

## **Skills Sector Development Programme - 2022**

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The audit of Consolidated Statement of Total Expenditure of the Skills Sector Development Programme for the year ended 31 December 2022 was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Article IV of Section 4.04 (a) of the Loan Agreement 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. 154,624 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, extended twice up to 30 June 2023.

### **1.3 Qualified Opinion**

In my opinion, except for the effects of the matters described in the table 2 of my report, accompanying Consolidated Statements of Total Expenditure of the Skills Sector Development Programme agreed with the information provided in the financial statements of the 11 Agencies as at 31 December 2022 and gives a true and fair view of the Consolidated Statements of Total Expenditure of the Programme.

### **1.4 Basis for Qualified Opinion**

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the 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.

## 2. Comments on Consolidated Statement of Total Expenditure

### 2.1 Accounting Deficiencies

The following observations are made.

<b>Accounting Deficiencies</b>	<b>Amount Rs. million</b>	<b>Management Responses</b>	<b>Auditor's Recommendations</b>
(a) A sum of Rs.100.21 million received from other donors and projects had been brought to the Consolidated Statement of Total Expenditure of the National Youth Council as Rs.68.48	31.73	This difference is due to the fact that during the preparation of the financial statements for the cash basis, by mistakenly not considering the fully	Action should be taken to consider all income to calculate the financing activities.

million. As a result, a sum of Rs.116.32 million shown in the other financing activity had been understated by Rs. 31.73 million.

income received from other related entities. That is, the relevant value has been calculated without considering the adjustments made by the journal entries mentioned in the income ledger and that amount is 31.73 million.

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| (b) | Opening and closing balances in cash and cash equivalent shown in the Consolidated Statement of Total Expenditure of the National Youth Council had been overstated and understated.  | 18.40 | This difference is due to the fact that during the preparation of the financial statements for the cash basis, the value of Rs. 18 million included in the advance accounts by mistakenly not included in the financial statements.  | Action should be taken to include all the relevant items in arriving the figures of the Consolidated Statement of Total Expenditure |
| (c) | Sub total of recurrent expenditure of Rs. 508 million shown under the operating activity in the Ceylon German Industrial Training Institute in the Consolidated Statement of Total Expenditure had been overstated by aggregated amount of Rs. 5.23 million of 11 recurrent expenditure items after adjusting opening and closing accruals. | 5.23  | The year opening accrual expenses are Rs. 32.169 million and the accrued expenditure at the end of the year is Rs. 27.69 million. The difference between these two accrued expenses is Rs. 4.47 million should also be adjusted to the accounts according to the cash basis. | Expenditures should be reflected accurately on cash basis.  |
| (d) | Eventhough the self-financing value of Rs.18.87 million shown in the Consolidated Statement of Total Expenditure, the same value was stated as Rs.36.47 million under the related note no 04.   | 17.6  | Rs. 18.87 million is correct. This value is correctly presented in the financial statement. However, the relevant value of Note No. 04 is Rs. 36.47 million.   | Action should be taken to present the notes accurately  |
| (f) | The financial statements of National Apprentice and Industrial Training Authority had not been submitted to the audit up to 20 June 2023.   | -     | The financial statements of National Apprentice and Industrial Training Authority for the year of 2022 had been submitted on 23 <sup>rd</sup> June 2023.   | Action should be taken to submit the financial statements on time.  |

### 3. Physical Performance

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

Out of 51 targets set out in the Disbursed Link Indicates table under 9 Disbursement Link Indicates, 48 targets had been achieved as at 31 December 2022. The following observations are made.

Audit Observations	Responses of the Management	Auditor's Recommendations	
<p>(a) The Employment Linked Training Purchase Model (ELTP) Programme was commenced in 2015 under DLI 05 with the aim of providing support for the skill development required for jobs in the industrial sectors with high demand and achieved the target of enrolment of 8,000 student by 31 December 2022 and Rs. 343.51 million had been spent thereon. The following observation is made in this regard.</p>	<p>The target has been achieved. The total amount provided by the Asian Development Bank in relation to DLI 05 has been received so far. 5,863 have completed the courses and issued certificates and 3,814 of them have received NVQ certificates. It is about 65% of the people who completed the course. For the remaining 35%, certificates have been issued by the relevant institutions.</p>	<p>Action should be taken to introduce a methodology to minimized the dropout.</p>	
<p>Out of 8,426 students enrolled to flow the courses under 104 agreements, students of 5,863 complete the courses and only 3,814 students representing 65 percent from the completion of the courses had been received the NVQ certificates. Further, it was observed that the there is a 30 per cent drop out of the students, eventhough courses are free for the students. Therefore, cost incurred in different tranches on behalf of the students who left from the courses in different stages would not be provided benefits to the supply of skill labour.</p>	<p>(b) Training of 4,000 employees required to be achieved by upskills of ability of the employees who work in the industry sector to achieve the DLI 6 (II). However, according to the information received, training programs were conducted only for 1,581 employees representing 40 percent by incurring Rs. 9.52 million as at 31 December 2022.</p>	<p>Commencement of planed industry worker training started in December 2022, due to the delay in budget allocation for SSDP for the year 2022. Industries were reluctant to invest or not consider training as a priority in their training of workers due to the country's economic crisis.</p>	<p>Action should be taken to achieve the DLI to disburse the Loan without delay.</p>

