

Head 215-Department of Technical Education and Training

1. Financial Statements

1.1 Unqualified Opinion

The audit of the financial statement of the Department of Technical Education and Training for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance and cash flow statement for the year then ended, 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. The summary report including my comments and observations on the financial statements of the Department of Technical Education and Training was issued to the Accounting Officer on 28 May 2019 in terms of Sub-section 11 (1) of the National Audit Act No. 19 of 2018 and the Detailed Annual Management Audit Report in terms of Section 11 (2) of the National Audit Act No. 19 of 2018 was issued to the Accounting Officer on 30 May 2019. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution to be read in conjunction with Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, the financial statements give a true and fair view of the financial position of the Department of Technical Education and Training as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Unqualified Opinion

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 opinion.

1.3 Responsibilities of the Accounting Officer for the Financial Statements

The Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Accounting Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-section 16(1) of the National Audit Act No. 19 of 2018, the Department 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.

As per Sub-section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that effective internal control system for the financial control of the Department exists and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibilities for the Audit of the 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 skepticism 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.
- 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.

I communicate with the Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Report on Other Legal Requirements

I express the following matters in accordance with Section 6 (d) of National Audit Act, No. 19 of 2018.

- (a) Since there was no need for the Department to prepare financial statements for the preceding year, it could not be stated that the financial statements presented for the year under review were consistent with the preceding year.
- (b) Since there was no requirement for the Department to prepare financial statements for the preceding year, recommendations on the financial statements had not been made

2. Financial Review

2.1 Commitment to liabilities

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) During the course of test check of the year under review, the total amount of expenditure exceeding the approved allocation limit for 16 subjects was Rs.14.46 million.	To work within the approved allocation limits as per provisions.	Due to make essential expenditure, committed to liabilities.
(b) Even though, unrecorded liability in accordance to the Section 3.4 of the State Accounts Circular No. 267/2018 dated 21 November 2018 an unrecorded liability should not be settled in the year 2019 as a prior year expenditure, a sum of Rs.634,039 which was not shown in the Financial Statement relating to the year 2018 had been settled in the year 2019.	Action should be made according to the Circular.	All payments made in the year 2019 for the year 2018 are recorded.
(c) A difference of Rs.16.75 million had been observed between the statement of obligations and liabilities presented with the Financial Statements that had been prepared in terms of the Section 3.4 of the State Accounts Circular No.267/2018 dated 21 November 2018 and the obligations and liabilities statement of the Treasury.	Taking action to comply with Treasury obligations and liabilities in preparing financial statements in terms of the Circular.	The actual value of the bills that have not been received is not included as it cannot be assumed.

2.2 Deposit Balances

The following observation is made.

Audit Observation

The balance of the three general deposit accounts under the Department as at 31 December 2018 was Rs. 63.14 million and this included valued at Rs.10.92 million deposits exceeding two years.

Recommendation

Action should be taken with regard to deposits over 2 years in terms of the provisions of the Financial Regulation 571.

Comment of the Accounting Officer

Action will be taken to release deposits and other deposits that have expired the surety period.

2.3 Operating of Bank Accounts

Following observations are made.

Audit Observation

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- (a) Action had not been taken to identify and settle the unidentified receipts as at 31 December 2018 amounting to Rs.601,635 in the bank reconciliation at Head Office.

 - (b) Two current accounts maintained for the department's projects remained inactive from prior to the year 2015, and, the balance of those accounts as at 31 December 2018 had been Rs. 63,150.

Recommendation

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- Action should be taken to identify the unidentified receipts and accounting the same.

 - Closing down of inactive bank accounts or any other appropriate action.

Comment of the Accounting Officer

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- Action had been taken to identify and remove the unidentified receipts.

 - These accounts had been opened for Skills Development Project and the name of JICA.

3. Operational Review

3.1 Planning

The following observations are made.

Audit Observation	Recommendation	Comment of the Accounting Officer
<p>-----</p> <p>Details such as updated Organization Structure of the Institution, Approved Cadre, details of the staff at present, Imprest Plan for Annual Operations and Internal Audit Plan etc. were not included to the action plan prepared for the year under review in terms of the paragraph 3(a) of the Financial Circular No.01/2014 dated 17 February 2014.</p>	<p>-----</p> <p>Comply with the provisions of the circular and should be prepared accordingly.</p>	<p>-----</p> <p>To include these details for the year 2019.</p>

3.2 Non – implementation of Activities

The following observations are made.

Audit Observation	Recommendation	Comment of the Accounting Officer
<p>-----</p> <p>(a) According to the action plan, it was planned to enroll 37,685 students for 106 courses of 39 technology/technical colleges. However, according to the progress reports submitted to audit, there were only 32,151 students enrolled to 113 courses during the year under review. Of these, 7,579 students, or 24 per cent, had left the courses.</p>	<p>-----</p> <p>Action should be taken according to the Action Plan to achieve the expected goals.</p>	<p>-----</p> <p>Action will be taken to minimize this situation in the year 2020.</p>
<p>(b) Even though, all Vocational Courses were accredited according to the Tertiary and Vocational Education Commission's Professional Qualification Circular No.01/2013, dated 26 February 2013, as at 31 December 2018, out of 839 courses conducting in 39 technology /technical colleges, 73 courses in 29 technology/technical colleges had not been accredited even up to the end of the year under review.</p>	<p>All courses should be accredited according to the circular.</p>	<p>Of these, 61 courses have been accredited by May 2019.</p>

3.3 Foreign Funded Projects

The following observations are made.

