

Demonstrating Innovative Approaches for Private Sector and Women’s Empowerment in TVET Sector in Sri Lanka (Skills Sector Development Programme Grant) - 2022

The audit of financial statements of the Demonstrating Innovative Approaches for Private Sector and Women’s Empowerment in TVET Sector in Sri Lanka for the year ended 31 December 2022 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 the provisions in the Article IV of Section 4.02 (a) of the Grant Agreement No. 9193 SRI (EF) dated 11 May 2018 entered into between the Democratic Socialist Republic of Sri Lanka and the Asian Development Bank. This report consists of the matters observed during the course of audit and submitted for the consideration of the Executing and Implementing Agencies of the Project. My comments and observations which I consider should be reported to the Parliament appear in this report.

1.2 Implementation, Objectives, Funding and Duration of the Project

According to the Grant Agreement of the Project, then Ministry of Skills Development and Vocational Training presently, the Ministry of Education is the Executing Agency and Implementing Agency of the Project. The overall objective of the Project is to contributing to increased female labour force participation and women’s economic empowerment through Technical and Vocational Education and Training. The project consist of 5 component namely (i) strengthening of private sector engagement in Technical and Vocational Education and Training (ii) enhancement of entrepreneurship development training programme for self-employment with a focus on women (iii) provision of women-targeted incentives, mentoring and on-the-job training to attract women into non-traditional areas (iv) Demonstration of gender – inclusive recruitment and working environment practices in private sector (v) Provision of efficient response to COVID -19 impact on skills sector. As per the Grant agreement, the estimated total cost of the Project US\$ 3 million equivalent to Rs.534 million and was agreed to be financed by the Japan Fund for Poverty Reduction (JFPR) as a grant and it is administrated by ADB for the purposes of financing the project. The Project had commenced its activities on 16 November 2018 and scheduled to be completed 31 March 2021. Subsequently, extended twice up to 30 June 2023.

1.3 Qualified Opinion

In my opinion, except for the effects of the matters described in the table 2 of my report, accompanying financial statements give a true and fair view of the financial position of the Project as at 31 December 2022, statement of project expenditure and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.4 Basis for Qualified 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.

1.5 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles 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.

Those charged with governance are responsible for overseeing the Project's financial reporting process

1.6 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 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 internal control of the Project.
- 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 those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Comments on Financial Statements

2.1 Accounting Deficiencies

The following observations are made.

Accounting Deficiencies	Amount Rs. million	Management Responses	Auditor's Recommendations
(a) Eventhough a sum of Rs. 469.96 million had been received from the Asian Development Bank during the year under review, an amount of Rs.280.14 million had only been shown in the cash flow statement. As a result, financing activities and closing balance of cash and cash equivalent shown in the cash flow statement had been understated by that amount.	189.69	(i) During the review year, Out of Rs. 469.84 Mn. project withdraw only Rs. 280.14 Mn. That shows the Cash Flow Statement. Balance Rs. 189.69 Mn. with CBSL account. However total amount shown in Statement of Financial Position and Note number 7. (ii) If show the CBSL balance in the Statement of Cash Flow, there is a possibility observe that, keep in Rs. 238.27 Mn. (Rs.189.69 + Rs.48.56) in account ideally and, that amount more than the amount expended (Rs. 219.14 Mn) during the review year.	Total amount received from the Donor Agency should be shown under the financing activity in the cash flow statement.
(b) Cumulative amount of project expenditure, trade and payable and financing activities of Rs. 103 million, Rs. 24.50 million and Rs. 78.07 million respectively had been shown in the cash flow statement as comparative figures instead of being shown cash inflows and outflows of the year 2021.	98.62	In 2022 Statement of Cash Flow comparative figures (2021) obtain from 2021 Audited Financial Statement.	Cash inflows and outflows should be shown in the cash flow statements.
(c) The value of exchange loss of Rs.129,545 in the Special (Dollar) Account of the Central Bank of Sri Lanka as at 31 December 2022 had been deducted from the contribution of the Asian Development Bank without being identified as expenditure	0.13	There is no separate budget code for account to exchange gain/loss. In these circumstances, if account the exchange gain/losses as a project expenditure/income its mislead the project objectives.	Rupee value of the ADB contribution should be reflected in the statement financial position accurately.

separately in the financial statements. As a result, the total contribution of the Asian Development Bank was understated by that amount.

