Tertiary and Vocational Education Commission - 2018

1.1 Qualified Opinion

The audit of the financial statements of the **Tertiary and Vocational Education Commission** for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the commission as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for qualified opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the commission's financial Reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Commission is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the commission.

1.4 Responsibility of the Auditor on Audit financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following.

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Commission, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Commission has complied with applicable written law, or general or special directions issued by the governing body of the commission.
- Whether the Commission has performed according to its powers, functions and duties; and

- Whether the resources of the commission had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws,

1.5 Financial Statements

1.5.1 Internal control over the preparation of financial statements

Entities are required to "devise and maintain" a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management's general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management's general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

1.5.2 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Following observations are hereby made.

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
(a) Even though assets and liabilities should not be set off at any occasion except where it is required or permitted to do so as per the para 48 of Sri Lanka Public Sector Accounting Standards No 01, Rs. 1,024, 520 , the total of 23 credit balances has been set off from Rs. 4,102,112, the total of 39 debit balances as at 31 December 2018 and Rs. 3,077,593 has been shown in financial statements as advances under current assets.	This is an inadvertency occurred in the preparation of accounting data and necessary action has been taken to rectify the mistake in the annual report.	

(b) When the cash flow statement is prepared as per para 30 (b) and (c) of Sri Lanka Public Sector Accounting Standard 02, Rs. 995,698, which is the gratuity paid in cash and to be shown as a cash outflow under non-financial items, has been set off from Rs. 4,042,534, which is the provision for gratuity in relation to the year under review, and Rs. 3,046,836 has been shown as provision for gratuity under non- cash items.	The difference between the closing balance of the previous year and the closing balance of the year under review has been indicated in the cash flow statement as the value of gratuity. Action has been taken to reveal separately the amount paid in cash and allocations of the relevant year in the annual report. .	It is required to include financial statements which have been audited and certified and no revisions are allowed to such statements. Further action should be taken in the preparation of financial statements in future years to make them conforming to Accounting Standards.
(c) Even though the differed income relevant to the year under review is Rs. 8,958,303 in the preparation of cash flow statement as per Sri Lanka Public Sector Accounting Standards No 02, it has been shown as Rs. 5,271,703 under non-financial items..	At this occasion difference between the closing balance of the previous year and the closing balance of the year under review has been shown as the value of the differed income in the cash flow statement. Action has also been taken to show them separately in the annual report.	
(d) Rs. 1,943,990 received from General Treasury as capital grants and Rs. 1,578,074 received from Skill Sector Development Project during the year under review have not been shown as a cash inflow as per Sri Lanka Public Sector Accounting Standards No 02.	Values of the assets purchased to the value of Rs. 1,943,990, from the grants from General Treasury and the assets to the value of Rs. 1,578,074 purchased from the allocations made from Skill Sector Development Project have been shown under the heading ‘ flows incurred from investment activities’ during the year under review.	Answers have not been given as per the observation. Therefore it is requited to follow Accounting Standards when accounts for future years are prepared.

(e) It is required to make a verification of property, plant and equipment based on the change in the fair value of them as per as per para 47 of Sri Lanka Public Sector Accounting Standards No 07. When the changes in fair value are not at significant level, verification should be made once in every three or five years. However no verification has been made on Rs. 29,296,226, which is the net value of assets shown in the statement of financial position at the end of the year under review after year 2008.	Action has been taken to make verification on property, plant and equipment.	Verification of assets should be made as per relevant accounting standards.
(f) As a result of not reviewing the productive life time of non-current assets annually as per para 65 of Sri Lanka Public Sector Accounting Standards, the assets to the cost of Rs. 100,694,617 have been totally depreciated but they were in use further after depreciation. Action has not been taken to rectify the estimated defect incurred in such a way as per Sri Lanka Public Sector Accounting Standards No 03.	Since the depreciation is made on the reducing balance it is hereby stated that assets have not been fully depreciated. However instructions have been given to make a revision after reviewing the productive lifetime of the assets as per para 65 of Sri Lanka Public Sector Accounting Standards No 07.	The productive life time of non- current assets should be reviewed annually as per relevant accounting standard.
(h)Even though it is required to make a creditable estimate applying methods to value the lifetime , when the allocations for gratuity are calculated as per para 61 of Sri Lanka Public sector Accounting Standards No 19, the Commission has made allocations for gratuity of Rs. 16,754,188 based only on the salary drawn to officer for the last time and the period of service.	So far the allocation of gratuity has been calculated by taking the half of the salary earned by an employee for the last month of the year and then multiplying it by the period of service. However instructions have been given to calculate the allocation for gratuity applying methods to value the lifetime as mentioned by the audit.	When allocations for gratuity are made relevant to future years, applying methods to value the lifetime should be applied as per accounting standard.

