

## **Skills Sector Development Programme including the Consolidated Statement of Total Expenditure for the six months period ended 30 June 2023**

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The audit of Consolidated Statement of Total Expenditure of the Skills Sector Development Programme for the six months period ended 30 June 2023 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 Article IV of Section 4.04 (a) of the Loan Agreements Nos. 3119 SRI (SF) and 3120 SRI (SF) dated 27 May 2014 and Additional Financing Agreements Nos. 3650 SRI (COL) and 3651 SRI dated 11 May 2018 entered into between the Democratic Socialist Republic of Sri Lanka and the Asian Development Bank. 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 Programme**

According to the Loan Agreements of the Programme, then the Ministry of Skills Development and Vocational Training presently, the Ministry of Education is the Executing Agency and there are 11 Implementing Agencies of the Programme. The objectives of the Programme are building of efficient skills education system to meet the local and foreign labour market demand by improving quality, relevance, access, recognition for vocational training and supportive policies, systems and structures. As per the Loan agreement, total cost of the Programme US\$ 1,061.2 million equivalent to Rs. 141,524 million and out of that US\$ 200 million equivalent to Rs. 28,708.23 million was financed by Asian Development Bank and US\$ 100 million equivalent to Rs. 13,100 million was financed by International Development Association. The balance amount of US\$ 761.2 million was financed by the Government of Germany, Exim Bank of Korea, others and Government of Sri Lanka. The Programme had commenced its activities in September 2014 and scheduled to be completed by June 2021. Subsequently, it was extended twice up to 30 June 2023.

### **1.3 Opinion**

In my opinion, accompanying Consolidated Statements of Total Expenditure of the Skills Sector Development Programme agreed with the information provided in the financial statements of the 11 Implementing Agencies as at 30 June 2023 and gives a true and fair view of the Consolidated Statements of Total Expenditure of the Programme.

### **1.4 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 Consolidated Statements of Total Expenditure 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 Consolidated Statement of Total Expenditure**

Management is responsible for the preparation and fair presentation of these Consolidated Statement of Total Expenditure in accordance with information provided in the financial statements of the 11 Implementing Agencies and for such internal control as the management determines is necessary to enable the preparation of Consolidated Statement of Total Expenditure that are free from material misstatements, whether due to fraud or error.

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

## **1.6 Auditor's Responsibilities for the Audit of the Consolidated Statement of Total Expenditure**

My objective is to obtain reasonable assurance about whether the Consolidated Statement of Total Expenditure 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 Consolidated Statement of Total Expenditure.

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 Consolidated Statement of Total Expenditure, 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 Programme.
- 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 Consolidated Statement of Total Expenditure, including the disclosures, and whether the Consolidated Statement of Total Expenditure 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.

### 3. Physical Performance

#### 3.1 Physical Progress of the Activities of the Programme

Audit Issues	Management comment	Recommendations
<b>(a) Construction of Attidiya Hostel Building at Rathmalana</b>		
(i) According to the Interim Payment Certificate No.23 of the Attidiya Hostel building construction, it was observed that 466 items valued at Rs. 66.81 million mention in the Bill of Quantities had not been done by the contractor. Further, there was a 278 variations amounting to Rs. 90.03 million comprising with Rs. 82.48 million done under Special Schedule Rate (SSR) and Rs. 7.54 million done under BOQ rate to complete the constructions works.	One of the main reasons for the delay is due to the Covid lockdown period with restricted travelling and public gathering. By now the construction has been completed and handed over to CGTTI.	Action should be taken to strength the contract administration activities in order to minimize the construction cost.
(ii) A sum of Rs. 1.99 million had to be overpaid for fixing 46 fanlights at the Attidiya Hostel construction.	The Original design has been changed and therefore new rate was applied for this item.	-Do-
<b>(b) Construction works of Hostel Building at Sri Lanka German Technical Training Institute in Killinochchi</b>		
As per the Cabinet decision taken on 12 September 2017, an allocation of Rs. 253.8 million had been made to construct new hostel building with 3 storied to provide residential facilities for 400 students and awarded a contract at an estimated cost of Rs. 185.61 million on 20 May 2020 and subsequently, Memorandum of Understand had signed on 28 February 2023 for the completion of 1 <sup>st</sup> floor of the building with revised estimate of Rs. 120.14 million. The following observations are made.		
(i) The residential facilities of the 1 <sup>st</sup> floor of the hostel building could not be given to the apprentices up to the date of audit, due to poor progress of the works relating to the water supply and drainage, electricity and treatment plant.	The contractor has been instructed to complete the balance work before 15 <sup>th</sup> July 2024. Futher residentially facilities will be given for students on 3 <sup>rd</sup> July 2024.	Action should be taken to supervise the activities of the contractor.

