

Tertiary and Vocational Education Commission - 2023

1. Financial Statement

1.1 Qualified Opinion

The audit of the financial statements of the Tertiary and Vocational Education Commission for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance, statement of changes in net assets 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 the 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 2023, 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 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 Commission'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 Commission 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 had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the Preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non-Compliance with the reference to particular Standard	Comment of the Management	Recommendation
(a) It had been pointed out in the previous year Auditor General's report that, the assets by Rs.35,913,476 and liabilities by Rs.5,773,355 has been understated in the financial position statement and the surplus by Rs.45,464,689 had been understated in the financial performance statement. But, according to paragraph 47 of Sri Lanka Public Sector Accounting Standard 03, the corrected comparative figures for the previous year had not been prepared to present with the financial statements of the year under review.	That the comparative figures will be rectified in the preparation the final accounts for the year 2024.	Actions should be taken to correct the errors pointed out in the Auditor General's report according to Sri Lanka public sector accounting standards.
(b) According to Paragraph 47 of Sri Lanka Public Sector Accounting Standard 09, the accounting policy used in the measuring of balance stock of Rs.13,898,485 of the Commission had not been disclosed in the financial statement. Also, the remaining stock of overcoats costing for Rs.1,312,200 as on 31 December of the year under review had not been accounted for.	As indicated by the audit, the related notes will be applied in the year 2024 to account for the value of the opening and closing stock and actions will be taken to correct the values related to the year 2023 through comparative figures.	All inventories should be accounted for and the accounting policy applied in measuring the inventory should be disclosed in the financial statements.
(c) Out of the capital grant of Rs.7,800,000 received, an amount of Rs.1,422,096 had been spent for the purchase of fixed assets. but had been accounted under	Since the surplus of the year was calculated by deducting the amount used for the purchase of fixed assets	According to Sri Lanka Public Sector Accounting Standards, capital

deferred income in the statement of financial position instead of accounting under capital grants in the statement of financial performance as per Sri Lanka Public Sector Accounting Standard 11.

from the total capital grant amount received from the Treasury, only the balance has been shown as capital grant in the statement of performance. grants should be recognized as income in the financial performance statement.

1.5.2 Accounting deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) According to the information obtained from the relevant divisions regarding 04 categories of income in the year under review the total income was Rs.10,151,500, but according to the financial statements the income was Rs.8,812,710. As such, there was a discrepancy of Rs.1,338,790 in the income of the year under review.	That the reasons for the differences in 04 income categories will be investigated and reported.	Action should be taken to maintain accurate records regarding the revenue collections and verify its accuracy by the relevant divisions before preparing the financial statements.
(b) A sum of Rs.11,090,000 receivable to the Commission as on 31 December 2023 for the issuance of certificates to 04 external institutions had not been accounted for. As such, the surplus and receivable income of the year under review was understated by that amount.	That the accounts will be checked and rectified immediately.	In preparing the financial statements, the receivable income should be correctly identified and accounted for.
(c) The balance payable to the Government Printing Department amounted to Rs.14,479,985 as on 31 December 2023 had not been taken in to accounts.	That the amounts payable to the Government Printing Department had not been disclosed in the preparation of the financial statements.	Payables to external entities should be accurately identified and confirmed and accounted for in the preparation of financial statements.

1.5.3 Unreconciled Control Accounts or Records

Item	Value as per Financial Statements (Rs.)	Value as per Corresponding Record (Rs.)	Difference (Rs.)	Comment of the Management	Recommendation
Receivable balances	40,363,399	9,699,000	30,664,399	Action will be taken to inform the relevant institutions	Revenues should be accurately identified and accounted for in the preparation of financial statements.

and recover the money in the future.

1.5.4 Documentary Evidences not made available for Audit

Item	Amount (Rs.)	Evidence not Available	Comments of the Management	Recommendation
Examination fees under NVQ program costs	24,322,926	Detailed expenditure reports on examination papers and other printed materials printed in the year 2023 and the information about amounts paid for them.	Although the cost of the National Professional Qualification examination is one item of the expenses, in the next year this expense will be presented in further detail as a sub-note of that expense in the final accounts.	The necessary evidence to verify the relevant expenses should be submitted to the audit in detail.