3. Physical Performance

3.1 Physical Progress of the Activities of the Project

The activities of the Project are carried out under 5 component and physical progress are as follows.

No	Audit Issue	Responses of the Management	Auditor's Recommendations
(1)	<p>Output 01 According to the detailed cost estimate include in the Agreement, initially US\$ 464,000 had been allocated under the output 01 to implement 5 sub activities. Subsequently, It had been reduced by 69% up to US\$ 140,728 during the first and second extension of time. However, out of that US\$ 35,900 equivalent to Rs. 7.35 million representing 26% had only been utilized as at 31 December 2022. The following observations are made.</p>	<p>It was expected to strengthen all the Industry Sector Skills Councils (ISSCs) and proposed to start sub projects for each council. And the project has developed strategies and operational plans for each council and guided them to develop proposals. In fact, only three viable sub projects were proposed by three ISSCs. Agreements were signed for conduct these three sub projects with three ISSCs by end of December 2022. As in overall, whole country faced for COVID, and economic decline, those were affected to the ISSCs as well and they were unable to start the agreed project on time. The projects need to be compacted to show the income generation. But</p>	<p>Action should be taken to achieve the target within the rest of the period of the project.</p>
(a)	<p>Eventhough the objective is to provide technical assistance to the Industry Council and Skill Forum to implement 12 sub-projects at the beginning to increase the employment of TVET graduates (especially women) under sub activity 1.4.2, only 3 such sub projects including 01 sub project at Rs.242,074 had only been carried out at the end of the year 2022. Further, According to the Desing and Monitoring Farmwork, at least one Industry Council had not been generated regular source of income.</p>		

during the year 2022, the ISSCs were unable to complete the project to show the revenue.

To measure the income source, it was necessary to complete sub projects but at the end of 2022 projects were ongoing.

- (b) According to the Project Design and Monitoring Framework, the Industrial Council had set a target that at least 500 female students of the TVET sector should find jobs in the private sector under the 1.4.2 in line with 4.1.1.1 However, out of 16 agreements entered, only 10 employers received disbursements to complete the projects and according to appointment letters, only 10 females had been found jobs thereby.
- Sixteen companies that signed agreements had been conducting their sub projects and they were being recruiting females' staff at the time of yearend (2022). According to the records, there were 67 staff were recruited. Nevertheless, not all companies have completed their sub projects at that time. Further, it was difficult for new recruitments in the private sector with the economic down had in country.
- Action should be taken to achieve the target within the rest of the period of the project

(2) **Output 02**

According to the detailed cost estimate, US\$ 968,372 was allocated in the revised estimate for the implementation of entrepreneurship development training programs targeting women to commenced self-employment under output 02. Accordingly, 35 sub-activities were identified to achieve the objective. The following observations are made in this regard

- (a) It was observed that out of 35 activities, except baseline and impact studies required to be carried out at the end of the project 18 activities had not been commence even as at 31 December 2022 and a sum of US\$ 541,598 equivalent to Rs. 163,795,378 had been incurred thereon.
- The 35-activity list is the total activity list of the project and we have shared financial reports only the activities we have done for the year 2022. Some budget lines already completed during last years and some budget activities needs to be done at the end of the project.
- Action should be taken to achieve the target within the rest of the period of the project