- (c) Development of a new sector strategy for 2021 to 2030 along with the medium-term implementation plan and expenditure framework under DLI 9 (ii) had not been completed as at 31 December 2022. ADB agreed to provide necessary consultants and experts at their cost as the budget allocation to SSDP was delayed in 2022. This caused a delayed start and now the ADB consultant has done many stakeholder engagement sessions and completed the final Strategy Report along with Implementation Plan and the Financial Framework which satisfy the DLI requirement and the applicable fund disbursement will be done. Action should be taken to achieve the DLI to disburse the Loan without delay.
- (d) The Quality Management System (QMS/QIS) had been established to improve the quality of the training centers in the 305 VT Centers as 175 institutions with 3 stars and 130 institutions with 4 stars from the year 2016 to the year 2022 under DLI 02 and Rs. 168.74 million had been spent thereon. However, according to the reports of the Tertiary and Vocational Education Commission, Even though 223 training centers in the public and private sectors had obtained the quality certificates, the validity period of all those certificates had expired by 31 December 2022. Further, only 29 institutions that obtained the certificates had renewed and the validity period of the renewed certificates had also expired by 31 December 2022. Therefore, it was observed that the training centers have not been continued to maintain the quality even up to the end of the Program in 2023. DLI 02 related to the quality management system, the goal to be achieved by the year 2020 is to establish quality improvement systems in 300 TVEC registered training centers. By the end of 2020, the QIS system had achieved its goals. However, the establishment of the QMS system is done by TVEC and 223 training centers have established the QMS system. It is the responsibility of the relevant institutions to extend the validity period of these and for that, the institution should make a request to TVEC. Then the TVEC Institute will carry out further work related to it. Action should be taken to monitor on maintenance of the quality of the training centers continuously to provide quality service.

(e) **Improvement of Infrastructure Facilities**

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

Construction works of Monoragala, Dambulla and Lovelane training centers had been abandoned by the contractors after completion of 70 per cent and 65 per cent respectively and Rs. 146.68 million had been incurred by the Programme by that time. However, it was observed that the Council had not re-awarded the contracts and completed the remaining works by 31 December 2022.

As the proposed construction of these centers could not be completed as expected in order to facilitate trainees, a sum of Rs. 15 million that is 5 million each have been allocated by the Action Plan 2023. Accordingly cost estimates have been prepared and submitted to complete the work of 4 classrooms and supply electricity and water to each of these buildings. The work is scheduled to be completed by the end of this year.

Follow up action should be taken to reward the contract to complete the balance works of the constructions.

**(ii) Construction works of Hostel Building at Sri Lanka German Technical Training Institute in Kilinochchi**

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. The following observations are made.

(a) Although the contract period was extended up to 30 June 2023 in 03 occasions, only 75 per cent physical progress was achieved as at 31 December 2022.

The construction of the proposed hostel building was intended to be completed on August 27, 2021. but due to the very low number of workers in the vicinity of the work site due to the COVID epidemic in 2020, the productivity of the construction was very much low. It was more complicated due to delayed payments of previous bills of the contractor and due to power cut and increase in the price and shortage of building materials in the market, the contractor stopped the construction as per the provisions of the treasury circular 03/2022 dated 26-04-2022. After paying outstanding payments to the contractor although he was asked to resume work, he refused to resume work as the prices of materials were too high at the time.

Action should be taken to expedite the construction works.

Therefore, an estimate was prepared by the for the completion of the work on the ground floor only using the current prices and it was checked by the consultant and submitted us with revisions. The third extension was given to restart the construction and to complete it by 30.06.2023 after entering into a memorandum of understanding with the contractor.

