

Head 156 - Report of the Auditor General on the Ministry of Youth Affairs and Skills Development and the Department under the Ministry - 2013

This report consists of two parts.

Part 1 – Summary report on the accounts of the Ministry of Youth Affairs and Skills Development and the Department under the Ministry

Part 2 – Detailed report relevant to each Head

Part 1

Summary Report on the Accounts of the Ministry of Youth Affairs and Skills Development and the Department under the Ministry

1. The Department under the Ministry

Head	Department
215	Department of Technical Education and Training
-	Ceylon German Technical Training Institute
-	Youth Welfare Fund
-	National Youth Award Authority

2. Accounts

2.1 Appropriation Account

(a) Total Provision and Expenditure

The total net provision made for the Ministry and the Department under that Ministry amounted to Rs.8,848,532,000, and out of that a sum of Rs.6,054,575,560 had been utilized by the end of the year under review. Accordingly, the savings of the net provisions of the Ministry and the Department amounted to Rs. 2,443,515,290 and Rs.350, 441,151 or 34 per cent and 22 per cent of the total net provision Particulars are given below.

Head	As at 31 December 2013			Saving as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs.	Rs.	Rs.	
156	7,222,532,000	4,779,016,711	2,443,515,289	34
215	1,626,000,000	1,275,558,849	350,441,151	22
Total	8,848,532,000	6,054,575,560	2,793,956,441	32

2.2 Advance Accounts

2.2.1 Advances to Public Officers Accounts

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Accounts of the Ministry and the Department under the Ministry, and the actual values are given below.

Item No	Expenditure		Receipts		Debit Balance	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
15601	21,000,000	8,944,892	14,400,000	16,441,654	93,000,000	58,035,097
21501	60,000,000	39,941,136	46,000,000	62,201,281	300,000,000	144,922,344

2.3 Imprest and General Deposit Accounts

(a) Imprest Account

The total of the imprest balances of the Ministry as at 31 December 2013 amounted to Rs.102,167.

(b) General Deposit Accounts

The total of the balances of the deposit accounts of the Ministry and the Department under the Ministry as at 31 December 2013 amounted to Rs.49,053,645. Particulars are given below.

Ministry/Department	Account No.	Balance as at 31 December 2013
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		Rs.
Ministry of Youth Affairs and Skills Development	6000/0000/00/0015/0066/000	24,553,434
	6000/0000/00/0015/0042/000	6,843,000
Department of Technical Education and Training	6000/0000/00/0015/0096/000	17,657,211

Total		49,053,645 =====

Part 2

Detailed Report relating to Each Head

1. Head 156 - Ministry of Youth Affairs and Skills Development

1.1 Scope of Audit

The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Ministry of Youth Affairs and Skills Development for the year ended 31 December 2013 was carried out in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The management audit report for the year under review was issued to the Secretary to the Ministry on 28 January 2014. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

1.2 Responsibility of the Chief Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statement in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Finance and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal

control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

1.3 Audit Observation

According to the Financial Reports and the Books for the year ended 31 December 2013, it was observed that except for the effects of the general observations appearing at (a) to (c) and the other major audit finding appearing in paragraphs 1.4 to 1.13 herein, the Appropriation Account and the Reconciliation Statements of the Ministry of Youth Affairs and Skills Development have been prepared satisfactorily.

(a) Non-maintenance of Registers and Books

The following observations are made.

- (i). The Ministry had not maintained a Register of Losses and Damages conforming to the format in accordance with the Financial Regulation 110.
- (ii). Information required had not been properly maintained with log books in regard to 47 vehicles belonging to the National Youth Corps

(b) Budgetary Variance

The following observations are made.

- (i). The entire net provision of Rs. 1,775,272,500 made for 11 Objects had been saved.
- (ii). A sum of Rs. 52,280,008 had been saved from a sum of Rs. 80,528,890 provisioned for 15 Objects. The saving was in the range of 50 – 90 per cent of the net provision made for those Objects.
- (iii). Out of the provisions amounting to Rs. 8,500,000 and Rs. 225,000,000 made for 2 Objects under Supplementary Estimates, 57.5 per cent and 10.08 per cent had respectively been saved without being utilized for the relevant purpose.
- (iv). As revealed in the audit test checks, the provisions had exceeded the limits of expenses by a sum of Rs. 4,928,675 in respect of 19 Objects due to commitment to liabilities exceeding the approved provisions.

(c) Advances to Public Officers Account

According to the reconciliation statement for the Advance Account as at 31 December 2013, the outstanding balances totalled Rs.1,960,647 as at that date, and of that,

balances amounting to Rs. 1,428,522 belonged to a period less than one year. Loan balance belonging to a period of 1-2 years amounted to Rs. 80,465, whereas a loan balance of Rs. 451,660 belonged to a period of more than 5 years.

