

Head 421- State Ministry of Skill Development, Tertiary Education, Research and Innovations

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the State Ministry of Skill Development, Vocational Education, Research and Innovations for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 State Ministry of Skill Development, Tertiary Education, Research and Innovations was issued to the Accounting Officer on 21 June 2021 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Detailed Annual Management Audit Report relevant to the State Ministry in terms of Section 11 (2) of the National Audit Act was issued to the Accounting Officer on 21 October 2021. 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 State Ministry of Skill Development, Tertiary Education, Research and Innovations as at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for 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 State Ministry 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 State Ministry 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 State Ministry'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 (1) (d) of National Audit Act, No. 19 of 2018.

As it was a new State Ministry established during the year under review, there was no need to prepare financial statements for the previous year.

2. Financial Review

2.1 Expenditure Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Out of the total allocation of Rs. 184,850,000 provided for 10 subjects by the annual estimates, nothing had been utilized.	These provisions have been saved as procurement could not be done for this project due to Covid epidemic and due to non-submission of bills as expected and inability to proceed as planned.	Action should be taken to make maximum use of the provisions to achieve the goals and objectives of the institution.
(b) The total amount allocated by the Supplementary Estimates for 03 subjects in the Research and Innovation Division amounted to Rs. 12,260,000 had totally saved.	Provisions were requested for the payment of salaries and overtime due to the transfer of the program for development projects to a completely different ministry and by mistake that shows as savings when made adjustments at the end of the year.	Additional provisions should be applied after identify the requirements correctly.
(c) Due to improper utilization of funds for the relevant purposes and functions, the savings ranged from 34 per cent to 75 percent of the allocation provided of 16 subjects.	That the over allocation was made due to the inability to incur the expenses as planned through the provisions provided in the revised expenditure estimate.	Provision should be managed to make maximum use.

2.2 Advance Account Balances

Audit Observation	Comments of the Accounting Officer	Recommendation
Due to the resignation and retirement of officers, there was an unrecovered loan balance of Rs. 522,270 as at 31 December 2020 and the arrears ranged from 2 years to 20 years.	Referred to the Director General of Combined Services for retirement and legal action has being taken with regard to other loan balances.	Should act in accordance with the relevant circular provisions and take action to recover the outstanding loan balances.

2.3 Obligation in Liabilities and Commitments

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Due to act contrary to the instructions of State Accounts Circular No. 255/2017 dated 21 April 2017 and Financial Regulation 94 (3), obliged for liabilities for Rs. 584,400 exceeding the savings of 07 subjects as at end of the year.	Although measures have been taken to prepare the accounts on an accrual basis according to the public accounting process, this situation has arisen due to the fact that the treasury allocations have not been made adequate up to now and the provisions provided have been limited.	Should comply with circulars and Financial Regulations instructions.
(b) Even though all liabilities should be recorded as per State Accounts Circular No. 255/2017, liabilities total amounted to Rs. 189,770 were not included in the liability register.	These bills were submitted later due to the epidemic situation in the country.	Action should be taken to record all liabilities.

2.4 Deposit Balances

Audit Observation	Comment of the Accounting Officer	Recommendation
In terms of Financial Regulations 571 (2), deposits exceeded 02 years relevant to the years 2017 and 2018, amounted to Rs. 301,312 were retained in the General Deposit Account till the end of the year under review without being credited to Government Revenue.	Action will be taken to take in to the government revenue.	Should act in accordance with the Financial Regulations.

3. Operational Review

3.1 Performance

Audit Observation	Comment of the Accounting Officer	Recommendation
Students participation was at a low level due to the lack of a proper program to attract students to certain courses operating in the vocational training centers under the Ministry. Accordingly, despite having sufficient capacity and all the necessary facilities to recruit the maximum number of students, they had failed to utilize those resources effectively and efficiently.	Out of the courses conducts by the vocational training institutes of the Ministry, the generally lesser number of students courses were the NVQ 3,4 level air and arc welding, mechanics, plumbing, masonry, carpentry, refrigeration, air conditioning and electronics. Despite the high demand in the industry at present, student participation has been declining due to reasons such as low social acceptance for these courses.	Action should be taken to enroll maximum number of students.

3.2 Not Achieved Expected Output Level

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) According to the progress report of the Research and Innovation Division for the year under review it was planned to start and complete 14 projects worth of Rs. 784.36 million, the progress of those projects ranged from 34 percent to 89 percent and it was	These projects can be identified as programs and not as projects and 11 of them are implemented according to the annual plan of the organization using the funds received by the institutions. There were a number of reasons for slow progress of these.	Action should be taken to achieve the expected level of progress.

observed that there were 11 projects with less than 75 percent progress.

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| (b) | The progress of Social Innovation Lab project which cost was Rs. 80 million and the Improving Degraded Soil project which cost was Rs. 70 million scheduled to commence in January 2018 and be completed by the end of that year, were 70 percent and 64 percent respectively at the end of the year under review. | This project was a multi-year project and the target for the year 2020 was 15 percent. Out of 15 percent 90 percent equalant to 14 percent was achieved. When this value is added to 50% of the previous year progress, it is 64%. The balance are planned to be completed in a few more years. | Action should be taken to achieve the desired progress. |
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3.3 Delays in Projects

The following observations are made.