1.5.3 Accounting Policies

Audit Observation	Management Comments	Recommendation
Even though cash, bank balances and investments of which the period of maturity is less than three months should be included in cash and cash equivalents as per para 09 of Sri Lanka Public Sector Accounting Standards No 03, it has been informed that only the cash in bank has been included as per the policy identified by the institution.	It is accepted that only the cash in bank has been included in cash and cash equivalents under accounting policies. However action will be taken in future years to include investments also as mentioned under notes to financial statements.	This should be rectified in the preparation of accounting statements in the next year.

1.5.4 Accounting deficiencies

Following observations are made in this regard.

Audit Observation	Management Comment	Recommendation
(a) Since the total amount of Rs. 1,959,974 paid in the year under review relevant to previous years has been accounted as the expenses of the year under review, the surplus of the year under review has been understated by the above amount.	Action has been taken to account the expenses relevant to previous years , which were accounted as expense of the previous year, by the adjustment account for previous years.	Action should be taken to account income and expenditure by way of identifying them correctly in relation to the year.
(b) The amount of Rs. 940,628 which is the contribution to be made to Employees Provident Fund and Employees Trust Fund relevant to December 2017, has not been accounted as an accrued expense of the previous year, the amount paid for the same has been adjusted during the year under review to accrued expenses account.	Instructions have been given to rectify the contribution to employees provident fund for 2018 by way of adjusting Rs. 820,530 , which is the amount relevant to December 2017, by the account for previous year.	Financial Statements, which have been certified after auditing, should be included in the annual report. Action should be taken to account direct debits made by the Bank identifying them properly.
(c) The contribution to the value of Rs. 1,683,048 which has been paid through banks relevant to three months of the year under review, has not been accounted. Therefore the cash balance	Action is taken to apply double entries for Rs. 1,683,048, which are the direct debits made to Employees Provident	

and the outstanding balance of the EPF account has been overstated in financial statements by the same amount. .	Fund in relation to June, October and December and further instructions have been given to reveal it in the annual report.	
(d) The books and certificates to the value of Rs. 3,456,740 which should be identified as the closing stock as at 31 December 2018, have been accounted as an expense of the year. Therefore the surplus and closing stock of the year have been understated by such amount.	Student Records Books were not available as at 31 December 2018 and the cost of the remaining stationary and certificates were accounted as the closing stock. Accordingly instructions have been given to calculate the value of other printed books as pointed out by the audit and to reveal the value of the same in the annual report.	Financial Statements, which have been audited and certified, should be included in the annual report and action should be taken to adjust expenses in correct ledger accounts. .
(e) The total of the expenses to the value of Rs. 1,696,187 relevant to year under review has been accounted considering them as relevant to previous year. Therefore the surplus of the year under review has been overstated by the same amount.	Instructions have been given to examine the total of the expenses to the value of Rs. 1,696,187 accounted relevant to previous year and to rectify the same as pointed out by the audit.	Expenses relevant to the year should be accounted identifying them correctly. .

