

Tertiary and Vocational Education Commission - 2022

1. Financial Statement

1.1 Qualified Opinion

The audit of the financial statements of the Tertiary and Vocational Education Commission for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and the Finance Act No. 38 of 1971. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Commission as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion

1.3 Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Commission is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Commission.

1.4 Scope of Audit (Responsibility of the Auditor on Audit financial statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following.

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Commission, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Commission has complied with applicable written law, or general or special directions issued by the governing body of the Commission.
- Whether the Commission has performed according to its powers, functions and duties; and

- Whether the resources of the Commission had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the Preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non-Compliance with the reference to particular Standard	Comment of the Management	Recommendation
(a) Contrary to the provisions of paragraph 7 of Sri Lanka Public Sector Accounting Standard 3, the capital grants amounting to Rs.1,468,795 received from the Treasury for the preparation of the Vocational Education Training Plan (VET Plan) for the Western Province during the year under review had been accounted under accrued expenses without performing the relevant work. Accordingly, the surplus and accrued expenses of the year under review were understated and overstated by that amount respectively in the financial statements.	Action had been taken to account for the amounts paid for those accrued expenses through the accrual account and the balance amount of Rs.712,814 will be corrected.	No provision should be made for accrued expenses for unexecuted works.
(b) In accordance with paragraph 49 of the Sri Lanka Public Sector Accounting Standards 07, although the entire class of assets to which that asset belongs should be revalued in the revaluation, a cab belongs to the Commission had omitted in the revaluation of motor vehicles. But the cost of Rs.1,750,000 of that cab was not accounted under property, plant and equipment and a sum of Rs.1,726,610 relevant to that was accounted as accumulated depreciation.	That the cab bearing number 57-7603 could not be revalued as it has been sent for repair, but action will be taken to revalue it immediately after the repair.	Assets should be revalued in accordance with Sri Lanka Public Sector Accounting Standards.
(c) According to paragraph 52 of Sri Lanka Public Sector Accounting Standard 07, when the carrying value of an asset class increases as a result of revaluation, the increase should be directly credited to revaluation surplus. But during the revaluation of assets of the commission, the revaluation surplus of Rs.90,383,696 related to 07 classes of assets was credited to the deferred income account instead of being credited to the revaluation reserve account. Also, in terms of section 53 of	The relevant journal entries will be made at the beginning of the year 2023 to remove the revaluation surplus related to the revaluation from the deferred revenue account and show it separately.	The revaluation surplus or deficit should be accounted for in accordance with Sri Lanka Public Sector Accounting Standards.

the standard, if the carrying amount of a class of assets is decreased as a result of a revaluation, the decrease should be recognized in surplus or deficit. But the revaluation loss of Rs.171,453 recognized in relation to the computer and accessories asset class had been offset against the revaluation surplus of other assets instead of being adjusted to the surplus of the prevailing year.

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| (d) | According to Sri Lanka Public Sector Accounting Standard 09, all inventory items of the Commission as at the date of financial reports are prepared should be valued at cost or net realizable value whichever is lower and should be shown in the financial statements. But stock of certificates and assessors' overcoats of the Commission total valued for Rs.10,843,810 as on 31 December 2022 was not taken in to the closing stock. As such, the closing stock of the year ended and surplus were understated by that amount. Also, the accounting policy used in valuing the remaining stock was not disclosed in the financial statements. | That the balance of the certificates will be adjusted to the stock accounts from the year 2023 onwards. | All closing stocks should be accounted for and the accounting policy used in measuring those stocks should be disclosed in the financial statements. |
| (e) | Government capital grants of Rs.2,587,278 and other capital grants of Rs.1,382,798 received during the year under review were not identified and adjusted in the financial statements in accordance with Sri Lanka Public Sector Accounting Standard 11. | Action will be taken to make separate disclosure of capital grants in the financial statement as per the net asset change format from the year 2023. | Capital grants should be identified and accounted for accordingly in accordance with Sri Lanka Public Sector Accounting Standards. |

1.5.2 Accounting deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Although an income of Rs.34,418,355 should be received for the issuance of certificates for 04 external institutions as on 31 December 2022, the income was stated as Rs.9,348,689 in the financial statements, as such, the income and receivable income for the year were under accounted by Rs.25,069,666.	That invoices not submitted for accounting will be rechecked and accounted for.	The income for the year should be correctly identified and accounted for in preparing the financial statements.