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| <p>(b) As per contract data 14.5 of the agreement, the minimum value of Interim Payment Certificate should be Rs. 6.5 million. However, a sum of Rs. 18.73 million valued 04 Interim Payment Certificates which values was lower than that had been submitted for payments.</p>  | <p>According to the contract data 14.5 of the agreement, although the minimum value of the interim payments is 6.5 million, due to the lack of workers during the relevant period, the effectiveness of the construction was very low. Although the value of construction to be done on the specified time could not be reached the so the amount of construction to be done on time could not be reached. The arrangements were made to pay all the payments received in order to ensure the uninterrupted cash flow of the project. considering financial progress.</p>  | <p>Action should be taken to comply with the terms of the agreement.</p>                             |
| <p>(c) Subsequently, a contract valued at Rs.60 million had been awarded additionally in 2022 to the same contractor to complete only the ground floor of the building by the end of the Programme period based on the revised BOQ of Rs. 120.14 million prepared by the contractor for the ground floor without preparing BOQ by the Consultancy firm employed. Further, there is an uncertainty of completion of the remaining works of other floors at the end of the Programme period.</p> | <p>In addition to the contract value of the hostel building project, as per the decision taken jointly by the Skills Sector Development Division, the contractor and the Consultant, Rs. 120,145,430 worth of the revised quantity sheet prepared by the contractor for the remaining work of the building has been submitted to the Ministry's technical Evaluation Committee, based on the instructions given by the Consultant and its recommendation has been obtained. When the construction of the rest of the floors of the hostel are commenced later, it is expected supply building materials for construction by using an outside hoisting method without interrupting day today activities in the completed floor.</p> | <p>Revised BOQ should be prepared by the respective consultant firm employed.</p>                    |
| <p>(d) According to the sample test carried out in the Super Structure items mentioned in the Revised BOQ prepared by the contractor, the total amount of work done</p>  | <p>if the value of variations exceeds 10% of the contract value, it should be submitted to the Chief Accounting Officer for approval. However, it is mentioned that, so far, the amount spent on quantity change and</p>   | <p>Action should be taken to supervise the works of the contractor and make payment based on the</p> |

and the revised amount are exceeded the amount mentioned in the original BOQ in respect of 10 items valued at Rs. 10.68 million. Further, it was observed that the same amount of work done in relation to items of 3G-01 and 3G-03 was requested under new rate as Rs 2.76 million and Rs. 3.31 million respectively.

additional work has not exceeded 10% of the contract amount.

Items 3G - 1 and 3G - 3 of the Bill of Quantities are for the iron component required for the roof of the building. This iron was used for the roof structure when the payment of IPC 13 was made. But, as the roof is not fully completed. Therefore, the payment for those uncompleted items has not been made. Therefore, the contractor has submitted the revised bill of quantities with new rates for these two items as well. When making payments for those items mentioned, there will be no loss of public funds as the rates used for this are that of mentioned in the original quantity sheet of the project.

rate mentioned in the original BOQ for 3G-01 and 3G-03.

(e) It was observed during audit of the Interim Payment Certificate No.13 that an additional cost of Rs 5.56 million was incurred for 36 items ranging from 10 percent to 780 percent beyond the quantities mentioned in the BOQ without obtained approval, due to the consultancy firm had not prepared the basic plan of the hostel as required.

I admit that, there have been increases and decreases while comparing the quantities for the items in the IPC 13 with the quantities in the original quantity sheet. However, when the value of work exceeds 10% of the total contract action will be taken to get the CAO before payment is being made.

Action should be taken to supervise the works of the contractor.

(f) Currently, only 12 NVQ 4 and 5 courses are conducted in this training center under 6 divisions and the number of 304 students recruited in the year 2018 had gradually decreased to 211 until the year 2022. Further, it was observed that the hostel facility requirements of 144 students are met by 3 hostels presently and if the maximum requirements of the residential facilities were estimated and prepare a plan, the entire construction works could have been completed within the project period with the cost incurred so far.

In the year 2017, 22 full-time courses were conducting in this institute. If 300-400 students are enrolled in a year, and if the courses that take a long time (one year or more) are taken into consideration, it can be assumed that there will be an average of about 600 male/female students at one time at SLGTI. Accordingly, this building has been designed to facilitate for an average of 400 male students. This has been stated in IEE report prepared by the University of Moratuwa at the request of ADB.

Attention should be given for the gradually decreases of enrolment and introduce new courses for the respective institution to resort this situation.