1.5.5 Control accounts or reports not reconciled

Subject	Value as per financial statements	Value as per corresponding reports	Difference	Management Comment	Recommendation
	Rs.	Rs.	Rs.		
Distress loan	7,357,304	6,977,460	379,844	Instructions have been given to examine the register of distress loan and to study further regarding the difference and then to rectify it before the submission of annual report.	Financial Statements, which have been audited and certified, should be included in the annual report. Further action should be taken to include correct balances reconciling them with the relevant documents when the balances are included in financial statements.

1.5.6 Lack of evidence for auditing

Subject	Amount	Audit evidences not submitted	Management comment	Recommendation
	Rs.			
Balance of the staff advance	1,879,170	Comprehensive documents	Instructions have been given to submit a comprehensive document regarding the balance of Rs. 1,879,170 included in the balance of advances.	Comprehensive documents required for the audit should be prepared and submitted.

1.6 Accounts receivable and payable

1.6.1 Cash receivable

Audit Observation	Management Comment	Recommendation
(a) It was observed that Rs. 1,020, 695 , which is remaining outstanding for a period from 2- 11 years are included in the balance of Rs. 24,099,614 shown as balances receivable during the year under review.	Legal action has been taken to recover Rs. 167,895 out of the amount and action has been taken to make rectifications in due course as the income has been increased doubling by Rs. 716,000.	Action should be taken to recover the outstanding amounts and further to rectify the defects in accounting balances.
(b) An amount of various loans amounted to Rs. 308,613 is remaining unrecovered from 15 officers who are still in service and who have resigned from service..	Action is taken to recover due amounts.	Action should be taken promptly to recover the outstanding amounts.

1.6.2 Cash payable

Audit Observation	Management Comment	Recommendation
The balance of Rs. 5,935,975 included in the balance of Rs. 11,389,396 to be paid by 31 December of the year under review has not been settled for a period from 01 -08 years.	Action was taken to make payments after inspection.	Action should be taken promptly to settle the outstanding amounts.

1.7 Non-compliance to laws, rules, regulations and management decisions

Following instances regarding to non- compliances were observed. .

Reference to laws, rules, regulations	Non compliance	Management comment	Recommendation
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(I). Financial Regulations 135	An officer, to whom the powers on finance control have not been delegated, has certified 200 payment vouchers to the value of Rs. 8,903,532.	Since the payments to appraisers have been delayed for 03 years, the payment vouchers have been certified by the Assistant Director of the Accounts Division depending on the requirement to settle payments promptly. However process for delegation of powers has been fulfilled in 2019 when powers on financial matters have been delegated.	Action should be taken to delegate financial powers as per financial regulations.

(II). Financial Regulations 257	Payments have been made to 403 payment vouchers to the value of Rs. 19,182,032 without certifying and contrary to financial regulations.	Here certification of expenses is made by the computerised accounting package and therefore signing of it has been omitted. However the system has been established with control method ensuring further actions only after the approval of expense by the officer through accounting package.	Since the payment of money to an uncertified voucher is considered as invalid as per financial regulations, payment vouchers should be certified by relevant officers.
(III). Financial regulations - para 371 (2) (b) and Public Finance Circular No 3/2015 dated 14 July 2015.	i. Issuance of interim imprest for the said work should be made only to a staff officer but the Commission has , at 85 occasions, issued interim imprest to the value of Rs. 3,327,069 to 15 Management Assistants contrary to the provisions.	Even though advances have been issued to Management Assistants depending on the requirements, action has been taken to issue advances only to staff officers as instructed by the audit.	Action should be taken as per financial regulations and provisions of relevant circulars.
	ii. Even though it is possible to issue interim imprest to the maximum limit of Rs. 100,000 to only a staff officer for a specific task, the Commission has issued interim imprest between the range from Rs. 115,000 to Rs. 378,000 at 20 instances contrary to the provisions.	Action has been taken to issue advances to a staff officer up to Rs. 100,000 at one occasion as per revised financial regulations of 2015 following the instructions given by audit.	Action should be taken as per financial regulations and provisions of relevant circulars.