- (b) Eventhough US\$ 120,000 was allocated from the revised estimate to provide mentoring and business counselling for women entrepreneurs through 5 activities under sub-activity 2.4.1. However, no any expected result achieved with that sub-activity.
- Existing 70 Entrepreneurship Development trainers have been given continuous mentoring and business counseling for the entrepreneurs with no cost basis. Therefore, there were not budget expenditure for this activity. This budget has utilized for another 2 TOTs for 46 officials attach to the Ministry with the ADB approval at the later stage of the project, means early 2023.
- Action should be taken to prepare the action plan only to the identified sub activities expected to implement.
- (c) According to the information received, out of 47 batches, a sum of Rs. 59.19 million had been given to 32 batches comprising with 423 grantees for business start-up and a sum of Rs. 61.58 million had been given to 15 batches comprising with 158 grantees for business expansion under sub-activity 2.6.1 as at 31 December 2022. The following observations are made in this regard.
- (i) It was observed in sample audit carried out from the 250 grantee for business stat up that the business registration, which is the second millstone mentioned in the agreement has not been obtained, eventhough one year has lapsed beyond the respective project period.
- There were several reasons such as economic crisis, Tesawalamai Law in Northern province, land ownership issues casue delaying business registration.
- Action should be taken to obtained Legal statute for the continuation of the businesses.
- (ii) In the sample audit of 90 grants given for business expansion, it was observed that the second millstone which is the recruitment of new employees had not been met by the respective grantees.
- Due to current economic downturn of the country most of the businesses having challenges in terms of survival. During this situation, recruiting additional staff member will give negative impact to the business. Even county many larger companies have reduced the workforce under economic crisis.
- So the project looked on continue the business and stay in the business rather than expanding the business with new recruitment.

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| <p>(iii) It was observed in analysis of grant given that financial assistants were given for 98 male entrepreneurs and 325 female entrepreneurs to start business in 38 traditional business sectors. Of which the highest grant amount ie Rs. 16.80 million or 28 percent was given to 119 grantees for house design and estimate preparation businesses, Rs.10.14 million or 17 percent for graphic design businesses and Rs.7.68 million or 12 percent for plant nursery businesses. However, due to the crisis situation in the country, it was observed that the demand in the above business sectors had decreased and it was not possible to achieve the income mentioned in the business plan. In such a situation, it was uncertain about the ability of new entrepreneurs to stay in the competitive market beyond the project period. As a result, it was problematic whether the objective of empowering women's economy and promoting employment opportunities in the technical vocational education and training sector has been achieved or not.</p> | <p>In the initial stage of the project there were 157 nontraditional sector courses that were identified by the project with consulting TVET sector stakeholders. All the selections were made based on the above-mentioned courses giving equal opportunities for each. There was high student participation for some courses which is available in most of the TVET institutions. Because of that some sectors had high participation and most of the sectors providing services has high percentage in terms of entrepreneurship. Due to current economic crisis even though their declined some of them were able to find alternative income generation methods.</p> <p>Eg:</p> <ul style="list-style-type: none"> • Graphic designers and draftsperson reached to international market through Fiverr. • Designers started printing services as well. <p>Plant nurseries introduced fruit and vegetable plants substitute to flower and decorative plants.</p> | <p>Follow up action should be taken to monitor the new entrepreneurs</p> |
| <p>(iv) Although the aim is to direct women to non-traditional and emerging sectors, according to the above analysis, it was observed that only 23 women or 5 percent of grants were given to women for sectors that do not focus on women such as construction, woodwork, motor vehicle services.</p> | <p>In the initial stage of the project there were 157 nontraditional sector courses that were identified by the project with consulting TVET sector stakeholders. All the selections were made based on the above-mentioned courses giving equal opportunities for each. Some businesses are under the same value chain of the said courses which were approved by the ADB. So All the grants have given for the eligible businesses under the project scope.</p> | <p>Action should be taken to achieve the target of the project.</p> |

(3) **Output 03**

It was scheduled to provide incentive for 700 women who follow the courses in non-traditional and emerging fields, 150 women after reducing the target of 600 women at initially who work in those fields and to provide mentoring and career counseling over 1000 female students under this output. Therefore, an amount of US\$ 855,000 had been allocated and subsequently it was reduced by 84 percent up to US\$ 135,305 in the first and second extensions. The following observations are made.

