

Head 104 - Ministry of National Policies, Resettlement and Rehabilitation, Economic Affairs, Northern Province Development, Vocational Training & Skills Development and Youth Affairs

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ministry of National Policies, Resettlement and Rehabilitation, Economic Affairs, Northern Province Development, Vocational Training & Skills Development and Youth Affairs for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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. In terms of Sub-section 11(1) of the National Audit Act, No.19 of 2018, the summary report including my comments and observations on the financial statements of the Ministry of National Policies, Resettlement and Rehabilitation, Economic Affairs, Northern Province Development, Vocational Training & Skills Development and Youth Affairs was issued to the Chief Accounting Officer on 29 June 2020. In terms of Sub-section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the Ministry was issued on 15 October 2020 to the Chief Accounting Officer. This report which should be read in conjunction with Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka is submitted to Parliament in terms of Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the accompanying financial statements prepared in accordance with the State Accounts Circular No. 271/2019 dated 03 December 2019 give a true and fair view of the financial position of the Ministry of National Policies, Resettlement and Rehabilitation, Economic Affairs, Northern Province Development, Vocational Training & Skills Development and Youth Affairs as at 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 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.

1.3 Responsibilities of Chief Accounting Officer and Accounting Officer for the Financial Statements

Chief 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 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 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 Chief Accounting Officer shall ensure that effective internal control system for the financial control of the 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 General'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 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 structure and content of the financial statements containing the disclosures and the transactions and events that underlie the financial statements in an appropriate and reasonable manner.

I communicate with the Chief 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

As required by Sub-section 6 (1) (d) and Section 38 of the National Audit Act, No.19 of 2018, I state the followings.

- (a) Last Year's Head - 104, due to changes in the subjects of the Ministry of National Policies and Economic Affairs, financial statements for the year under review were submitted as the Ministry of National Policies, Economic Affairs, Resettlement and Rehabilitation, Northern Province Development, Vocational Training & Skills Development and Youth Affairs. However, since the figures for the last year of the financial statements were only relevant to the National Policy and Economic Affairs section, it cannot be stated that the financial statements are consistent with the previous year.
- (b) The following recommendation I had made regarding financial statements for the previous year had not been implemented.

Paragraphs reference of the year 2018	Audit Observation	Recommendation
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1.6.4(c)	A sum of Rs.10 million which was given in 2016 to obtain computers for the Employees Provident Fund had included in the opening balance of the office equipment of the Ministry.	Assets that do not belong to the Ministry should be correctly identified and the asset accounts should be corrected accordingly.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Performance

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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A sum of Rs.205,670,588 had noted as direct foreign payments in the Central Bank Report for the month of December 2019 paid for the project such as providing the equipment related to vocational training and skills development Division, construction of vocational training centre in Colombo in 2019 and improvement of Gampaha technical college. The total expenditure of 03 Object Codes had understated by Rs.205,670,588 due to the decision of the General Treasury as it is not accounted under the year 2019 because the National Debt Limit can't be exceeded.	Action should be taken to account the expenditure relevant to the period.	Agreed. Although sufficient provisions had been made for the year 2019, it had decided that by the General Treasury not to account it under the year 2019 as the national debt limit cannot be exceeded.

1.6.2 Statement of Financial Position

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) Although the non-financial asset balance of the National Center for Leadership Training as at 31 December 2018 is Rs.15,771,902 , the non-financial assets had been understated by Rs.14,892,002 due to it is stated as Rs.879,900 as at 01 January 2019. The reasons for that had not been	Since the year ended balance of the previous year should be the same as the opening balance of the year under review, if there is any discrepancy in those balances, a reconciliation	The opening balance of non-financial assets had decreased due to accounting of non-financial assets as Rs.100 per unit which could not be able to assess in the year 2019. It had been reported that the correct value of the valuation will be shown in the financial statements by completed the assessment of assets in the year

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| presented through the note to the financial statements. | statement should be prepared and disclosed. | 2020 and that the value of the assets included in the CIGAS program should have been stated in the financial statements, so that value is stated. |
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- (b) Although the non-financial asset balance of the youth affairs Division as at 31 December 2018 is Rs.21,478,925 , a difference of Rs.10,095,455 was in the opening balance of non-financial assets due to it was stated as Rs.31,574,380 as at 01 January 2019. Although a further difference of Rs.4,189,455 was observed after adjusting the purchases of Rs.5,906,000 from Contingency Fund to the opening balance during the year under review, the reasons for this were not stated through a note to the financial statements.
- Since the year-end balance of the previous year should be the opening balance of the year under review, if there is a mismatch between those balances, it should be disclosed in a reconciliation statement.
- That only the values of assets purchased during that year are included as the value of non-financial assets in 2018, that the assets not included in the previous year, as well as purchases during that year, were included in the opening balance of 2019.
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- (c) Although the purchase value of non-financial assets other than passenger vehicles during the year under review was Rs.3,108,035 for the National Policy and Economic Affairs Division, the asset purchases had been understated by Rs.967,270 due to stated it as Rs.2,140,765.
- It should be accurately accounted for the value of fixed assets acquired during the year.
- That the expenditure of the National Policy and Economic Affairs Division under 104-1-2-0-2103 in the year 2019 is Rs.525,850 and it is reconciled also according to the treasury printouts.

- (d) Although the assets amounting to Rs.2,856,029 disposed by the Skills Development and Vocational Training Division in the year 2019 had not been deducted from the value of non-financial assets account, the reasons for it were not stated through a note. It should be removed the value of disposed assets from the non-financial assets. Due to the lack of a formal procedure in the CIGAS system to account non-financial assets when accounting Object Codes in one Head under a subproject in another Head, that the disposal value could not be removed and it is expected to be removed by 2020.