(IV).Financial Regulations 371 (5) and 373	Even though the settlement of the imprest should not be delayed beyond 31 December of the financial year in which imprest has been issued, the imprests to the value of Rs. 7,877,446 issued during year 2017 and 2018 at 10 instances have not been settled by 31 December 2018.	Since skill sector councils are functioning as a private institution, the financial year for the institution is treated as 31 March of the year. Since it takes time to approve and pay money of the government up to February and March, these settlements are delayed due to practical issues such as unavailability of money with skill sector councils to pay the salaries of the officers. However instructions have been given to perform all financial matters by 31 December from year 2018.	Imprest should be settled as per referred regulations. .
(V).Financial Regulations 372	The examination of interim imprest should be made once in every month by the Head of Department or Regional Head or any other officer authorised for the purpose. However no such examination has been carried out regarding the advances issued to skill sector councils .	The monthly discussion of the Chairmen of skill sector councils has been chaired by the Director General of the Commission and necessary guidelines have been provided at such discussions considering the tasks performed monthly and future plans.	Imprests provided to sector councils should be examined as per referred regulations.

(VI). Para 395 (b) and (c) of Financial Regulations	Bank reconciliation statements have not been prepared relevant to a bank account maintained at the Commission for the period from January 2018 up to July 2019.	The delay occurred in the inclusion of financial data to new package after the breakdown of accounting package of 2017 has affected for this situation and action is taken to make bank reconciliations relevant to year 2018 during September 2019. Action will be taken to complete bank reconciliations of 2019 within next two months.	Bank reconciliation statements should be prepared properly as per referred regulations.
(b) Para 9.3.1. (vii) of Public Enterprises circular No PED/12 dated 02 June 2003.	Even though appointments to act in posts have been made at special occasions, they should not be continued beyond three months. However acting appointments have been made to 11 posts in higher management for periods from 05 months up to 28 contrary to above requirement.	Permanent appointments have been made to the post of Director General and Deputy Director General during year 2019.	Appointments to act in the posts should be made as per referred circular.
(c)Para 2.1. of the Treasury Circular No 842 dated 19 December 1978	Action has not been taken to maintain a fixed assets register.	A fixed assets register is maintained and instructions have been given to submit it for auditing rectifying the present weaknesses.	Fixed assets register should be maintained with necessary updating.
(d) Para 3.1.6. of Public Finance Circular No 05/2016 dated 31 March 2016.	Even though the reports of board of surveys of previous year should be referred to Auditor General before 17 March of each financial year, such reports of board of survey relevant to year 2018 have not been submitted even by 09 August 2019.	Instructions have been given to conduct board of survey relevant to year 2018 on 07 September 2019 and further to prepare and submit them correctly.	Board of survey should be conducted on due date as per referred regulations and reports should be submitted to Auditor General.

1.8 Common control methods of IT

Audit observation	Management comment	Recommendation
Since the Thibus computerised accounting package applied for accounting activities of finance division has become inactive from 09 May 2017, all data fed to the system have been corrupted. Further no recognized precautions have been followed to store data outside the computer it has become impossible to recover data. Even though this has been revealed by the final report of the Auditor General No VTY/E/TVEC/1/17/19 dated 08 February 2019 no inquiry has been made up to 31 July 2019 in this regard.	It has been planned now to take action as mentioned here by appointing a committee by Director General to conduct an investigation.	Responsible officers should be identified by way of conducting an investigation promptly.

2. Financial Review

2.1 Financial Results

The operational result of the year under review is a surplus of Rs29,585,644 and the surplus of the operational result of the previous year is Rs. 16,912,796. Accordingly an increase in the operational result is observed by Rs. 12,672,848. The increase in the income has served as the main reason for the growth.

2.2 Trend analysis on main income sources and expenditure subjects

When the main income sources and expenditures of the Commission are compared with the same of the previous year, an increase by 16% is observed in the total income comparatively to previous year and the total expenditure has marked an increase by 11.25%. The increase in treasury recurrent grants and operational income in the year under review by 07% and 132% have caused for this increase in total income and in the meantime the increase in wages and emoluments and operational expenses by 19% and the decrease in travelling expenses by 66% have caused for the increase in total expenditure.