	Audit Observation	Comment of the Accounting Officer	Recommendation
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(a)	Even though a sum of Rs. 111 million had been allocated for 03 projects in the year 2020 related to the research and innovation sector, the total allocation had been saved due to non-implementation of projects.	However, there were several reasons for the inability to spend the funds allocated for the projects as expected.	Action should be taken to implement projects by utilizing the provisions.
(b)	Although the Korea International Cooperation Agency (KOIKA) had offered to provide loan facilities to develop a new university premises with the objective of creating a more spacious premises for the implementation	A plot of land belonging to Ocean University and the National Aquatic Resources Research Institute (NARA) has been selected and a feasibility study report has been prepared and submitted to the Department of National Planning (NPD) for construction with the	Action should be taken to implement projects expeditiously.

of quality degree courses assistance of the at Ocean University, the Government of Korea. The project had not been Environmental Assessment implemented by the end (EIA) report is currently of the year under review being prepared prior to due to the failure to construction as instructed acquire suitable land for there. the purpose since 2017.

3.4 Assets Management

Audit Observation	Comment of the Accounting Officer	Recommendation
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Utilization of Vehicles		
<p>Eleven vehicles Valued for Rs. 39.6 million were remained in underutilized and inactive for less than a year.</p>	<p>The scope of the Ministry has been revised from time to time and a limited number of vehicles have been used in view of the current Covid 19 epidemic.</p>	<p>Maximum benefits should be taken from the vehicles.</p>

3.5 Bond in Public Officers

Audit Observation	Comment of the Accounting Officer	Recommendation
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<p>The Ministry had not maintained a Bond register as per Financial Regulation 891.</p>	<p>According to the financial regulations, the Ministry has taken the necessary steps to maintain a Bond register in the future.</p>	<p>Financial Regulations should be followed.</p>

3.6 Un-economical Transaction

Audit Observation	Comment of the Accounting Officer	Recommendation
----- Contrary to Budget Circular No. 03/2020 of the Ministry of Finance, Economic and Policy Development, a skill and innovation competition for vocational trainees at provincial level (Touch Your Future) was planned to be held at the provincial level on the occasion of the World Youth Skills Day celebrations on 15 July 2020 and had published a newspapers advertisements spending Rs. 1,777,707. Due to the non-conduct of the competition, the expenses incurred thereon had become an uneconomical transaction.	----- The country was lockdown in the second week of March due to Covid 19 epidemic. Therefore, the activities of the competition could not be completed.	----- Circular provisions should be followed.

3.7 Management Inefficiencies

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
----- (a) A sum of Rs. 3,443,100 had been provided under the Skills Sector Development Project for pre-publicity campaign plan of Skills Day celebrations and event organization and out of which 22 videos were made at a cost of Rs. 1,705,000. But due to the delay in publishing them, the intended objectives had not been achieved.	----- According to the report of the World Youth Skills Day 2020 Pre- and Post Advertising Committee Meetings, about 2 minutes of videos were released on social media on July 11, 12, 13 and 14 before World Youth Skills Day. The Skills Day celebration	----- Planned works should be carried out without delay.

ceremony was also held in the midst of the Covid 19 epidemic, so the publicity campaign did not go as planned. But once the epidemic subsides, the videos will be activated for further use.

(b) Preliminary works of the construction of a National Vocational Training Center consisting of 05 training schools in the Hingurakgoda area was initiated by the line ministry in 2017 with a loan assistance of Euro 42.5 million. Although the Cabinet decision dated 18 September 2018 had directed the Secretary to the Ministry to conduct a comprehensive feasibility study and submit a comparative report with other similar projects, without acting accordingly, the Secretary to the Ministry had entered into agreements with the Contractor.

The project proposal submitted by the Chairman of the Vocational Training Authority of Sri Lanka with the letter dated 03.11.2015 has been submitted to the Department of National Planning for approval. At the time of the Cabinet decision was received on 28.03.2017, Gemco International Engineering & Contracting was conducting a feasibility study and that feasibility study has been used for this purpose.

The requirements should be correctly identified and projects should be initiated and action should be taken as per the decision of the Cabinet.

4. Achieving Sustainable Development Objectives

Audit Observation

Comment of the Accounting Officer

Recommendation

The period from 2015 to 2030 has been named to achieve the Sustainable Development Goals and in that regard both the parties have identified the objectives which are relevant to the goals of the Sri Lanka

No reply was made.

Action should be taken to achieve sustainable development goals and objectives.

Sustainable Development Act No. 19 of 2017 applicable to the State Ministry of Skills Development, Vocational Education, Research and Innovation. It was observed that the objectives expected to be achieved were not achieved as expected during the year under review.

5. Human Resources Management

Audit Observation

It was observed that there were 201 vacancies in the cadre of the Ministry at the end of the year under review.

Comments of the Accounting Officer

The Ministry has tried to fill the vacancies but has not been able to fill the vacancies due to non-provided of suitable officers by the relevant authorities.

Recommendation

Action should be taken to achieve the objectives of the Ministry by filling the essential vacancies, taking into consideration the service requirements.