1.6.3 Lack of Evidences for Audit

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) Although the non-financial assets amounting to Rs.41,893,773 relating to Regional Development Division and passenger vehicle amounting to Rs.832,431,983 relating to the National Policy and Economic Affairs Division had stated in the financial statement, the Board of Survey had not been conducted at 31 December 2019 as to confirm the physical existence of those assets and the survey reports had not been submitted for audit.	Annual Board of Survey should be conducted.	The replies had not been furnished.
(b) Although a register had been submitted for the disposal of non-financial assets of Rs.50,399,525 as physical changes from the Regional Development Division for the year under review, the approval for that, the documents pertaining to the transfer and acceptance of those assets had not been submitted to the audit.	Disposal of assets should be done properly and should be maintained written information in that regard.	The replies had not been furnished.

2. Financial Review

2.1 Expenditure Management

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) The net provision for the year under review was Rs.102,477 million and Rs.67,953 million had been spent during the year out of it. Accordingly, the savings from net provision was 33.69 per cent and this was mainly due to the savings of 36 per cent of capital provision.	The expenditure estimates should be prepared accurately and the utilization of funds should be done efficiently.	According to the Treasury Budget Circulars, this situation had been affected by the limitation on expenditures and the revision of the Ministries during the year.
(b) The provisions made through budget estimates amounting to Rs.576 million for capital expenditure on 20 Object Codes and amounting to Rs.11.8 million for recurrent expenditure on 05 Object Codes had totally saved without being used.	-do-	Agreed
(c) The supplementary estimate amounting to Rs.310 million obtained on two occasions during the year for the achievement of two specific functions had not been utilized for the relevant purposes.	Maximum attention should be paid to make efficient use of the provisions.	That the construction could not be started until the end of the year due to non-receipt of imprest until end of the year and only preliminary work related to the signing of the relevant financial agreement and commercial agreements had been done.

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| (d) | The amount totalling Rs.28,905 million ranging from 21 per cent to 100 per cent relating to 84 capital Object Codes and the amount totalling Rs.2,263 million ranging from 21 per cent to 100 per cent relating to 71 recurrent Object Codes totalling Rs.31,168 million had not been utilized. That saving was 39 per cent of the total net provision. | Expenditure estimates should be prepared accurately and the utilization of funds should be done efficiently. | These savings are due to the revision of ministries, vacancies in staffs, delays in recruiting trainees, restrictions on expenditure, non-implementation of projects and non-application for training programmes. |
| (e) | The provision amounting to Rs.309,163,605 had been transferred to another Object Codes during the year by FR.66 out of estimated provision amounting to Rs.589,275,000 was allocated for 35 Object Codes. It was ranging from 17 per cent to 100 per cent out of estimated provision. | Action should be taken to utilize the provisions with proper plan and efficiently. | That these transfers were made due to the reasons such as restricted the foreign travels, failure to carry out expected repairs, expected expenses were not incurred. |
| (f) | The initial expenditure estimates of 09 Object Codes totalling Rs.6,633,050,000 had been revised during the year under review and it ranged from 53 per cent to 271 per cent of the initial estimate. | Estimates should be prepared in a realistic manner. | Estimates had been revised due to inadequate provisions. |

2.2 Incur Labilities and Commitments

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Chief Accounting Officer -----
The liabilities totalling Rs.9,137,953 had been incurred exceed the savings in 06 Object Codes without confirming that the adequate provisions had available in the relevant Object Codes before engaging commitments as per Financial Regulation 94(1).	Action should be taken according to the Financial Regulations.	Although such commitments had been incurred for the bills to be settled at the end of the year, that the payments were not made in excess of the provisions as the payment was not made due to non-receipt of imprest.

2.3 Public Officers Advance “B” Account

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) The debt balances are existed as a sum of Rs.81,674 relating to 02 officers who released to the local government institutions, a sum of Rs.11,810 in respect of a deceased officer, a sum of Rs.1,076,581 relating to 02 officers on no-pay leave, a sum of Rs.906,391 relating to 30 officers transferred to other Ministries / Departments, a sum of Rs.473,605 relating to 08 retired officers, a sum of Rs.455,017 relating to 07 dismissed officers, a sum of Rs.1,664,538 relating to 14 officers who vacated from post in the Ministry and among those loan balances there were loan balances amounting to Rs.3,840,144 relating to 55 officers who had not been able to recover for more than 5 years.	This situation should be resolved by taking appropriate action.	That it was informed to the Attorney General's Department of the lack of loan files of officers, lack of loan information and recovery of some debts.
(b) Two loan balances amounting to Rs.55,445 pertaining to two officers had not been included to the public officers advance account according to the loan document. The debt balance of the public officers advance account had been overstated by Rs.229,633 due to debt balances of two officers who were transferred between two divisions in the Ministry were shown under the debt balances of both divisions.	Arrangements should be made to include all debt balances to the account.	That a mistake had occurred and that it will be corrected in the future.