Audit Observation	Recommendation	Comment of the Accounting Officer
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(a) According to the letter addressed to the Secretary of the Ministry of Skills Development and Vocational Training No. EST / 7 / ALLOW / 05/0110 dated 16 August 2016 of the Director General of Establishments of the Ministry of Public Administration and Management approval had been granted to pay only 06 hours per day for resource persons of non-government sector officers and for 03 hours per day for government sector offices. However, contrary to the circular provisions, it was planned to cover 8 hours for one resource person for training programs implemented under the Ministry of Sectorial Skills Development and Vocational Training. However, when the payments were made, the resource allowance was calculated by including the names of two resource persons covering 6 hours and 2 hours per day.	Programs should be prepared for 6 hours per day for an external resource person and it should be kept copies of the relevant documents to forward to each external lecturer. Also attention should be paid to the accuracy of payments.	Not replied.
(b) The CNC Milling Machine which was purchased for the Mechanical Technician Course in February 2017 at a cost of Rs. 22.88 million under the provisions of the Sector Skills Development Programme, had been given to the NuwaraEliya Technical College in October 2017. However, due to the fact that the courses using that machine are not conducted at the Technical College, the machine remained inactive even up to the end of the year under review. Also, it had to be operate under the power consumption of 27 KVA for at least 3 to 4 hours a day as this machine could be inactive by keeping	Necessity should be identified and the assets be purchased and utilized with a maximum capacity.	In the year 2018 for the purpose of practical activity in several courses and a 300 hour courses in the year 2019 had been commenced.

inoperative.

3.4 Management Inefficiencies

The following observations are made.

Audit Observation	Recommendation	Comment of the Accounting Officer
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(a) Six plots of land of 13 acres owned by the Department had been released informally to outsiders and those assets were not legally vested or get back until the end of the year under review.	Should take action to vested legally or taken over the assets.	Action will be taken to vested or take over the assets in the future.
(b) Loan balances recoverable due to transfers' retirement and deaths of 59 officers amounting to Rs.1.77 million from a period of 1 year to 14 years had not been settled even up to the date of audit, 30 April 2019.	Action should be taken as per Section 485 (4) of the Financial Regulations and Section 4 of Chapter XXIV of the Establishments Code for the outstanding balance of the loan.	Not commenced.
(c) Three buildings valued at Rs.221.42 million which had not been completed by the end of the year under review had been shown under property, plant and equipment, instead of showing under work in progress in the Financial Statement.	Should be accounted under work in progress	Corrections will be made in future accounts.
(d) A surety register consist with the details of officers and employees who should kept surety in terms of Financial Regulation 891 (1) had not been Prepared.	As per the information contained in Financial Regulation 891(1), a surety register should be maintained with the details of such officers who should keep surety.	Action will be taken to prepare the surety registers in the future.

3.5 Non-reply for Audit Queries

The Department had not been answered to the following audit queries even by 30 June 2019.

Particulars of Audit Query	Recommendation	Comments of Accounting Officer
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(a) Inspection-Homagama-Technical College, 2018	Accordance with the Financial Regulations 155,	Action will be taken to provide answers soon.
(b) Inspection on the Social Services Program of Providing desks and chair for poor Schools-Homagama Technical College.	the Accounting officer has to check the audit queries register mentioned in the Financial Regulation 452 (1) after a period of time and take action to correct the shortcomings shown in the audit queries and as well as to reply for the audit queries immediately. If there are any queries that may be delayed in answering an interim report should be sent for such questions.	
(c) Inspection on purchasing machinery for Technical College, Maradana.		
(d) Inspection on Public Officers' Advance Account 'B' year 2018.		

3.6 Non-submission of Information for Audit

Following observation is made.

Observation	Recommendation	Comment of the Accounting Officer
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Documents and files relating to the project of providing desks and chairs to poor schools using the air and arc welding factory of Homagama Technical College had not been submitted to audited.	All relevant documents and files should be submitted for audit purposes.	Not commenced.

3.7 Certification should be done by the Accounting Officer

According to the provisions of the Section 38 of the National Audit Act No.19 of 2018, it had to be ensured by the Accounting Officer by himself on the following matters it had not been acted accordingly.

Observation	Recommendation	Comments of Accounting Officer
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(a) The Accounting Officer shall ensure that an effective internal control system is developed and maintained for the financial control of the department and that the effectiveness of the system should be reviewed periodically and the necessary changes made to ensure that the system is carried out effectively. Even though, a copy of the review carried out should be submitted to Auditor General, no statement that had been done relating to such a review and submitted to audit.	To comply with the provisions of section 38 of the National Audit Act, No. 19 of 2018	Action will be taken in future as per the relevant provisions.
(b) The Accounting Officer should ensure that all audit queries are answered within the prescribed time period as required by the Auditor General, but the audit queries were not answered in terms of Paragraph 3.5of the report.	To comply with the provisions of Section 38 of the National Audit Act, No. 19 of 2018	Action will be taken to reply immediately.

4. Achievement of Sustainable Development Goals

Following observations are made.

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
The Department of Technical Education and Training has not taken action relating to the Agenda on achieving Sustainable Development Goals, of the United Nations 2030 and to identify the Sustainable Development Goals, its targets and milestones and indicators for achieving the goals.	Focusing on the objectives of the National Budget Circular No. 2/2017 and implementing them to achieve the Sustainable Development Goals by 2030.	Methods will be prepared in the future.

5. Human Resources Management

Following observations are made.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Additional Director General (Technical Education) post, 2 Assistant Director (Administrative) posts, Assistant Director (ICT) 22 Career Consultancy Officers, 21 posts of Evaluation office and academic staff, vacancies of 698 had been vacant at the end of the year under review.	Recruitment of essential positions and if excess posts, exists discuss with the Treasury and take appropriate action.	Action will be taken to recruit in future.