2.3 Ratio analysis

The current ratio of the Tertiary and vocational Education Commission , which is 3.8 in year 2017, has marked an increase up to 5.74 by year 2018. Comparatively to the previous year it has marked an increase by 1.94.

When the quick assets ratio is considered, it has marked an increase from 3.58 of year 2017 up to 5.48 in year 2018.

3. Operational review

3.1 Identified losses

Audit observation	Management comment	Recommendation
6769 Books to the value of Rs. 2,119,675 in 13 categories , which have been received to the library for the sale from year 2016 to 2018, have been issued to outsiders without obtaining money and making an entry in the inventory that they are issued on the verbal instructions of the chairman.	These books have been issued free of charge on the verbal instructions of the then chairman for the workshops conducted for the promotion of English in training field and vocational workshop. Every action has been taken to prevent such situation in future.	No approval for the distribution of books free of charge, which were for the sale, has been submitted at the audit. Action should be taken to recover from the responsible parties the loss caused as a result of issuing books free of charge to outsiders on verbal instructions.

3.2 Management inefficiencies

Following observations are hereby made in this regard. .

Audit observation	Management comment	Recommendation
(a) 7354 books to the value of Rs. 1,300,645 in 15 categories , which have been provided in year 2016 to issue to the apprentices following vocational training after getting them printed from a private institution by treasury grants, have been retained in the library without issuing.	6800 books to the value of Rs. 744,800 in 5 categories are the English language books in for NVQ. However the demand for these books marked a decline as a result of the policy decision taken not to allocate NVQ for English language. However other 554 books in 10 categories to the value of 554,845 have been distributed among relevant parties. Further a considerable number of books is retained at the library for reference.	Distribution of books should be made with a proper approval in order to minimize the loss caused to the institution.

(b)	The error made in the writing off an amount of Rs. 3,192,829, under contracted services in previous year, which are shown as unidentified expenses in the preparation of comprehensive statement of income in 2017, has not been rectified in year 2018.	The transfer for adjustment account, which has been accounted under contracted balances in 2017, is now being examined for making necessary entries.	This should be rectified in the preparation of financial statements in the previous year.

3.3 Operational inefficiencies

Following observations are made in this regard.

	Audit observation	Management comment	Recommendation
a)	Even though 28 fields have been identified by Tertiary and Vocational Education Commission for conducting vocational training courses, it was observed that 15 fields were not covered by 04 Skill Councils managed under Commission.	Even though it has been planned at the beginning to establish 10 skill sector councils by sector development project, later allocations have been made only for 04 skill sector councils.	Action should be taken to develop courses in order to cover all identified vocational training fields.
(b)	Rs. 3,103,402 granted by World Labour Organization in 2015 for a project has not been spent for the expected purpose and it has been shown for a period over 03 years in financial statements as payable balances. Instead of taking action either to return the amount remaining unspent or to adjust to the income, it has been invested in 03 fixed deposits without obtaining approval of the Governing Council or General Treasury.	The amounts of these 03 fixed deposits have been transferred to the loan account of employees obtaining approval of the Commission on 21 August 2019.	Grants should be utilized to fulfil the relevant objective and transferring it to the loan account of employees is not correct.
(c)	In terms of the section 02 of the Tertiary and Vocational Education Act No 20 of 1990, the main objective of the Commission is the planning, coordinating and developing tertiary and vocational education system at every level to cater to the requirement of human resources in the economy. Accordingly the Commission has	The Commission has prepared 18 vocational training plans relevant to 08 provincial training plans. Accreditation for these courses and provision of financial facilities for infrastructure facilities as per training plan are relevant for	Answer is not relevant to the audit observation. The main objective of the establishment of Tertiary and Vocational Education Commission is the planning and