3. Operating Review

3.1 Failure to Achieve Functions

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
(a) The Institute of Advanced Technologies Ltd. was incorporated on 01 August 2017 in a public-private partnership to establish a center of excellence for higher education. The Joint Cabinet Memorandum submitted by the Ministers of National Policies and Economic Affairs, Higher Education and Highways and Science, Technology and Research on "Provision of US \$ 1 Million for Advanced Technological Institute Limited" was approved by the Cabinet on 05 December 2017. Approval was granted for a grant of US \$ 1 million for services rendered to a foreign institution. Accordingly, an agreement was signed with the company on 28 February 2018. As per the above Cabinet Decisions and Agreement, a sum of Rs.113.75 million had been paid in 2018 to obtain the required services from the foreign institution to formulate a permanent plan for the establishment of a formal Board of Governors for the management of the new Business School. Further, although Rs. 40 million had been allocated for this purpose in 2019, those provisions had not been utilized and two years had passed since the agreement was	Government money should be used economically and effectively.	The total allocation of Rs.40 million for this project for the year 2019 was blocked by the National Budget Department. As per the decision of the Cabinet, the Secretary to the Ministry was required to submit a detailed project report to the attention of the Cabinet. Accordingly, the draft project report submitted by the Institute of Advanced Technology was forwarded to the then Ministry of Town Planning, Water Supply and Higher Education, Department of National Planning, National Agency for Public Private Partnership and Board of Investment for their observations / proposals. Since the draft needs to be examined, the Ministry then Urban Planning, Water Supply and Higher Education had informed that it needs considerable time. Also, the National Agency for Public-Private Partnerships had requested other information related to the project report from the

signed, but the detailed project report had not been submitted to the Cabinet.

Institute of Advanced Technology and the Institute of Advanced Technology was informed by then the Ministry to provide that information.

Accordingly, although the then Ministry had instructed the relevant institutions on a number of occasions to submit relevant observations / proposals in this regard, as these proposals had not been submitted yet, the relevant project report could not be submitted to the Cabinet.

- (b) Although the Cabinet approval had received on 19 March 2019 to recruit 7500 Trained Project Assistants to the Ministry aiming to provide human resources for monitoring and also coordinating development projects and programmes implementing at the village level by the Government, provisions for this had not been made in the annual budget estimate. Further, interviews for recruitment were initiated for this purpose before receiving the recommendations of the Department of Management Services and the Salaries and Cadres Commission. A sum of Rs.6.95 million had spent on this recruitment and the recruitment had been canceled by a Cabinet decision dated 18 December 2019.
- Maximum correction should be made by intense focus about expenditure on subjects for which there is no formal approval and no benefit had been derived from that expenditure.
- Although the interviews were commenced on 17 June 2019 subject to the concurrence of the relevant department as per the decision of the committee chaired by the Secretary to the Prime Minister, the recommendations of the Department of Management Services and the Salaries and Cadre Commission were obtained before the completion of the interviews. The recommendations could not be implemented as the interviews are being conducted were substantially completed at the time of receipt of the amendments by the Director General of Establishment. These expenses were incurred before the cancellation of this recruitment by the Cabinet Decision of 18 December 2019.

- (c) The Human Resource Services Agency was established on 21 June 2016 as a public company with the necessary powers to obtain the services of professionals' specialists in various disciplines in a short period of time and to attach them to government agencies and public enterprises by providing a comprehensive package in line with industrial standards. The Ministry had approved 02 posts as Senior Research Analyst and Junior Research Analyst on temporary basis and the agency had appointed two for the purpose. The Ministry had also paid their allowances through this agency. The company had provided only one professional to other institutions and Although more than four years had elapsed since the inception of the company, it is observed that a sum of Rs.9,916,868 incurred on it was idled as it had not achieved its intended objectives. Further, it was also observed that a Cabinet Memorandum had been submitted to the Cabinet Office on 02 October 2019 to liquidate this company.
- Should be act in The main objectives of the establishment of this company were to recruit professionals / specialists from various fields on industrial standards on a short-term basis and attach them to government agencies and government-owned enterprises. The existed Ministry of National Policies and Economic Affairs had approved two posts of Senior Research Analyst and Junior Research Analyst on a temporary basis and two persons had been appointed by the company for this purpose. Also, the company had hired one professional to other institutions. Although a Cabinet Memorandum signed by the Minister in charge of the subject was submitted to the Cabinet Office on 03 October 2019 to liquidate the company as the Board of Directors of the Company could no longer achieve the objectives of establishing the Company, this Cabinet Paper had not been taken up for discussion due to the recent Cabinet reshuffles.
- (d) According to a special budget proposal for the year 2018, social problems had arisen in the implementation of the Salary Subsidy Scheme for rehabilitated and reintegrated ex-combatants to be provided employment by the private sector under the Resettlement and Rehabilitation Sector. As a result,
- Prior and full feasibility study should be done in the implementation of such projects.
- That the funds had been allocated for this project without any prior study and that no any progress were achieved due to number of practical issues raced when attempting to implement this project.

according to the Cabinet Memorandum dated 19 November 2018, although it had been suggested that action be taken to include in the 2019 Budget Proposal after conducting a feasibility study to implement it as a special livelihood assistance program, that project had not been implemented. A sum of Rs.100 million had provided through the annual budget estimates for this had not been utilized and a sum of Rs.90 million out of it had been transferred to other Object Code by F.R.66.