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

Reference to laws, rules, regulations	Non compliance	comment of the Management	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(a) i. Financial Regulations 156 (i) (b) and 322 (1).	Although the Shroffs and Cashiers should maintain their document records update, but the cash book had not been updated in such a way that the value of the money of the Commission held by them in a certain occasion could be stated precisely.	As indicated by the audit, in order to avoid this shortcoming, in order to accurately check the value of the money in hand, steps have been taken to issue receipts by consulting the options to be selected in the package.	As per the financial Regulations, books and documents should be kept up-to-date.
ii. Financial Regulations 319(1) and 321.	Although the sub-keys of the safes should be sealed and kept securely inside the covers, both the sets of keys of the safe were in the custody of the Deputy Director (Finance) at the	It has been arranged to keep the set of keys of the safe by two officers, as such, that only one officer cannot open the safe.	Actions should be taken to ensure the safety of the safe as per the financial regulations.

iii. Financial Regulations 323	time of the audit. In the physical cash verification conducted by the audit officers on 15 July 2024, revealed a cash shortage of Rs.345,651.	According to the instructions given in the audit, the internal audit department has been assigned to conduct a preliminary investigation and will take further steps based on the recommendations given by that department.	Financial Regulations should be followed.
iv. Financial Regulation 325	Although comprehensive sudden verification of all money should be conducted by at least once a month, but it was not checked even once during the audited years 2023 and 2024.	That this task has been assigned to the internal audit division of the institute as per the instructions given by the Audit and Audit and Management Committee.	Action should be taken to avoid misuse of money in accordance with the Financial regulations.
v. Financial Regulation 395 (b) (e)	Daily cash collection by the Cashier had not been deposited in the bank and the cash in hand was shown as unrealized deposits in the bank reconciliation statement at the end of every month.	According to the accounting system, receipts for all money received by the Commission are issued by the bank accounts. Accordingly, since 30 and 31 December 2023 were weekends, receipts will be issued directly through bank accounts even if not deposited in the bank.	Bank reconciliation statement should be prepared correctly.
(b) Paragraph 3.2 (i) of Public Enterprises Circular No. 01/2021 dated 16 November 2021	A total sum of Rs.38,351,005 was paid to the officers of the Commission and registered external persons for the same functions during the year under review on the approval of the Board of Governors without obtaining the approval of the Treasury.	That the details of the internal circulars related to the allowances made to the external and internal officials will be submitted to the Treasury and actions will be taken to get approval for the same.	Circular instructions should be followed for availing additional allowances.
(c) Circular No. MSDVT/SSDP/2016-1 dated 26 February 2016	It was mandatory from the year 2017 for all institutions conducting NVQ 1 to 6	A separate Deputy Director was appointed from 13.05.2024 for the	The regulatory body should focus more on

of the Secretary to the Ministry of Skills courses to establish a quality management system. But after the year 2019, no institution had acted accordingly and the Commission as the regulatory body had not taken any action in this regard. task of establishment of the Quality Management System and the first program will be implemented on 25.7.2024. establishing a quality management system to safeguard the quality of NVQ courses.

2. Financial Review

2.1 Financial Results

The operation result in the year under review had been a surplus of Rs.11,065,996 as compared with the corresponding surplus of Rs.23,722,454 for the preceding year, thus observing a deterioration of Rs.12,656,458 in the financial result. The increase in the expenditure of National Vocational Certificate program had mainly attributed to this improvement.