prepared and issued training plans (VET plan) to the relevant vocational training centres but no follow up action has been taken in this regard.	the purpose of follow up actions.	coordinating tertiary and vocational education system at every level and further functioning as the pioneer in the development. Therefore supervision at sufficient level should be ensured in order to achieve the objective of the Commission.
(d)In terms of the Tertiary and Vocational Education Act No 20 of 1990 no person or institution should conduct tertiary education or vocational education courses without obtaining registration under section 15 (1) and 16 (1) of the aforesaid act. Commission has not taken action to identify tertiary education and vocational education institutions operated within the country without obtaining registration and further to maintain an information system with necessary updating.	The Commission maintains a data base consists of information on the registered training centers and the information is available for the benefit of General Public in this regard in Information on Registered Training Centres in www.tvec.gov.lk maintained by the Commission. This data base provides information on 2709 institutions so far registered under the Act. The number of the vocational training institutions of which registration is valid as at 31 June 2018 is 807. It has been proposed to amend the Commission Act with a view to take necessary action regarding the training institutions maintained without obtaining registration in TVEC.	A methodology should be identified to trace tertiary education and vocational education institutions operated within the country without obtaining registration under TVEC.

3.4 Idle or underutilized property, plant and equipment

Audit observation	Management comment	Recommendation
(a) The Maruti motor car which has been purchased in 2008 spending Rs. 2,150,000 has been kept idle without using by 18 September 2017.	Arrangements have been made to dispose the Maruti motor car bearing number KF-7354 due to the lack of spare parts and the higher prices of the same.	Action should be taken to dispose relevant vehicle before the vehicle decays.
(b) It was observed at the field examination held on 13 May 2019 that the Ministry has taken back the building except an area of 943 sq.ft. at eight floor without any payment since the constructions and fixing have been made in the building belonging to the line Ministry by the Commission spending Rs. 11,057,124 and without signing a written agreement. Accordingly the expense made has become a fruitless expense.	Since the officers complained constantly that it is risky to work in the building a report has been obtained from Central Engineering Consultancy Bureau on 31 October 2018. Since the report has stated that the 8th floor is not suitable for maintaining office and it should be reconstructed. Therefore we were given space from 6th floor.	Since the constructions have been made without verifying the productivity of it, the institution has to bear this loss. Therefore proper attention should be paid in future when taking such decisions.

3.5 Procurement management

Audit observation	Management comment	Recommendation
A qualified bidder has been recommended on 17 October 2017 by Technical Evaluation Committee for laying carpets and separation of 8th floor using the funds of skill sector development. However this bid has been cancelled without giving any reason and another bidder has been selected. As a result of such action it has to make an overpayment of Rs. 1,075,629 to get the contract done when it is compared with the bidder who became qualified as per first bid calling.	When tenders were called at the first instance for laying carpets and making separations at 8th floor, only Kalhara Builders has submitted bids. Even though their engineering estimate for one sqft in the ceiling was Rs. 197 the price submitted by the relevant institution was Rs. 3,200. Accordingly more tenders were called. Therefore the lowest bidder out of these two was given the contract.	Procurement guidelines should be followed properly.

4. Accountability and good governance

4.1 Submission of financial statements

Audit observation	Management comment	Recommendation
Even though the financial statements are to be submitted for auditing within 60 days at the end of the financial year as per para 6.51 of Public Enterprises Circular No PED/12 dated 02 June 2003, financial statements for the year under review has been submitted for auditing on 11 July 2019 with the approval of the Board of Management.	Answers have not been given.	Financial Statements should be submitted properly as per the provisions of the Circulars.

4.2 Corporate plan

Audit observation	Management	Recommendation
The corporate plan prepared by the Commission for the period from 2014 – 2018 has not been updated.	Answers have not been given.	In terms of the section 5.1.1 of Public Enterprises Circular No PED/12 dated 02 June 2003 a corporate plan should be prepared for period not less than 3 years and it should be used as a control tool.

4.3 Annual action plan

Following observations are made in this regard.