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| (e) | The programmes had been implemented according to the criteria and guidelines of microfinance credit facilities of the Ministry of Finance for implement the microfinance credit facility granting programme for indebted people living in the North and North Central Provinces under the Resettlement and Rehabilitation Division. However, the project could not be successfully implemented due to practical issues including the higher interest rate such as 14 per cent and the indebtedness of the peoples is higher than the considered credit limit of Rs.20,000. Therefore, Rs.100 million allocated in the annual estimate and Rs.50 million in supplementary provisions had not been utilized. | A prior study should have been done to implement the projects. | That this project could not be implemented in those 05 offices due to problems that arose in the implementation of this project in 05 District Secretariats in the Northern Province and that these provisions had been received for a project approved on the 2018 budget speech. |
| (f) | A contract agreement was signed on 17 May 2019 for the construction of 1,000 houses in 03 Districts in the Eastern Province as the first phase of the project to build up the permanent houses with economical concrete panels using new technology for | The Project activities should be done in accordance with the agreement. | That those construction works of the houses had already commenced. That the programme was delayed because it was a pilot project using a new technology on the advice of the National |

families displaced by the conflict in the Northern and Eastern Provinces under the Resettlement and Rehabilitation Sector. According to paragraph 4.2 of the contract, the project had not been commenced due to non-submission of performance bonds by the relevant contractor within 14 days after the signing of the financial agreement on 13 August 2019. The supplementary provision of Rs. 260 million had been made for this project.

Building Research
Organization (NBRO).

3.2 Failure to Achieve Expected Outputs

The following observations are made in relation to the Skills Development and Vocational Training Division.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) Although the student capacity of the training institutes belonging to the Ministry during the year under review was 136,920, the number of students enrolled was 111,642 and the Ministry was unable to recruit the maximum number of students required to use its resources effectively and efficiently. Further, follow-up programmes regarding the employment of trainees who had completed their training had not been implemented and there was also no database regarding trainees who are employment.	Action should be taken to further expand the programmes to attract students to the courses to be able to use the resources effectively and efficiently.	The Tertiary and Vocational Education Commission had formulated an application system for the development of courses and it is currently in operation. That a programme had been formulated to develop a sufficient number of training norms and curriculum tougher with leading institutions in the field of industry and training institutions including the University of Vocational Technology, National Apprenticeship and Industrial Training Authority for that.

- (b) The Tertiary and Vocational Education Commission had developed curricula for 317 job opportunities on requirement and requisition of the industry during the period from January 2017 to September of the year under review and certificates for national professional qualifications were issued for 170 job opportunities. It was observed that the highest value of 21 per cent out of it had found to be issued to computers and related job opportunities. The curriculums were developed according to the request of the institution and the needs of the industry and refer to job opportunities suitable to modern world were minimized due to the lack of development of the curriculum as per proper procedure.
- One of the most important factors in professional education is the establishment of training norms and curriculum development. Establishment of training norms relevant to training areas based on global needs and industry development is essential for modernization of courses in line with technological development. Therefore, necessary steps should be taken to improve the quality of the courses.
- When a sufficient number of training norms and curricula have been developed in one field, arrangements have been made to launch such training norms and curriculum in collaboration with industrialists and partners in that field.
- (c) (i) According to the Tertiary and Vocational Education Act No. 20 of 1990, training courses must be registered to conduct National Vocational Qualification courses (NVQ) and those courses had to be accredited to provide quality courses. However, out of 2566 courses conducted in 06 institutes including universities operating under the Ministry, 683 courses had not been accredited as per the provisions of the Act. Further, due attention should be paid to the accreditation of courses to ensure the quality of courses conducted by private sector institutions.
- The course accreditation should be done to ensure to provide quality courses for students.
- Measures had been taken to accredit most of the courses in vocational training institutes, except for the courses which do not cover the required hours for accreditation. That the number of hours required to accredit courses in the practical field is uncompleted and those belongs to the category of short-term courses.

But according to the information of the Tertiary and Vocational Education Commission, out of 2788 registered courses in 729 privately registered institutions conducting vocational training courses, only 613 courses had been accredited by the year 2019.

- (ii) It had been mandatory by the Institutions should The replies had not been Circular No. MSDVT/SSDP/2016-1 dated 26 February 2016 of the Ministry of Skills Development and Vocational Training that all institutions conducting vocational training courses registered with the Tertiary and Education Commission should establish a quality management system from 2017 and obtain a certificate from the Commission regarding its quality. However, there are 2740 private and public sector registered institutes conducting vocational training courses island wide, only 224 of them had obtained the Quality Management Certificate as at 19 November 2019. maintain a proper quality management to maintain the quality of courses. given.
- (d) (i) There had been only 1,920 students enrolled according to the capacity of the Vocational Technical University out of a total of 7099 students who were completed NVQ 5, 6 courses It should increase the capacity of the universities to provide opportunities for all students who wish to pursue degree level courses. The replies had not been given.

and expected to pursue degree level courses outside the training institutes from the year 2017 to the year 2019. As a result, undergraduate students pursuing National Vocational Qualification Courses 5 and 6 had lost the opportunity to pursue a university education.

- (ii) Although there are currently 22 National Vocational Qualification 5 and 6 level courses conducted at the 6 University Colleges, The University of Vocational Technology which offers degree level courses had conducted only 07- degree courses in parallel to the above courses. The students were not able to pursue education up to the degree level from the curriculum in which courses they were studying due to the lack of parallel courses for the other 15 courses conducted at the colleges.

It should be established courses at the University of Vocational Technology so that students could be able to study up to degree level in parallel to the National Vocational Qualification 5,6 level courses. The replies had not been given.