- (b) An amount of Rs.3,082,418 paid in the year under review for the printing expenses shown under the accrued expenses of the previous year was accounted as an expense of the year, as such, the surplus and accrued expenses of the year were under stated and over stated by that amount respectively in the financial statements.
- That this expense had been corrected through prior year adjustments in the year 2023.
- In order to accurately calculate the excess / deficit of the year, the expenses only relevant to the year should be recognized.

1.5.3 Unreconciled Control Accounts or Records

Item	Value as per Financial Statements (Rs.)	Value as per Corresponding Record (Rs.)	Difference (Rs.)	Comment of the Management	Recommendation
07 categories of income	22,279,725	60,640,900	38,361,175	That only the value of invoices confirmed as receivable by the assessment department was accounted for in revenue.	Revenue should be accurately recognized and accounted for in the preparation of financial statements.

1.5.4 Unrecognized Differences

Audit Observation	Comments of the Management	Recommendation
According to the financial statements of the Department of Government Printing, the amount due as on 31 December 2022 was stated as Rs.12,343,157, but according to the financial statements of the Commission only an amount of Rs.2,018,589 was stated as payable. As such, there was an unrecognized difference of Rs.10,324,568.	The actual amount due to the Department of Government Printing will be checked and entered in the accounts in 2023.	Accurate records should be maintained for the payable amounts for external parties and confirmations should be obtained when preparing financial statements.

1.5.5 Documentary Evidences not made available for Audit

	Item	Amount (Rs.)	Evidence not Available	Comments of the Management	Recommendation
(a)	09 categories of income	40,898,093	Approvals for determination and recognition of collection of revenue and revenue collected.	That the sources of approvals for income generation will be further checked and correct information will be presented in future.	Evidence required to verify the income included in the financial statements should be submitted to the audit.
(b)	Printing expenses of NVQ certificates	6,537,091	Invoices for confirmation the expenditure in the year 2022	payments have been made subject to existing provisions for vouchers for printing of National Vocational Qualification Certificates submitted by the Quality Assurance Assessment Control Division for the year 2022. Payments made for vouchers with proper approval i.e. that the relevant expenditure is mentioned under the National Vocational Qualification Programme.	Evidence required to verify the expenditure in the financial statements should be submitted to the audit.
(c)	Advances	4,207,767	Vouchers and receipts submitted for settlement of payments in the year 2017	Few vouchers related to settlements were omitted in the entering of vouchers in to the new package due to the deactivation of the accounting package in 2017, and settlement notes were made in the year under review.	Arrangements should be made to submit the information required for the audit.

1.6 Receivable and Payable Accounts

1.6.1 Accounts Payables

Audit Observation	Comments of the Management	Recommendation
(a) A creditor balance of Rs. 1,880,445 from the year 2019 had not been settled even by the end of the year under review.	This has been corrected by journal entries in 2023.	Necessary action should be taken to settle the creditor balances.
(b) Action had not been taken to settle deposits over 05 years total amounting to Rs. 1,192,339 included in the short term refundable grant.	Action will be taken to recognize the money spent from the funds received for the preparation of skill standards from external organizations and transfer those values to the income account.	Action should be taken to identify and settle long term refundable deposits.

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

Reference to laws, rules, regulations	Non compliance	comment of the Management	Recommendation
Financial Regulations as amended by the paragraph 09 of the Public Finance Circular No. 1/2020 dated 28 August 2020	Although Ad-hoc imprests can be given only up to a maximum limit of Rs. 100,000 for a specific purpose in one instance, contrary to that, ad-hoc imprests of Rs. 1,536,860 and Rs.1,404,987 were issued in 02 instances.	Due to the Corona situation in the country, advances were taken in the name of the Director of the evaluation department and money was deposited into the accounts of the officials in charge of the examination center duties subject to the prescribed limits.	Provisions in the circulars and Financial Regulations should be followed.
(b) Financial Regulation 371 (b)	Although Ad-hoc imprests can be given only up to a maximum limit of Rs. 100,000 for a specific purpose in one instance, contrary to that, ad-hoc imprests of Rs. 1,536,860 and Rs.1,404,987 were issued in 02 instances.	Due to the Corona situation in the country, advances were taken in the name of the Director of the evaluation department and money was deposited into the accounts of the officials in charge of the examination center duties subject to the prescribed limits.	Provisions in the circulars and Financial Regulations should be followed.
(c) Financial Regulation 371 (5)	Even though the Ad-hoc imprest should be settled soon after the completion of the relevant activity, the ad-hoc imprests of	No reply was made.	Action should be taken to settle the ad-hoc imprests promptly.

Rs.3,521,058 which were given to 77 officials of the Commission before the year 2017 had not been settled even by 31December 2022.

