should not be done by any entity for the provision of tertiary and Vocational Education. However, according to a research conducted in the year 2014, the total number of Vocational Training Institutions amounted to 2701 out of which 1080 Vocational Training Institutions or about 40 per had been registered with the Commission. As the registration of those institutions should be renewed once in 2 years, the number of registered institutions by the date of audit on 01 October 2017 had decreased to 692. According to the reply of the Director General, it was stated that legal action against the unregistered institutions and the institutions not renewed the registration could not be taken as lack of provisions in the Act.

(c) Even though specific courses in any tertiary or/ and Vocational Education should not be conducted without being registered in terms of Section 15(1) of Chapter III of the Tertiary and Vocational Education Act No.20 of 1990, according to a research carried out in the year 2014, the number of courses registered in the Commission for National Skills Qualification Level amounted to 2442. As the registration of courses had not been renewed once in 2 years as specified, the number of registered courses had reduced to 1625 by the time of audit on 01 October 2017. The Commission had not adapted a specific methodology to register all training institutions and courses had caused therefor.

(d) Even though the Commission does not have sufficient number of staff members to establish whether the training institutions and trainees are followed rules and regulations enacted by the Act by way of an institutional testing method, examiners had been recruited to the National Apprentice Industrial Training Authority established under this Act to perform such duties in terms of sections 50 and 51 of the Act. However, the management of the Commission had not paid attention to get it done by those examiners.

(e) Action had not been taken to identify the responsible parties in respect of inactivating the computer system of the Commission since 09 May 2017 and for not keeping backups by conducting an inquiry even up to September 2018, the date of audit.

4.3 Operating Activities

The following observations are made.

(a) A programme had been implemented by the Commission for granting financial assistance to institutions registered with the Commission in order to improve the courses conducted now by those institutions as Skills standard courses. The following matters were observed in this connection.

(i) Applications had been forwarded by 104 centres belonging to the public sector 3 institutions in the year 2017, requesting financial assistance. Of these, only 6 courses of the 3 centres belonged to the Vocational Training Authority of Sri Lanka had been evaluated and recommended to grant 382 items of equipment. However, financial assistance had not been granted to any of the government or onerous sector, during the year.

(ii) Even though, applications for obtaining financial assistance had been presented by 52 private sector entities in the year 2017 for the improvement of courses financial assistance of Rs.2,686,526 had been given only to one Vocational Training entity of them.

(iii) The objective of granting financial assistance to public and private sector Vocational Training Institution is to accredit the identified courses in accordance with National Skills Standards and to bring them into National Vocational Qualification Level (NVQ). Nevertheless, the financial assistance of Rs.3,285,890 had been given from 2012 to 2016 relating to 18 courses but, any of those courses had not been accredited even by the date of audit on 05 October 2018.

(iv) A sum of Rs.10,427,342 given by the Commission to the Vocational Training Authority of Sri Lanka from 2011 to 2014 for the purchase of equipment required for the accreditation of courses, it had retained idle in the accounts of the Vocational Training Authority even by 31 December 2017 without being utilized for the intended objective.

(b) The establishment of quality Management Systems for the quality certification requirement of the Vocational Training Centres which conduct NVQ courses had been assigned to the Commission and a sum of Rs.4 million had been spent thereon during the year 2017. The following matters were observed in that regard.

(i) Thirty three quality management auditors including 20 internal officers and 13 external officers had been trained as Chief Auditors. However, when external officers were recruited as auditors, required qualifications and criteria had not been identified and 10 of those officers had not involved in any audit function.

(ii) While 6 out of internal offices had engaged in 27 to 35 audit functions, 14 officers had engaged in 1 to 16 audit functions. It was observed that external officers had been employed in audit works less than audit work as compared with the internal officers.

(iii) Preparedness had been made by the Vocational Training Authority and the National Apprentice and Industrial Training Authority in the year 2017 to enter into this method and a sum of Rs.25.83 million had been spent therefor but those centres had not been audited by the Commission.

(iv) A formal methodology for the establishment of quality Management System and a methodology to ensure whether the selection of institutions for audit, recruitment of audit officers are carried out with transparency had not been introduced.