- (e) (i) It was difficult to create a workforce suitable for the job market due to the reasons such as mismatch of skills as well as lack of job oriented training courses, lack of job-oriented courses as well as mismatch in between non-modernization of industrial and technical education have resulted in a mismatch between jobs and skills in the High unemployment among the youth, women and those with higher education qualifications has become an ongoing problem in the economy. Due to this, action should be taken to create a workforce suitable for the labor market. The following 2 new courses had been introduced by the Skills Sector Development Programme to enhance women's representation in the automobile sector and promote women's employment and the new courses are further being developed by identifying the fields with high women's

labor market, lack of development of courses targeting leading industries, the training methods followed by the courses introduced by various vocational education and training institutes are not sufficient to meet those needs, professionals produced through vocational training institutes do not suit the industry requirements of local and foreign jobs.

employment opportunities. At present, that the relevant steps are to be taken by focusing more on foreign employment and accordingly, in the future, workers will be brought to a higher level as who recognized with certificates for the foreign labor market.

- (ii) There was a weak level of attention on identifying the needs of the local and foreign job market and creating new courses and develop curricula based on them. Accordingly, 16 new courses had been introduced by only 4 institutions in the year 2017 out of 12 institutions including university colleges and 21 courses had been introduced by only 03 institutions in the year 2018.

Courses should be developed from time to time to enable the creation of a workforce commensurate with the labor market.

The necessary steps have been taken to establishment of Sector Skills Councils with the representation of leading industrialists in the respective sectors with the objective of meet the local and foreign labor requirements, expansion of vocational training opportunities in health, hotels & tourism, construction, engineering, information technology. TVEC institute had taken the necessary steps to update the curriculum development by identifying the skills gap in the field of industrial vocational education and training as per the proposals and ideas of those councils.

- (f) (i) Although the project to upgrade the Katunayake Institute of Engineering Technology was scheduled to be completed in April 2020, physical and financial

Action should be taken to utilize project funds with maximum efficiency to achieve the desired objectives in a timely manner.

Although the construction of the building was completed, the new building could not be handed over on the due date as the testing of the laboratory equipment had

progress was 87 per cent and 91 per cent respectively as at 31 December 2019. Although the construction work of the new building should have been completed and handed over by 24 December 2019 according to the progress reports of the project, the works had not been completed by the end of the year under review. The physical progress of the rehabilitation works on the existing building was at a level of 75 per cent. Although the works of purchasing and installing new laboratory equipment should have been completed by 24 December 2019, its physical progress was 50 per cent. However, the physical progress of the measures taken to improve the syllabus of the training courses is only 5 per cent.

not been completed. The existing building works were delayed due to the inability to vacate certain sites (laboratories) for the relevant activities as conducting the in-house study programmes. The main reason for the lack of physical progress in improving the syllabus was the delay in selecting the staff for the curriculum updates.

- (ii) The direct payments incurred during the year under review totalling Rs.738,588,403 had not been taken into accounts as expenditure. Action should be taken to account all expenses related to the year. It could not be able to account all budgetary allocations were not made for the year 2019.

3.3 Delays in Project Execution

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) The approval had been given to establishment of a Kinniya University College in the Trincomalee District at a cost of Rs.434 million as per the decision of the Cabinet of Ministers dated 20 June 2017 under medium term budget frame in 2017-2019. A sum of Rs.50 million had been allocated for this project in 2018 and Out of that amount, a sum of Rs.5,897,359 had been spent including the expenditure on the construction of a wall around the university and the selection of a suitable institution to obtain consulting services for the construction of the university. Although it is planned to complete this project by 2020 to start courses at National Vocational Qualifications Levels 5 and 6, no action had been taken to begin construction even as at the end of the year under review. However, a sum of Rs.20 million had been allocated for the year under review and out of that amount a sum of Rs.3,034,324 had been spent on 15 October 2019 for the construction of a staff hostel in the premise of the College and to provide consulting services. According to the	Action should be taken to implement projects without delay.	The replies had not been given.

Requirement Assessment Report conducted by the National Planning Department, it had been stated that if additional expenditure is required in addition to the allocated amount for this project, it should be financed by the Sector Skills Development Project. However, it was observed that there is a risk of obtaining the required additional funding through that project as the project will be completed by the year 2020.

- (b) As per the decision of the Cabinet of Ministers dated 12 September 2017 and the letter MF/NB/CM/2017/202 of the Ministry of Finance and Mass Media dated 9 November 2017, the approved had been granted to build a student quarters at a total cost of Rs.300 million for 400 students of the Sri Lanka German Training Institute in Kilinochchi and commence its initial construction work by using the Rs.200 million allocated for the establishment of a vocational training institute in Matara under the 2017 budget proposals and the remaining cost is expected to be borne by the provisions of the Skills Sector Development Program. A sum of Rs.6,028,015 had been spent to payment of consultancy fees out of the amount allocated in 2018 and a sum of Rs.100 million had been allocated for the year 2019. But during the year only a suitable contractor had been selected for the

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Under the 2017 budget proposals, the selection of a consultant for the design of the proposed project, contract and construction management and construction and post-construction supervision were delayed until 12 September 2017. The implementation of the Project was delayed due to limitation of financial allocations to the Skills Sector Development Division in the years 2018 and 2019, frequent changes of the Ministries, delay in appointing members to the Procurement Committee and resignation of Procurement Committee members on official/health reasons.

construction of the hostel. However, the above Skills Sector Development Project is scheduled to be completed in 2020.

(c) The Korea International Cooperation Agency (KOICA) had offered credit facilities to facilitate the development of a new university with the aim of creating a more space area for the implementation of quality degree programs at Ocean University. However, the project had not been implemented even as at the end of the year under review due to the failure to acquire suitable land for this purpose from 2017.