2. Financial Review

2.1 Financial Results

The operation result in the year under review had been a surplus of Rs. 23,722,454 as compared with the corresponding deficit of Rs. 3,548,803 for the preceding year, thus observing an improvement of Rs. 27,271,257 in the financial result. The increase in the charges of national vocational certificate and government grants had mainly attributed to this improvement.

2.2 Trend Analysis of major Income and Expenditure items

The grant income and expenditure subjects for the year under review are analyzed and compared with the previous year and percentage increases or decreases are shown below.

	2022 (Rs.)	2021 (Rs.)	Difference {(Positive/(negative))}	Percentage (%)
Revenue				
Treasury Grants	157,629,961	135,709,694	21,920,267	16.15
Projects Grants	8,955,724	18,978,335	(10,022,611)	52.81
Operational Income	63,774,928	29,404,202	34,370,726	116.89
Non-operational Income	3,954,929	90,824	3,864,105	4254.49
Expenditure				
Supplies and Services Expenditure	15,209,606	11,041,272	(4,168,333)	37.75
Other Operating Expenses	104,295,593	83,985,662	(20,309,931)	24.18
Project Expenditure	8,955,724	18,978,335	10,022,611	52.81

3. Operational review

3.1 Management inefficiencies

Audit observation	Comments of the Management	Recommendation
(a) Among the institutions registered in the Tertiary and Vocational Education Commission as of 20 April 2023, 20 institutions which registration had expired for more than 20 years	They have been informed to apply for renewal of registration 3 months prior to the expiry of registration.	Institutions which the registration has expired should either renew their registration or cancel their registration.

and 1763 institutions which registration had expired between 01 to 20 years had not taken any action to renew their registration.

- (b) Although 371 institutions had requested for renewal of registration from the year 2017 to the year 2023, the registration of those institutions had not been renewed even by the date of audit. After receiving the applications for renewal, an evaluation will be done at that institution. That the registration of institutions that do not meet the relevant criteria in that evaluation will not be renewed. According to the provisions of the Act, the registration should be renewed or the registration should be cancelled or immediate action should be taken if the institutions are engaged in illegal activities after an inspection.
- (c) Due to a proper mechanism has not been prepared to renew the registration of institutions which registration has expired or to systematically check that those institutions continue vocational training activities without renewing their registration, the regulation to be fulfilled by the commission regarding vocational training institutions has not been done properly. It has been observed that most of the institutes which had not renewed their registration had closed. The commission will publish counter advertisements in contrast to the advertisements posted on face book by the unregistered organization. The regulation to be fulfilled by the commission regarding the vocational training institutes should be done properly.

3.2 Operational Inefficiencies

Audit observation	Comments of the Management	Recommendation
(a) Although 2500 certificates were printed in 03 occasions in the years 2019 and 2020 to issue for the course in Phase 6 of the Sri Lanka Vocational Training Authority, 2482 certificates worth of Rs.295,923 equivalent to 99 percent of them were remained in the stores by the date of audit of 31 March 2023.	2500 certificates for the 6th level courses of the Sri Lanka Vocational Training Authority were ordered in three occasions.	The requirement should be identified properly and arrangements should be made to print the certificates.

- (b) Action had been taken to procure 2000 overcoats worth Rs. 3,888,000 from Lanka Salusala in the year 2022 to provide overcoats for the registered evaluators of the Tertiary and Vocational Education Commission. Out of that, 1084 coats equal to 54 percent of the procured quantity were remained in the stores without distribution and it was revealed during the audit that, this situation had arisen due to the procurement was made without deciding of proper distribution plan of the coats.
- As there are 180 trained evaluators by 31.03.2023, the remaining Overcoats will be provided for them. Furthermore, it is planned to hold 10 programs on the consistency of the evaluators in the future, and there the relevant Overcoats will be provided after charging the relevant fee.
- The requirement should be identified properly and arrangements should be made to procure.
- (c) According to the Circular No. MSDVT/SSDP/2016-1 of the Ministry of Skill Development and Vocational Training dated 26 February 2016, in order to implement the services provided by vocational training institutes in a higher level and quality, it had been a mandatorily requirement for vocational training institutes to establish the quality management system introduced by the Tertiary and Vocational Education Commission or the getting ISO 9001:2008/2015 quality management system of the Sri Lanka Standards Institute. Nevertheless, the Commission had not taken any action after the year 2019 to inform the relevant institutions and act accordingly.
- During the recent economic downturn in the country, many institutions were unable to carry out quality management. However, instructions were given to maintain the quality system of existing institutions.
- As a regulatory agency, the Commission should function in a manner that fulfills its responsibilities.