- (a) Although the objective is to provide incentives to 700 students who follow the courses in non-traditional and emerging sectors under the sub-activity 3.3.1, incentives were given to only 513 students by the end of year 2022.
- by the end of the project period on June 2023, the project has reached to this number of 700. Even this 513 number was achieved by the project while facing below issues These incentives are given only to female students and their 80% attendance is mandatory. Due to this, the benefits to some have been reduced. Also, project benefits were given only to those who do not receive the benefits provided by the government. Benefits are given only to 15 selected Divisional Secretariat Divisions in the Western Province which is TVET sector participation is comparatively low.
- Action should be taken to achieve the target within the rest of the period of the project
- (b) Although the revised target is to provide incentives to 150 women who employed in non-traditional and emerging sectors under 3.4.1, incentives were given to only 119 women, including 42 for on-the-job training and 77 for job placement by the end of the year under review.
- 3.4.1 Although these 600 were mentioned at the time of the project's inception, due to various problems ADB also paid attention to this and reduced the allocated allocation of 600 to 150 and re-allocated budget for the output 05. As of now, this target of 600 has been changed to 150.
- Action should be taken to achieve the revised target within the rest of the period of the project.

- (c) A sum of US\$ 23,391 equivalent to Rs.4.70 million had been incurred up to 31 December 2022 under the 3.5.1 mainly for Rs. 649,500 for street drama documentary activity in 2021 and Rs. 4 million for wise women awareness program held on 04 January 2022 at the Sirimavo Bandaranaike Memorial Hall organized by the Skill Sector Division established for the activities of the SSDP. Therefore, achievement of the objective of providing mentoring and career counseling over 1000 female students under 3.5.1 within the above expenditure incurred up to 2022 could not be ruled out in audit.
- Under the project there are around 962 youth students have been received the awareness and counselling . For this event, there are around 40 best entrepreneurs had participated as the role models to the small SMEs. All these 40 SMEs are from the nontraditional sector and they have grown up their businesses in well better way.
- This event was for an eye opener for whole country and not only for the 14 districts. These female entrepreneurs were considered as the role models for the future female entrepreneurs with special focus on nontraditional sector.
- With this program , there was a huge positive impact for the project not only for the youth female awareness , but also for the overall project .
- Other than the best female entrepreneurs, there are participation from the below area as well
1. Private Sector companies
 2. Heads of the departments of TVET institutions
- Principals and students from few TVET Institutions.
- Objective of the sub activity should be achieved.

(4) **Output 04**

A sum of US\$ 267,706 was allocated for the purpose of providing support to private sector employers in order to promote gender inclusive recruitment practices and create conducive working environment practice in the private sector and expected to support 20 employers. Out of which 10 employers had been reimbursed Rs. 16.33 million by the end of the year under review. The following observations are made.

(a) An agreement had been entered with a company in Kurunegala district of the North-West Province for the project of raising ornamental fish as a non-traditional occupation and a sum of Rs. 1.91 million agreed to provided. The aim was to build a washroom blocks and create new jobs for 06 women. The following observations are made.

(i) According to the information available with the voucher, there was no bill of quantities (BOQ) showing the relevant rates and quantities as items and grantee had called for the bids of the washroom blocks only mentioned the size (length x width) and handed over the contract to the lowest bidder. The Fresh BOQ submit with audit query subsequently was not acceptable document, due to there is no date, signature and seal of the consultant who prepare BOQ.

(ii) According to the Milestone Verification Format, although it is stated that the North Western Provincial Coordinator has physically checked the work done by the grantee on 04 May 2022, it was observed in the audit that there was no written evidence, reports or note in the related bills to prove the duty of the respective officer.