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A joint cabinet memorandum was submitted to acquire the land. Although the KOICA Expert Group prepared the Cabinet Memorandum to implement the Project proposal to enhance the educational and research potential of Sri Lanka Ocean University through the Green Concept within the maximum loan of US \$ 78.63 million as per the master plan prepared in consultation with the Ocean University in several times, that it was not signed due to the Ministry change.

3.4 Projects Implemented with Domestic Funds

 The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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<p>The Decentralized Budget, Infrastructure Development, Rural Infrastructure Development and ‘Gamperaliya’ Accelerated Rural Development Programs of the National Policy and Economic Affairs Division had been implemented. The following observations are made on those connection.</p>		

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| (i) | Decentralized Budget - Infrastructure Development with the objective of uplifting the socio-economic standard of living of the community, an allocation of Rs.10 million per Member of Parliament annually is made under this programme. A sum of Rs.2,350 million had been allocated accordingly for the year 2019. The 21,263 projects amounting to Rs.2,196 million had been approved and the 20,612 projects amounting to Rs.1,418 million had been completed. Forty per cent of the allocations had not been utilized and 651 of the approved projects had not been completed. | Funds should be utilized effectively as planned. | The National Budget Circular No.5/2019 dated 09 September 2019 had directed to temporary suspend the implementation of non-priority projects and projects which had not already been started with the objective of saving a further 10 per cent of the allocations. The Ministry of Finance had instructed all District Secretaries to temporary suspend projects that had not commenced works until further reviewed and notified and the expected progress could not be achieved due to the situation in the country with the Easter attack and the announcement of the Presidential Election. |
| (ii) | A sum of Rs.13,825 million had provided through the 2019 Budget Estimates for the implementation of the Rural Infrastructure Development Programme. Although a sum of Rs.13,154 million provision had been provided as at 31 December 2019 for implementation of those projects by approving 8248 projects valued at Rs.13,154 million for District Secretaries and Heads of Ministries, only 4528 projects valued at Rs.4,584 million had been completed on that day. Accordingly, 67 per cent of the budget allocation had not been utilized and 3272 projects had not been implemented. According to the audit conducted by the District Secretariats and the Divisional Secretariats, | -do- | -do- |

although Rs.127 million had been provided for 56 projects of the Ministry of Women and Children's Affairs and Dry Zone Development, no projects had been completed as at 31 December 2019 and out of it Rs.56.9 million had been spent for 19 projects. Out of the 350 projects planned to be implemented in the Nuwara Eliya Divisional Secretariat area, only 150 projects had been completed. Further, a sum of Rs.114,442 had been paid for uncompleted works on a project in the Welikanda Divisional Secretariat area in Polonnaruwa. The two projects for develop two roads in Nuwara Eliya had not received the expected benefits.

- (iii) The 2019 Budget Estimates had allocated Rs.48,000 million for the Gamperaliya Accelerated Rural Development Programme, which was implemented with the objective of supporting the livelihood development of the people by improving the quality of infrastructure and accelerating economic development. Out of it 117,354 projects valued at Rs.47,283 million had been approved. Out of these 105203 projects were implemented and 101,391 projects valued at Rs.34,480 million had been completed and 12,151 projects had not been implemented. According to the audit conducted by the District Secretariats and the Divisional Secretariats, the weaknesses in project

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implementation such as payment of Rs.3.9 million for unfulfilled works in 06 projects, failure to receive the expected benefits of 12 projects, delay in 05 projects, 533 approved projects had been abandoned without implementation and the project estimates for 84 projects had not been filed had observed.

3.5 Procurements

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) The canteen of the Ministry of Skills Development and Vocational Training had been run by a same supplier since 2012 without selection of suppliers through an annual tender procedure and the information regarding relevant service agreement or information regarding extensions of service pertaining to the period up to 2019 were not submitted to the audit.	The action should be taken in accordance with the National Procurement Guidelines.	Although bidding had been called for the Ministry canteen since 2012, that a supplier could not be selected as scheduled due to major deviations from the Procurement Guidelines, but since it was essential to run the canteen continuously, the Procurement Committee decided to return the service to the same supplier at that time.
(b) The Procurement Plan in relation to the National Policy and Economic Affairs Division had not been prepared in accordance with Guidelines 4.2.1 of the Procurement Guidelines. A Detailed Procurement Plan had not been prepared in accordance with the Form 4.2.1 of the Procurement Manual.	-do-	That the procurement plan for the coming year will be prepared in detail and will be updated during the year.

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| <p>(c) The National Policy and Economic Affairs Division had purchased a vehicle valued at Rs.6,975,000 for an advisor to the Ministry and it was not mentioned in the Procurement Plan. Further, the 10 per cent Performance Bond required to be kept at the time of purchase of goods as per Guideline 5.4.10 of the Procurement Guidelines had not been obtained and a non-refundable tender deposit had not been obtained as per Finance Ministry Circular PFD/CIN/PMD/2016/02 dated 17 June 2016.</p> | <p>Procurement activities should be done in a planned manner and in accordance with the relevant rules.</p> | <p>The purchase of a vehicle for a Ministerial Adviser based on a request on an urgent need was not mentioned in the Master Procurement Plan. In future procurement, that steps will be taken to cover the liabilities with appropriate financial security of not less than 10 per cent of the contract amount, The non-refundable tender deposit had not been obtained at that time as the bidding documents had been handed over to the doorstep of the relevant suppliers on urgent need.</p> |
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3.6 Assets Management

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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<p>(a) The following observations are made regarding vehicles belonging to the National Policy and Economic Affairs Division.</p> <p>(i) The Ministry had 88 vehicles according to the vehicle reservation list submitted as at 31 December 2019. Although the Ministry of National Policies, Economic Affairs, Resettlement and Rehabilitation, Northern Province Development and Youth Affairs should be the registered owner of those</p>	<p>Action should be taken to register in the name of the owner.</p>	<p>The difficulties were faced in practically for change the ownership of the vehicles in that instances due to the constant change in the scope of the Ministry and that arrangements had been made to change the registered ownership of the vehicles.</p>

vehicles, it was observed that the registered owner of 70 vehicles was other institutions and ministries.