**(iii) Construction works of Vocational Training Authority**

- (a) The Training equipment valued at Rs. 10.47 million procured in year 2017 to commence Chef Course in the Karainagar Hotel School had been started in the year 2022 after 5 years ideal time period, due to lack of an instructor. However, the number of students trained in 2022 and 2023 was 35 and 20 respectively.
- The several measures have been taken due to the continued non-operation of the above set of equipment at that center and hired a consultant from the year 2022 and arranged to start the course at that center and the course are currently operates at low level.
- Action should be taken to utilized the equipment fully without further delay.
- (b) The training equipment worth of Rs. 4.47 million had been procured for chef 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.
- Pothuvil Hotel School admits that it purchased equipment to start the cookery course to develop the skills of the youth in the area and was unable to hire a qualified instructor to teach the course. This situation has been mainly caused by the inability to hire a qualified Tamil media instructor with at least a Chef NVQ Level 4 qualification and one-year experience to conduct a Cookery NVQ Level 4 course.
- Also, in the future, through the letter dated 2023.03.20 bearing the number VTA/TRD/AD/TI/Training Plan 2023 to all the districts to employ a qualified external consultant as a part-time course on weekdays and do the necessary work to start a part-time course.
- Programme management should assess the facility of the training institutions carefully before providing equipment.
- (c) 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 a training programs had not been commenced even on the date of 15 March 2023.
- The training of the trainees of Ahangama Hotel School has not been completed as indicated by the audit and currently our organization is working to turn this hotel into a further training hotel school jointly with the Sri Lanka Tourism and Hotel Management Institute.
- Programme management should utilize the funds only to the achievement of the objectives of the Programme.

<p>(d) 22 hotel rooms constructed contrary to the objectives of the Vocational Training Authority for the purpose of giving to tourists in Ampara and Jaffna districts at Rs. 91.03 million and Rs. 6.10 million worth of furniture remained idle from the year 2017.</p>	<p>These hotel rooms have not been used effectively, due to a lack of management in the maintenance and running of these rooms. Arrangements are being made to launch programs jointly with the private sector to use these hotel rooms effectively.</p>	<p>Action should be taken to utilize the hotel rooms in useful manner without further delay.</p>
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<p>(e) 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. However, the hostel remained idle until 15 March 2023, due to a permanent water supply could not be obtained to the building.</p>	<p>At the time of establishment of Kuchchaveli Hotel School, it was recognized that there was no permanent water supply and this center was started on the agreement that Bowser would provide the necessary water facilities to the center until a permanent water supply was provided by the Water Supply and Water Transport Board. Also, at the end of the war situation in the North and East, although this center was started considering the demand for apprentice training in those areas, this situation arose due to the difficulty of recruiting and retaining a qualified instructor. Management is already working with the private sector to utilize these resources more effectively.</p>	<p>Programme management should utilize the fund in useful manner.</p>
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**(iv) Batangala University College**

<p>(a) Bathroom accessories valued at Rs.464,400 provided on 24 August 2015 for the construction of a bathroom in the Hospitality Management Laboratory and computer equipment valued at Rs. 772,133 remained in the Computer Lab at the Batangala University College had been remained idle even on the date of audit in May 2023.</p>	<p>Allocations were made in the budget of 2023 for the expansion of Hospitality Management Laboratory and its procurement has already started.</p>	<p>Action should be taken to expedite the works, as the equipment were provided in 2015.</p>
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<p>(b) According to the information of the construction given to the audit, a sum of Rs. 954.1 million had been incurred for the establishment of 07 Government Universities Colleges by the Programme. Although a gazette notice was issued for the</p>	<p>Cabinet Paper No. 13/0042/539/001, In accordance with the provisions of the Vocational Technology University Act No. 31 of 2008, the Cabinet has approved the construction of 25 University Colleges for the Vocational Technology University on February 01, 2013.</p>	<p>Action should be taken to obtain legal statues of the remained university college.</p>
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establishment of 05 University Colleges, no any legal document related to the establishment of Katubedda and Batangala Universities was submitted to the audit. Further, 03 University Colleges were established under public and private partnership. However, these universities were not remained at operational level at the end of the year under review.

Accordingly, the construction of 5 Vocational Technology Universities was started on the lands owned by the Ministry. After that, the construction of Batangala and Katubedda Vocational Technology Universities was also started. After its completion only Batangala was used as a University college. Other building constructed at Katubedda started to use as a part of CGTTI to conduct their courses for CGTTI students.

Among the plans to start 03 Vocational Technology Universities under public and private partnership, one of them was established in Jayawardanepura Hospital and it is still active. Although one in Batticaloa and the other in Ratmalana ACTA Institute were proposed, money was not invested for it.

- (f) 04 Industry Sector Councils had been established at the end of year 2022 by the Programme with the purpose of bridge the prolonged gap between the supply of skills from vocational training institutes and skill demanded by industries and filling the skill gap with competent and highly skilled manpower and Rs. 140.9 million had been incurred for operation of the respective councils by the end of 2022. The following observations are made.