(b) The project had awarded an amount of Rs.1.83 million to a private company situated in Bibila area of Uva province to create a comfortable workplace with facilities such as rest rooms, modern washroom etc. The following observations are made.

Grantee had taken BOQ from D Homes, the consultancy firm as basis for the construction. D Homes contact details are mentioned in the cover page. Since they submitted as a firm individual signature wasn't required. Base on the D Homes BOQ, grantee had evaluated the quotations. All relevant supporting documents are with the payment voucher submitted for the Audit.

Provincial coordinator had physically reviewed the site and while doing so he was coordinating online with the Colombo Project Office. It was not required to have a separate note at the site and Milestone Verification Report is the document/format used. It has attached with the payment voucher submitted for the audit.

Action should be taken to regularized the procedures of giving of sub grants

Action should be taken to regularized the verification the procedures

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| <p>(i) According to the information available with the voucher, only one bill of quantity of Rs. 3.45 million had been prepared by a private Technical Officer on 05 March 2022. That is after submitting the invoices for laying foundation and construction of the walls on 15 February 2022 and 02 March 2022 respectively. Therefore, it was observed that the BOQ was prepared after the construction works commenced.</p> | <p>Building construction estimation plan initially prepared on 06.08.2021. The construction commenced afterwards and separate Technical Officer report was obtained for check the construction work quality where grantee had requested an additional funds. But with the country economic inflation, there was a huge price changes of the construction materials. The Building plan was approved by the government relevant authorities. And continue the constructions based on the previous submitted building plan and later they have submitted another BOQ after cost change. Both have attached with the payment voucher submitted for the audit</p> | <p>Action should be taken to regularized the procedures of giving of sub grants.</p> |
| <p>(ii) According to the document available, the private technical officer who prepared the above estimates had certifies the work done by the contractor using only his official seal and signature without addressing any recognized head of the organization and contractor submits bills on the basis of the work certificate of the technical officer and the project makes payments for those bills. Therefore, It was observed that the Project had not introduced a methodology to certify the works before make payments.</p> | <p>Technical Officer addressed the Oxfam; the organization manage the project at that time. Since the TO did not know the exact person to address, but when addressing to the organization automatically addressing the head and subsequently it was passed down to relevant project management personnel. Report or note by TO with relevant technical capacity ensured the work carried out by the contractor was accordance with the standard practices</p> | <p>Action should be taken to regularized the works certification procedures</p> |
| <p>(c) The technical evaluation committee did not evaluate whether the construction estimates presented by the relevant grantee are realistic according to the rates and quantities issued annually by the Building Construction Bureau and a proper internal control system had not been introduced before make payments etc. was observed</p> | <p>Such verifications was not required under project guidelines (ADB given guidelines and technical guidelines)</p> | <p>Action should be taken to regularized the procedures of construction.</p> |

as common issues of the above constructions.

- (d) According to the procurement Guidelines of the Asian Development Bank, the grantee required to call for 3 quotations to purchase the relevant goods. However, it was observed that a private company had called only one quotation for the purchase of machines and submit a letter to the project for justification on selecting of one supplier on 09 November 2022. Thereafter, the project had paid the total agreed amount of Rs.2.5 million on 31 December 2022 based on the facts presented to justification.
- This required machine is manufacturing only by the two Sri Lankan companies. And this was a tailor-made machine for the required production. So, there was no any other way to get the similar product quotations other than these two. According the Based on the available quotations lowest bidder was selected.
- Action should be taken to comply with the Procurement Guidelines.
- (5) **Output 5**
- A sum of US\$ 884,000 was allocated to develop online learning platform in 40 vocational and technical education training institutions and US\$ 225,500 had been allocated for the year 2022. However, the work under that outcome was not commenced until the end of 2022. Furthermore, September, October, November overtime expenses and refreshment expenses of Rs. 52,261 equivalents to US\$ 143.90 had only been spent under code number 1500.
- During the Oxfam period, there was separate budget allocation from Oxfam for the admin and operational cost. But Once the project transferred to the Ministry, there was no such budget for the operational and admin budget. So ADB advised to utilized the fund from each output for operational and admin expenses based on the relevancy. As this refreshment and overtime payment related to the Output 05, the cost was included as it relevant this output
- Action should be taken to achieve the objective of the output.
- (6) **Consultancy Services**
- (a) Out of the revised allocation of US\$ 471,987 a sum of US\$ 408,217 or 86 percent had been incurred for project management and monitoring upto 31 August 2022. However, only US\$ 657,738.19 equal to Rs. 179 million from the allocation of US\$ 2,484,112 had only been spent for 5 output related activities. It was 26 percent very low performance level. although the consultancy firm had received the relevant consultancy fees on a
- The project consultancy payments made as per the ADB approved and agreed ratio. The project has only few members to implement the project. The project staff continues availability is highly important for implement the project successfully. In this project, there are many ground work need to be completed before release the grant or payments for activities.
- Action should be taken to achieve the objectives of the Project