- (ii) There were 14 more vehicles other than the number of vehicles owned by the Ministry as at 31 December 2019 and it was observed that Rs.7,481,216 had been spent for that. Further, 22 vehicles belonging to this Ministry had been handed over to other Ministries and a sum of Rs.5,061,813 for that purpose and Rs.801,693 for 07 vehicles owned by other Ministries had been incurred during the year under review.
- A proper control should be maintained for vehicles. The replies had not been given.
- (iii) The 10 vehicles belonging to the Ministry had been handed over to the Chairmen of the District Coordinating Committees and the Members of the Development Project Supervision and a sum of Rs.5,111,587 had been incurred by the Ministry as repairs, service expenses, tires and tubes and, insurance.
- The proper control on vehicles should be maintained and the attention should be focused on cost control. That the expenditure had been made in accordance with the orders given by the Office of the Prime Minister and the Cabinet decision that this Ministry should be carry out supply of service charges, maintenances, batteries and tires etc. for vehicles assigned to Chairmen of the District Coordinating Committees and the Members of the Development Project Supervision.

(b) The following observations are made

regarding vehicles belonging to the Skills Development and Vocational Training Division.

(i) According to the terms of purchase of the car which was purchased on 24 March 2017 for Rs.39,283,600 on behalf of the former State Minister, the vehicle used by the State Minister at that time had to be returned to the Ministry of Finance. But it had not been handed over even as at 31 December 2019. When transferring of the State Minister from the Ministry, these two vehicles were taken to the Ministry of Irrigation and Water Resources Management and it was observed that even at the end of the year under review, the ownership of these two vehicles was in the name of the Ministry of Skills Development and Vocational Training.

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It could not be returned to the Ministry of Finance due to the use of this vehicle under other official vehicles of the State Minister. Although this Ministry had agreed to the request as per the request of the Ministry of Irrigation and Water Resources Management as to transfer of these vehicles, the action had not been taken to submit the relevant documents to this Ministry for transfer so far.

(ii) Prior to the appointment of the new Cabinet, all vehicles provided to the staff of all Ministers / Deputy Ministers in the existing Ministries were to be returned to the relevant Ministry as per Budget Circular No. 146 dated 29 April 2010. However, after the Cabinet reshuffle in May 2017, 04 vehicles in the name of the Ministry which had been handed over to the Ministry staff had not been handed over to the Ministry by 31 December 2019.

The action should be taken as per the Circulars.

This situation had arisen due to the carrying of vehicles assigned for Hon. Ministers and Deputy Ministers to their newly appointed Ministries with the Cabinet reshuffle.

(iii) According to the National Budget Circular No. 2/2015 dated 31 March 2015, vehicles obtained under the Financial Leasing Scheme cannot be transferred to other institutions without the prior approval of the Department of National Budget. However, a leased-out vehicle had been carried out by the Hon. Minister of State to the new Ministries without such approval after the Cabinet reshuffle.

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The vehicle which belonged to the Presidential Secretariat was a vehicle brought by the Minister of the Ministry at that time. This vehicle which was used when the Minister was leaving the Ministry had also been carried out to the relevant Ministry.

(iv) As per Section 02 of the Asset Management Circular issued by the Ministry of Finance No.02/2017 dated 21 December 2017, it had been emphasized that every vehicle used by every government agency should be registered in the name of that institution. Further, vehicles used without ownership as per the Circular instructions, Action should be taken to register in the name of that institution or to formally transfer it to the institution with the consent of the registered institution. However, action had not been taken to resolve the issues in register ownership as at 31 December 2019 regarding 22 government owned vehicles used by the Ministry of Skills Development and Vocational Training and taken away by the Ministry.

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This situation had arisen due to the carrying of vehicles assigned for Hon. Ministers and Deputy Ministers to their newly appointed Ministries with the Cabinet reshuffle.

(v) In accordance with the instructions given in the National Budget Circular No. 2/2015 dated 31 March 2015 of the Secretary to the Treasury and F.R. 756 (4), 08 vehicles belonging to the Ministry of Skills Development and Vocational Training which should be repaired and in unrepairable condition were handed over to several institutions for the use of students and action had not been taken to cancel the registration of those vehicles. The written evidence that the vehicles were received by the relevant institutions was not submitted to the audit.

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When attempting to cancel the registration of the vehicles, it could not be completed due to the misplaced of the original registration certificates of these vehicles. Action had been taken to obtain duplicates of registration certificates and relevant work is to be completed after receiving the duplicates.