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| <p>(i) According to the progress report received, Construction, Manufacturing and Engineering Service Industry Sector Skill Councils and the newly established Agriculture Industry Sector Skill Councils had not done any works to achieve the objectives of establishing those councils during the year 2022.</p>  | <p>There had been many industry activities taken place on the dissemination of information on competency requirements to TVET sector at various project initiatives. Furthermore, active involvement in NCS/curriculum development has taken place. Agriculture council was in the planning and establishment stage and the commencement of activities are to be expected in 2023 onwards. The delayed budget allocation for 2022 and limited availability of imprest in the final months of the year 2022 had a drastic impact on the operation of the councils. Two Managers of the Manufacturing and Construction were resigned and requirement of new staff were delayed due to the above reason non availability of approved budget to SSDP, which created a situation low progress.</p> | <p>Action should be taken to guide as to fulfill the objectives of the establishment of such councils.</p> |
| <p>(ii) Information Communication Technology Industry Sector Skills Council had develop a mobile app in order to register the students who have completed the training in the field of vocational training and industrialists to obtain the services and carried out workshops for the students engaged in the field of information and communication only during the year under review.</p> | <p>Now the project has been completed and the council is in the process of diving the efforts to increase number of service providers among larger client group. There are many advantages to NVQ certificate holders to market their services through the APP while serving the general public. In the same time, it will allow council to generate revenue which will be helpful for their self-sustainability. It will be also helpful to gather information in the ICT field at craftsmen level which will be useful data to identify</p>   | <p>Action should be taken to guide as to fulfill the objectives of the establishment of such councils.</p> |
| <p>(iii) Tourism Industry Sector Skill Council had conducted only awareness programme for women and students on hotel and tourism industry sector during the year under review.</p>  | <p>Implementation of project promoting homestay concept which had awareness session for relevant stakeholders even under constrained circumstance of the tourism industry due to economic crisis situation has benefited to the industry as well as for the council.</p>  | <p>Action should be taken to guide as to fulfill the objectives of the establishment of such councils.</p> |

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| (iv) | Therefore, it was observed that the above 04 Councils had not been performed as expected, due to these councils are not properly included in the technical vocational education and training system, councils operate on government funds and insufficient steps are taken to generate self-income, lack of permanent staff and administration, lack of legal status for councils, lack of proper monitoring mechanism. | There had been a comprehensive review done on the past operations of councils and areas for improvement have been identified and the implementation of suitable action will drive councils towards better performances. A strategic plan has been prepared to ensure accomplishment of objectives of the councils and to ensure their sustainability allowing them generate self-income, recruit staff as required and give necessary legal status. Document has been reviewed by the Sector Strategy development consultants and expected to be implemented after final concurrence of the Secretary / leadership. | Action should be taken to guide as to fulfill the objectives of the establishment of such councils. |
| (g)  | According to the information received, Programme had incurred Rs.30.27 million to develop NCS/Curricula during the period from 2018 to 2021. However, the participation of students for the 16 newly develop courses and 11 of revised courses had remained at very low level. Out of that there were 08 courses that no any certificates had been issued up to 2022.   | Taken actions relevant to the above mentioned NSC.  | Action should be taken to prepare curriculums suitable for the market.                              |

### 3.2 Extraneous Expenditure

<b>Audit Issue</b>	<b>Management Response</b>	<b>Auditor's Recommendation</b>
The Skills Sector Development Program had been commenced in 2014 and scheduled to be completed by 30 June 2021. However, Programme period had been extended in twice up to 30 June 2022 and the Lending Agency had recovered commitment charges of US\$ 3,823 for additional loan of 3651, due to delay in disbursements of Loan on time.	As per loan agreement, the applicable commitment changes will be effective after 60 days of the date of loan agreement. Accordingly, the leading agency can recover commitment charges.	Action should be taken to minimize the inefficiencies and disburse the loan on time to avoid unnecessary expenditure.

### 3.3 Internal Control

#### **Audit Issue**

Internal Audit had not been carried out by the Internal Audit Section of the Executing Agency as per the Financial Regulation 133.

#### **Management Response**

The program period was extended in order to achieve pending DLI targets and the budgets were allocated accordingly only for these activities and for other continuation of work. Purpose and the requirement to have a steering committee meeting is to obtain steering committee approvals for activities. In this context there had been no such requirement, as necessary steering committee approvals had already taken for the FLM activity.

#### **Auditor's Recommendation**

Action should be taken to audit the activities of the programme by the internal audit section as per the FR 133.