time basis, it was observed that the tasks mentioned in their Term of Reference (TOR) had not been performed properly within the stipulated time. Furthermore, it was observed that more than 40 of scheduled works had not even been commenced by the consultant at the leaving from the Project. However, there was no discussion with the relevant consulting firm and no arrangements were made to revise the contract to complete the project within the extended period of time and US\$ 34,036 had to be transferred from the allocation of the 5 output. Further, Project had to incurred an additional Rs. 9.3 million equivalent to US\$ 25,764 to 09 employees as consultancy fee for the 04 months up to 31 December 2022 to fulfil the balance works of the former consultant.

And also most of the filed monitoring and evaluation activities are carried out by the project staff. As the project team does this, the spent cost is very low. But many activities have been completed even though the budget burned less.

Ex: To bring the beneficiary for the level of issue grant, normally takes 6 months. Because the project team required to upgrade them the level, expected by the project.

The budget shows only, once the fund release as the grant and not showcasing the other activities.

This is the reason for less project budget compared to the staff budget. But by the end of the project, the project has spent all the program budget.

All these ADB approval related to the consultancy fees have submitted for the audit

- (b) Out of the key deliverables required be provided by the consultancy firm according to the closure (D) of the Term of Reference (TOR) included in the agreement, except the inception report, annual report and soft copy of strategic plans for 5 years for ISSC, other reports were not submitted to the audit.

All the required documents have submitted to the audit via E-mails. (Files are heavy and as the audit officers agreed to accept them as soft copies, these were submitted to the auditors via e-mail

Key deliverable should be submitted as per the TOR on time.

- (c) As per the project scope and the project document, this project considered only the nontraditional sector TVET students who are the age between 16 to 40. And also 70 % are female. Action should be taken to achieve the objectives of the Project.
- So the project has been implemented as per the given scope and achieved the DMF target successfully.
- This project cannot be compared with the National indicators as project scope is very low comparatively to the national indicators. And project implemented these activities and achieved these numbers as per the project requirement

3.2 Under Utilization of Resources
Audit Issues

	Responses of the Management	Auditor's Recommendations
<p>(a) Out of the grant amount of US\$ 3 million received, a sum of US\$ 1.21 million equivalent to Rs. 321.71 million representing 40 percent had only been utilized as at 31 December 2022 after laps of 04 years from the commencement of the activities of the Project. Accordingly, it was observed that 04 years had taken to utilize 40 percent and 06 months had taken to utilized 60 percent. Further, out of the allocation of US\$ 2.48 million made from the revised budget for the Component A, a sum of US\$ 773,353 equivalent to Rs.220,989,614 representing 31 percent had only been utilized as at 31 December 2022.</p>	<p>The project had faced different and unavoidable circumstances during the 4 years of project period including the Easter Attack, Two years of COVID Epidemic, and country lock down, Financial crisis including the fuel, electricity and other basic need shortages. So the project had to paused some implementing activities when the community is running behind the basic needs.</p> <p>And during this period , the ADB and ministry had taken very wise decisions to change some of the project activities and enhance the innovation within the project. This helps to addressed some of the identified issued from the crisis.</p> <p>But by the time of 30th June 2023, the project has spent all the project funds and competed all the DMF as agreed</p>	<p>Action should be taken to utilized the fund to achieve the objectives of the Project.</p>
<p>(b) Eventhough a sum of US\$ 1.83 million had been disbursed as at 31 December 2022 according to the</p>	<p>This money was remined in the account due to the delaying of opening the Doller bank account and LKR account for the project</p>	<p>Action should be taken to implement the action plan</p>