3.7 Uneconomic Transections

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
<p>Community care programs had been implemented at District level island wide with the assistance of students of Technical Colleges / Vocational Training Institutions under the Ministry on the occasion of World Youth Skills Day 2019. A sum of Rs.4,915,450 had been spent for 25 Districts without identifying the work being done. Although a Skills Day celebration was held to paroral with the World Youth Skills Day by incurring a sum of Rs.2,077,743 under the theme 'Successful Life through Skills', the vocational skills of the students currently in vocational education had</p>	<p>Expenditure management should be done according to a proper plan.</p>	<p>The activity was done with the participation of students undergoing vocational training in the vocational training institutes functioning under this Ministry on the occasion of World Youth Skills Day in District level island wide as a community outreach programme. The selection of such programs was done by the District Chairmen after the discussion of the District Coordinating Committees. The proposal was limited to a</p>

not been assessed. A sum Rs.1,423,436 nearly 70 per cent of the total expenditure had been incurred to festival organizing, hall fees, uniforms and lunch and tea.

maximum of Rs. 200,000 per District and the Rs.200,000 had also been spent on essential items such as purchasing essential items, transporting students and providing food for students.

3.8 Management Inefficiencies

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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<p>(a) Under this program which was started with the objective of directing the youth with national professional qualifications to a livelihood, it should have completed a National Vocational Qualification Course to obtain a loan of Rs.500,000 at an interest rate of 7 per cent. Under this a loan of Rs.352,220,482 was given to 790 persons from the year 2016 to 31 December 2018. Although the Ministry is responsible for selecting loan applicants under this loan scheme as per the loan agreement, the loans were granted by selecting the borrowers by the banks without the intervention of the Ministry. Accordingly, during the sample audit of 50 randomly selected borrowers out of 618 borrowers, three persons who did not fulfill their national professional qualifications were also given loans amounting to Rs.1,500,000 contrary to the loan agreement. Also, although loans can be provided to purchase the</p>	<p>The action should be taken comply to the agreement.</p>	<p>Additional provisions had been requested due to insufficient funds allocated for the year with the increased in applications for the Vocational Training Students' Loan Scheme in 2017 and 2018. The Central Bank of Sri Lanka had provided the details of the borrowers from the year 2017. Information pertaining to the year 2016 had been obtained from the Central Bank of Sri Lanka by now. As the officials in the banking sector have a good understanding of in-depth study and decision making about the loan repayment and other matters available with the loan applicant when granting loans, the loan grantees are selected among loan applicants by the Participating Financial Institutions. The loans were also provided to those who</p>

basic equipment and raw materials required to start a self-employment business as per the loan agreement, according to a survey, nearly 38 per cent of borrowers had taken out loans to expand their business. Accordingly, the intended purpose of the loan scheme had not been achieved.

(b) Although 264 Skills Development Assistants of the Ministry had been attached to the Divisional Secretariats island wide, a sum of Rs.1,730,625 had been paid to a private company deviate from the National Procurement Guidelines 2006 for follow-up survey of borrowers. However, according to the telephone conversations conducted by the auditor with selected borrowers, adequate follow-up actions on the progress of the borrowers had not been carried out.

(c) According to the above survey, various unsatisfactory conditions had been identified in the loan scheme. The facts such as spending a lot of time to lending, the bank pays less attention to SEPI loans, bank not aware of SEPI loan scheme, lending at a higher interest rate than the SEPI loan scheme, the borrowers had not started any business with the relevant loan amount or continue that business were observed from that. However, it was observed that this was due to the minimum involvement of the Ministry in this loan scheme.

had obtained NVQ through the RPL scheme (Recognition of prior learning) under the first phase of the SEPI loan scheme. Those people are often the owners of a business or people who had worked in an organization. That they had taken loans to expand the business.

Action should be taken in accordance with the National Procurement Guidelines.

The Secretary to the Ministry had given instructions and approval to conduct the survey from an outside agency in order to conduct a successful and transparent survey. The unsatisfactory conditions identified by the survey had been discussed at the progress review meeting and the progress had been monitored regularly.

A direct involvement should be maintained with the Ministry to implementation of the agreement.

The loans are being given only to the trainees who start the business by completing the NVQ course under SEPI Phase II. The advices had been given to the officers of the beneficiary institutions and the bank officials in this regard at the progress review meetings.

3.9 Securities of Public Officers

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
----- Securities were not given by the officers who were required to present securities accordance with the provisions of Financial Regulation 880.	----- Action should be taken to comply with the provisions of Financial Regulation No.880.	----- The replies had not been given.

4. Good Governance

4.1 Performing Services to the Public

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
----- Although a Citizen / Client Charter should be prepared and implemented by the Ministry in accordance with the Ministry of Public Administration and Management Circulars No. 05/2008 and 05/2018 (1), action had not been taken accordingly.	----- Action should be taken as per Circulars.	----- Although the Citizen / Client Charter has been drafted and finalized, it had not been displayed. It will scheduled to be displayed in future years.

5. Human Resources Management

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
----- (a) The approved Cadre of in the National Policies and Economic Affairs Division of the Ministry as at end of the year under review was 261 and the actual Cadre was 195 and 66 vacancies were observed.	----- Action should be taken to fill the vacancies or revise staff as required.	----- Informing the Ministry of Public Administration regarding vacancies and that the duties in the vacant Management Service and Graduate posts were filled by the graduate trainees.

- (b) A Human Resource Development Plan had not been prepared as per Public Administration Circular No. 02/2018 dated 24 January 2018. Action should be taken as per Circulars. That the Human Resource Development Plan for the year 2020 had been prepared.
- (c) The training opportunities had not been offered during the year under review for 130 out of 195 Actual Cadre and it was 67 per cent of the Actual Cadre. It should need to be streamlined the planning and implementation of staff training. Training opportunities were missed due to lack of time to plan trainings due to busiest nature of recruitment activities.