Audit observation	Management comment	Recommendation
Matters revealed in the examination made on the action plan prepared for year 2018 of the Commission and achievements of its targets are given below.		
(a) Rs. 2.4 million has been allocated for provision of training equipment required for the accreditation of the courses in order to enhance the quality of vocational and technical training courses implemented in public, non-government training institutes and only Rs. 1.44 million has been paid to private institutions for supply of training equipment.	Since the Commission has decided to grant financial grants only to private institutions in 2018, applications have been called for the purpose.	Selection should be made from both public and private sectors for granting financial aids.

(b) When financial grants were made in 2018 for 09 courses in 05 industrial fields, action has been taken to give priority to the field of information and communication technology by approving 43 per cent of financial grants to the said field. For other 04 fields financial grants have been given within the range of 07 per cent to 21 per cent.	Since most of the institutions, which apply, do not satisfy required criteria, and other legal requirements in granting financial grants, it has become very difficult to select institutions.	Answers have not been given in relation to the audit observation and when granting financial aids, they should be distributed applying proper methodology and obtaining approval of the Governing Council.
b) The task of the Commission is to examine whether the financial grants have been used properly for 21 courses in public and private training institutes registered in tertiary and vocational education commission. Even though it has been planned during year 2018 to review 21 courses for which financial grants have been given in 2015, 2016 and 2017, only 07 out of the above have been reviewed.	Since the Commission has decided to grant financial grants only to private institutions in 2018 action has been taken to call application only from private institutions and then to make grants to institutions which satisfy required criteria. .	Answers have not been given in relation to the audit observation and once such financial grants are made it should be examined whether they are utilized properly.
(d) It has been planned to translate 40 national competency standards on skills which have been prepared, to Sinhala and Tamil languages but it was impossible to translate 27 standards and 36 syllabuses.	The national competency standards and syllabuses were made effective in August 2018 and they were given for translation in October. Therefore those translations could not be obtained in 2018.	Attention should be paid to achieve necessary targets as per plans.
(e) It has been planned to issue licenses 100 assessors in 2018. Applications have been sent to 320 applicants for written test and only 136 have sat for the test. However no license has been issued in 2018.	Action has been taken to conduct interviews on the results of written test. Action will be taken to issue licenses to qualified assessors before the December of this year.	Action should be taken to fulfil activities included in the action plan.

4.4 Internal audit

Audit observation	Management comment	Recommendation
Even though it has been planned to make audits in 13 fields in 2018 as per internal audit plan, such audit has not been conducted in 09 fields. Accordingly it was observed that an internal audit has not been conducted at sufficient level.	Answers have not been submitted.	In future, action should be taken as per approved audit plan.

4.5 Audit Committee

Audit observation	Management comment	Recommendation
As a result of the delay occurred in the appointment of Board of Directors for the institution, two audit committee meetings have not been conducted in the year under review as per Public Enterprises circular No PED/31 dated 01 July 2005.	Answers have not been submitted.	Action should be taken to conduct audit committee meetings as per provisions of the Circulars.

4.6 Budgetary control

Audit observation	Management comment	Recommendation
When the budgeted income and expenditure of the year under review are compared with actual income and expenditure, 21 instances were observed where variances have occurred from 20 per cent to 2,567 per cent Therefore it was observed that the budget has not been applied as a productive management control tool.	Answers have not been submitted.	Annual budget should be applied as a productive management control tool.

4.7 Sustainable development objectives

Audit observation	Management comment	Recommendation
In terms of the letter no NP/SP/NSG/17 dated 14 August 2017 issued by the Secretary of the Ministry of National Policies and Economic Affairs, every institution should take action adhering to the United Nations Agenda for 2030. However the Commission has not gained the awareness regarding the way it should take action in relation to its scope during the year under review. Therefore it has not identified the objectives and goals of sustainable development connecting to its tasks and the indicators for measuring the achievement of these goals.	Answers have not been submitted.	Action should be taken to achieve sustainable development goals and objectives as per the provisions of the Circular.