information of the Grant Financial Information System, a sum of US\$ 622,207 had remained ideally in the Special (Dollar) Account and Licensed Commercial Bank, due to the non-implementation of the scheduled activities of the Project within the prescribed periods. after project transferred to the Ministry. This money was spent within the month of January 2023 prepared by Management.

3.3 Reconciliation with the Books of the General Treasury

Audit Issue	Management Response	Auditor's Recommendation
<p>Although the Circulars SC&PMU/Grant/19 dated 25 July 2019 and SC&PMU/Grant/20 dated 14 August 2020 of the Department of External Resources emphasized how to deal with the receipt and accounting of foreign grants, it was observed that there was no any record of the Rs. 548.04 million grant received by the Project from the Asian Development Bank in the books of the General Treasury.</p>	<p>As per the information received from the ADB, the ADB has shared all this information of funds issued to the Department of External Resources. This is the same process ADB followed for all other local project as well. As per the ADB , all the funds released for the project has been reported to the government.</p>	<p>Action should be taken to adhere with the circular instructions.</p>

3.4 Extraneous Activities

Audit Issues	Management Responses	Auditor's Recommendations
<p>(a) Eventhough a sum of Rs. 1.92 million had been incurred for the studies and research under the ADB code 901 during the year under review, it was observed that expenditure of Rs. 1.41 million equivalent to US\$ 4,150 which not comes under the preview studies and research included in above code.</p>	<p>During the Oxfam period, there was separate budget allocation from Oxfam for the admin and operational cost. But Once the project transferred to the Ministry, there was no such budget for the operational and admin budget. So ADB advised to utilized the fund from each output for operational and admin expenses based on the relevancy. This admin and operational cost have included for this budget line accordingly. This was approved by the ADB.</p>	<p>Action should be taken to achieve the objectives of the Project using the allocated fund.</p>
<p>(b) It was observed that the value of the vehicle battery amounting to Rs. 47,800 was reimbursed from the Asian</p>	<p>When the project transferred to the Ministry, the Plan International donated the vehicle was with PLAN international.</p>	<p>Action should be taken to achieve the objectives of the Project using the</p>

Development Bank under code of 2701 Workshops and Conferences under the sub activity 1.4.3. This vehicle used for the project allocated fund. activities while keeping under Ministry ownership.

As the project needs to cover the vehicle repair and maintenance cost, this battery expenses has included under the workshop budget. Because vehicle mainly use for the workshop arrangement

3.5 Internal Control

Audit Issue

According to Implement Arrangement Table 3 of the Agreement, a Project Steering Committee consisting of members of Vocational Training Institutes and Industrial Council members chair by the Secretary of MSDVT was not established as oversight body and Internal Audit had not been carried out by the Internal Audit Section of the Executing Agency as per the Financial Regulation 133.

Management Response

The project has been implementing under the supervision of the SSDP unite of the Ministry.
All the project activities and finance activities directly monitored by the Additional Secretary to the SSDP on behalf of the Secretary to the Ministry and program and finance team of the SSDP.
The Ministry finance unit continuedly monitored and reviewed project documents and has the direct communication with the donors on reporting.

Auditor's Recommendation

Action should be taken to comply with the arrangement agreed in implanting document and required to audit by internal audit of the execution agency as per the Financial Regulation 133.