3. Operational review

3.1 Management inefficiencies

Audit observation	Comments of the Management	Recommendation
<p>(a) One of the primary objectives of establishing this institution was to prepare the National Vocational Education Development Plan and publish it as a gazette, according to Section 11 of Chapter 2 of the Tertiary and Vocational Education Commission Act No. 20 of 1990. Although 32 years have passed since the establishment of the Commission the commission was unable to fulfil even by the end of the year 2023.</p>	<p>That a development plan is being prepared.</p>	<p>Priority should be given to accomplishing the primary objectives of setting up the institute.</p>
<p>(b) In the year 2023, it was revealed that the National Apprenticeship and Vocational Training Authority and the Vocational Training Authority engaged in activities such as student registration, course registration, issuance of National Qualification Certificates (NVQ) outside of the approved system of the Commission. Accordingly, as per the in terms of Section 10(3)(a) of the Tertiary and Vocational Education Commission No. 20 of 1990, no</p>	<p>After enrolling students in courses under the EBT system, NAITA has been informed that all students' information should be entered into the information system, but NAITA has not entered the relevant information into the data system.</p>	<p>The attention should be focused on the functioning of the regulating public institutions by the Commission.</p>

proper supervision has been done by the Commission.

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| (c) | The Certificate for Telecommunication Technician course was not given accreditation due to not having met the necessary appropriate qualifications to obtain accreditation for the National Professional Qualification level. But more than a year after the completion of the course, the objectives of the accreditation of the courses had not been fulfilled by confirming that the level of satisfaction had been reached and giving the accreditation. | At present, the NAITA institute has reached the proper level of certification and obtained the accreditation, and after obtaining the accreditation for 03 groups who have completed the training of this course, examinations have been conducted and issued certificates. | The institutions conducting the courses should make necessary arrangements to promptly meet the necessary appropriate qualifications to obtain accreditation for the National Professional Qualification level. |
| (d) | The activities of amending the Tertiary and Vocational Education Commission Act have not been completed as recommended by the Sub-Committee on Public Enterprises held on 01 September 2023. | Instructions have been received to include provisions for prosecution under the Tertiary and Vocational Education Act against the institutes which are being run without the approval of the Tertiary and Vocational Education Commission and are proceeding accordingly. | More attention should be focused to creating the necessary legal environment to operate in order to fulfil the regulatory function expected by registering the institutions. |
| (e) | The Planning and Development Division of the Commission had commenced preparing a vocational education training plan for the Western Province in 2013, but had unable to prepare the plan even by the end of 2023. | That the preparation of the Western Province Vocational Education Training Plan was started in the first quarter of 2023 and the data collection was completed in the last quarter of 2023. | A vocational education training plan for the Western Province should be prepared promptly. |
| (f) | The short-term grants amounted to Rs.5,155,322 had been deposited by external institutions for preparation of skill standards, out of that an amount of Rs. 1,426,918 has been deposited for more than 5 years. Action has not been taken to settle them. | That the amount of Rs.1,426,918 in the account of payables beyond 05 years will be accounted as income in the year 2024 through the prior year adjustment account. | Reasons for non-clearance of repayable short-term grants should be investigated and actions should be taken to settle. |

3.2 Operational Inefficiencies

Audit observation	Comments of the Management	Recommendation
(a) In terms of sub-sections 14 (1), 15 (1) and section 10(3)(a) of the Commission Act, among the institutions registered in the Commission, 16 institutions whose registration had expired for more than 20 years and 486 institutions whose registration had expired between 5 and 20 years had not requested to renew their registration as on March 2024. Furthermore, no program was implemented to check that the institutions continued their professional training activities without renewing their registration. Also, 36 institutions had requested to renew their registration from the year 2016 to 2022, but the registration of those institutions had not been renewed even by 31 March 2024.	All closed establishments have been marked as "closed" and displayed on the Commission's website for public information. Institutions which have applied for renewal of registration but have not met the required criteria have been informed to complete the deficiencies and apply for re-evaluation.	Actions should be taken to renew the registration or cancel the registration of the institutions whose registration has expired and legal action should be made so that legal action can be taken against the institutions whose registration has not been renewed.
(b) Institutions which were temporarily banned from conducting courses by the Commission has been continued to carry out their teaching activities as usual, ignoring the orders of the Commission.	Warning letters have been sent to the institutions whose registration has been temporarily suspended, and the actions are being taken to cancel the registration of the institutions that are not being cancelled.	Management should work to fulfil the functions of a regulatory body.