(v) According to the decisions of the Commission made available to audit, the Commission had changed the quality certification charges for 3 times during the period of 3 years from 2015 to 2017 as Rs.50,000, Rs.25,000 and Rs.7,500.

(vi) On the contrary to paragraph 4.5 of Chapter XIV of the Establishments Code, transport allowances, lodging allowances and prior day allowances amounting to Rs.3,500, Rs.2,000 and Rs.500 per day had been paid to the internal officers employed for audit functions of the establishment of quality management systems and the approval of the Treasury had also not been obtained therefor.

4.4 Idle and Under -utilised Assets

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Even though, a motor vehicle costing Rs.2,150,000 belonged to the Commission had been inoperative since 18 September 2017 it had become idle even by 25 October 2018, the date of audit without being repaired.

4.5 Personnel Administration

The following observations are made.

(a) The approved and actual cadre of the Commission in the year under review was 116 and 96 respectively. Vacancies included the very essential posts of the Deputy Director General, 2 posts of Directors and 4 posts of Deputy Directors.

(b) Exterior to the approved scheme of Recruitment of the Commission and not within the approved cadre, approval had been obtained from the Board paper No.218/18 for the post of Coordinating Reconstruction and Training Development. Accordingly, 3 officers had been recruited in several occations during the short period from 01 October 2017 to 21 October 2018 on contract basis and paid a sum of Rs.714,665, thereon.

4.6 Utilisation of Funds

A sum of Rs.3,300,000 received from the International Labour Organization in the years 2012 and 2013 had been invested in 3 fixed deposits without the approval of the Board of Directors and the Treasury and contrary to the objectives of the Commission.

5. Sustainable Development

5.1 Reaching Sustainable Development Goals and Targets

According to the Letter No.NP/SP/SDG/17 of 14 August 2017 issued by the Secretary to the Ministry of National Policies and Economic Affairs, every public entity should act in accordance with the 2030 agenda on Sustainable Development of the United Nations. Nevertheless, the Commission was unaware about how the Commission should perform its functions come under the scope of the Commission. As a result, Sustainable Development Goals in respect of its functions, targets and turning points to reach those targets and indicators to measure the achievement of targets had not been identified.

6. Accountability and Good Governance

6.1 Presentation of financial statements

Even though, the financial statements should be presented to audit within 60 days after the closure of the financial year in terms of Public Enterprises Circular No.PED/12 of 02 June 2003, the financial statements for the year 2017 of the Commission had been presented to audit on 07 September 2018 after a delay of 190 days.

6.2 Internal Audit

The approval cadre of the Internal Audit Division was 5 but 2 assistant director's posts thereof had been vacant and as such a sufficient audit had not been carried out in the year under review. Four officers of the approved cadre of the internal audit division had been at supervisory level but only 2 officers had been working as supervisory level.

6.3 Budgetary Control

When the budgeted income and expenditure is compared with the actual income and expenditure, variances ranging from 20 per cent to 148 per cent were observed. Thus, the budgeted had not been made use of as an effective instrument of management control.

6.4 Unresolved audit paragraphs

As stated in the paragraph 4.4(b) of the Auditor General's report for the year 2016, the internal applicants, applied for the posts in the management service category should complete a satisfactorily service period of 5 years in grade 1 of the junior management service category as per section 4.1.2. However, 6 officers who had not completed the service experience specified in the lower management level had been recruited to the posts of Assistant Directors. Furthermore, the Interview Board had not given marks fairly to all applicants for their additional qualifications and experience, even though the marking scheme was identified.

7. Systems and Controls

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

Areas of Systems and Control	Observation
(a) Accounting	(i) All paid vouchers relating to the year 2017 not entered to the new computer accounting system. (ii) As backups had not been properly maintained, computerised data had completely destroyed since the computerised accounting system had inactivated in May 2017.
(b) Financial Control	(i) Non-utilisation of provisions given by the Skills Sector Development Project. (ii) Bank Reconciliation not properly prepared.
(c) Human Resources Management	Non-introduction of a sufficient systems and controls for the assessment of the requirement of evaluators recruitments and making payments.
(d) Safe Custody of documents	In rendering paid vouchers to audit they had been submitted with outstanding vouchers, they were not checked by a responsible officer and not taken appropriate steps to safeguard vouchers.