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| (ii)   | Eventhough the cumulative work done as at 12 April 2022 was Rs. 110.73 million according to the main summary of the IPC 14, it was mentioned as Rs. 114.71 million in the face of the Interim Payment Certificate 14. Therefore, overpayment of Rs. 3.58 million had been made to the contractor under this IPC. | As per the Central Engineering Consultancy Bureau's payment certificate Rs.110.73 million is the discounted price in the main summery of the IPC 14, Rs.114.71 million is the actual work done. The discounted price for IPC 14 is 103.31 million. | Action should be taken to verify the accuracy of the work done before making the payments.                           |
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| <b>(c) Construction works of Vocational Training Authority</b> |  |  |  |
| (i)  | The training equipment worth Rs. 4.47 million had been procured for cookery course in Pothuvill in the year 2016. However, the respective course had not commenced up to the date of audit, due to lack of an instructors. Therefore, these equipment remained idle and the warranty period had also expired.    | No comment   | Action should be taken to arrange facilities to use the training equipment effectively.                              |
| (ii)   | A sum of Rs. 162.18 million had been incurred by the Programme to renovate existing Hotel School in Ahangama as a Hotel in order to provide training opportunities for the students. However, such training programs had not been commenced even at the date of 10 May 2024.                                     | No comment   | Action should be taken to achieve the objective of the Programme.  |
| (iii)  | 22 hotel rooms constructed at a cost of Rs. 91.03 million contrary to the objectives of the Vocational Training Authority for the purpose of giving to tourists in Ampara and Jaffna districts and Rs. 6.10 million worth of furniture procured for this remained idle from the year 2017.                       | No comment   | Action should be taken to utilize the hotel rooms useful manner without further delay.                               |
| (iv)   | A two-storied hostel building consisting of 12 fully equipped rooms to accommodate 52 apprentices of Kutchiveli Hotel School constructed at a cost of Rs. 140.21 million in 2017 remained idle until over 06 years, due to a permanent water supply could not be obtained to the building.                       | No comment   | Action should be taken to obtain required facilities to use the hostel building useful manner without further delay. |

**(d) Construction works of National Youth Service Council**

- (i) Construction works of Monoragala, Dambulla and Lovelane training centers had been abandoned by the contractors after completion of 70 per cent and 65 percent respectively and Rs. 142.70 million had been incurred by the Programme by that time. However, it was observed that the National Youth Council had not re-awarded the contracts and completed the remaining works by 30 June 2023.
- Classes are held on the ground floor of the Lovelane Training Classroom Building. Work on four upper floor classrooms has been completed and provision is to be made to complete the remaining works.
- The expedite action should be taken to complete the balance works of the construction.
- (ii) According to the completion report of the Programme, a sum of Rs. 535.78 million had given for the improvement works of the 5 buildings in the National Youth Council. However, it was shown as Rs. 456.2 million in the information received from the respective Institution.
- The expenditure of Rathmalana NYSC was double counted and arrived at Rs. 535.78 million. The correct amount according to our report is Rs. 497.84 million.
- Action should be taken to identify the correct value of the construction.

**(e) Construction works of Technical Colleges and College of Technology**

- (i) According to the completion report of the Programme, a sum of Rs. 1,093.48 million had given for the improvement works of 36 buildings of the Department of Technical Education and Training. However, it was shown as Rs. 711.8 million in the information received from the respective Institution.
- According to the response by the DTET, total expenditure incurred for DTET is Rs. 711.8 million. The amount was identified in the estimation for the rehabilitation of building for the Implementing Agencies of SSDP.
- Action should be taken to identify the correct value of the construction.

The amount of DTET Bandarawela, Hasalaka, Rathmalana, Vauniya, Kaluthara, Wariyapola, Samanthurei, Nuwara Eliya, Polonnaruwa, Dambulla and Batticaloa were double counted and arrived at Rs. 1,093.48 million.

**(f) University College**

- (i) Bathroom accessories valued at Rs.464,400 provided by the Programme on 24 August 2015 for the construction of a bathroom in the Hospitality Management Laboratory in the Batangala University College had remained idle even on the date of audit on 06 March 2024.
- Constructions are being carried out now.
- Action should be taken to expedite construction works without further delay.

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| (ii)  | 591 Books valued at Rs. 1.45 million which were not relevant to the courses conducted by the Rathmalana University College remained at idle over 9 years.   | Comment not received.   | Action should be taken to use the books in useful manner.                                |
| (iii) | Eventhough 31 Table Microphone valued at Rs. 423,243 remained in the TV Post Production Technology Laboratory of the Rathmalana University College, those are remained idle over 9 years even on the date of audit on 06 February 2024, due to non-relevance for the students who follow the courses there.   | Comment not received.   | Action should be taken to use the equipment in useful manner.                            |
| (iv)  | There were 40 newly Developed National Competency Standard (NCS) and Curricula for courses and 29 revised National Competency Standards and Curriculas for courses in the completion report of the Programme. However, according to the information received from the TVEC, there were 36 courses that no students had followed the courses and 12 courses follow between 5 to 78 students, due to non-introduction of courses for the demand of the students, lack of qualified instructors to conduct courses so introduce and poor intervention of the Industry Sector Skill Council established by the Programme. | The NCS are developed when the industry request as needed for their industry. The implementation of the training course is by the relevant industry. Therefore, some NCS's are not used as per the wish of that industry. ISSCs are always involved in the development of NCS, curricular & the validation process. | Action should be taken to introduce relevant National Competency Standard and Curricula. |

### 3.2 Internal Control

<b>Audit Issue</b>	<b>Management Response</b>	<b>Auditor's Recommendation</b>
Internal Audit had not been carried out by the Internal Audit Section of the Executing Agency on the activities of the Programme.	There was a cadre revision in start of 2021 to approve the cadre for SSDD. Many positions were not approved. The internal auditor cadre was among them. However, since the SSDP was running with lesscadre, we expected the Internal Auditor of the Ministry to audit the SSDD also.	Action should be taken to carried out the internal audit by the Execution Agency.