1.4 **Assets Management**

The following observations are made.

(a) **Conducting Annual Board of Survey**

The following observations are made.

- (i). In accordance with Public Finance Circular No. 441 of 09 December 2009 as amended by the letter No. PF/Board of Survey/01 of the Director General of Public Finance dated 17 December 2010, the board of survey for the year 2013 should be conducted and the reports should be furnished to the Auditor General before 31 March 2014. However, Board of Survey reports in respect of 04 district offices of the Small Enterprises Development Division had not been furnished even as at the date of audit, 03 December 2014.

- (ii). Action had not been taken in terms of Financial Regulation 770 even as at 03 December 2014, the date of audit, in respect of 204 items of articles that remained condemned from the Head Office and 10 District Offices for a long duration of time. Furthermore, 04 articles in excess , and 03 articles in shortage, had been identified at the Board of Survey conducted at the office in Matara. However, action had not been taken in that regard as per Financial Regulation 109.

(b) **Assets Given to External Parties**

Instances in which, the Ministry had released certain assets to external parties in an improper manner, had been observed. Particulars are as follows.

Type of Asset	No of Units	Institution Given
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Motor Vehicles	01	Ministry of Postal Services
	07	Ministry of Educational Services
	02	Vocational Training Authority
	05	National Youth Corps
	01	National Youth Council
	01	Office of the Senior Ministers

02 National Institute of Fisheries and
Nautical Engineering

(c) Improper Utilization of Assets belonging to Other Institutions

It was revealed in sample audit checks that the following assets belonging to other parties had been utilized by the Ministry without a proper approval. Particulars are as follows.

Type of Asset	Institution which the Assets belonged to	Quantity	Duration
			Years
Motor Vehicles	President's Secretariat	1	3
	Ministry of Defense	1	4
	National Institute of Business Management	1	6
	National Youth Council	2	1
	Ministry of Postal Services	1	3

(d) Improper Utilization of Assets not Vested

(i). The land at which, the National Centre for Leadership Development, Ambilipitiya is located, belongs to the National Housing Development Authority. Despite requests made in several instances by the National Housing Development Authority from the Ministry to purchase the buildings and 26 houses given to the Centre at the assessed value. But the action had not been taken to purchase even by the end of the year under review.

(ii). The National Youth Corps had been maintaining 37 centers on lands owned by other parties, and a sum totalling Rs.8,696,537 had been spent on the maintenance during the year under review.

(e) Un-settled Liabilities

The value of the liabilities belonging to a period of less than a year, and not settled by the Ministry as at 31 December 2013 was Rs.38,541,896.

1.5 Non-compliance

(a) Non-compliance with Laws, Rules, Regulations, etc.

Instances of non-compliance with the provisions of laws, rules and regulations revealed in sample audit checks are analyzed below.

Reference to Laws, Rules, and Regulations	Value	Non-compliance
(i) Statutory Provisions		
National Youth Corps Act, No. 21 of 2002 Section 2(4)		- Three committees required for the administration of the Council should be appointed for the vocational training, and youth development and establishment, and the Youth Corps should have vested its responsibilities with those committees. However, action had not been so taken.
(ii) Establishments Code of Democratic Socialist Republic of Sri Lanka		
Section 12.12 of Chapter 11	1,437,611	A sum of Rs.1,437,611 as salaries from 60 officers, who vacated their posts without informing prior to a calendar month, had remained receivable to the Youth Corps.
(iii) Financial Regulations of Democratic Socialist Republic of Sri Lanka		
Financial Regulation 1646		- Copies of daily running charts relating to the vehicles owned by the Youth Corps, had not been furnished to the Auditor General.
(iv) Procurement Guidelines for the Recruitment of Instructors -2007		
Guideline 2.3 (b)	12,852,000	Records relating to the procedure on the selection of Instructors for construction of the building for the

National Youth Corps head office, had not been maintained.

- Guideline 2.3 (c) - Reports on the necessity of obtaining the consultancy service had not been prepared, and approval of the Procurement Committee had not been obtained.
- Guideline 3.2 - A competitive methodology had not been followed for the selection of Consultants.
- Guideline 3.4 - A detailed total cost estimate on the costs to be incurred relating to the consultancy service had not been prepared.
- Guideline 3.5 - Although Consultants for the constructions over Rs. 2 million should be selected through newspaper advertisements it had not been so done.

(v) National Procurement Guidelines – 2006

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- Guideline 2.5 470,984 The tender had been awarded without properly evaluating the bids received relating to the renovation of area in which the project on the development of technical education had been implemented.
- Guideline 5.4.4 - Surety bonds had not been obtained.
- Guideline 2.3.2 - A Technical Evaluation Committee consisting of an officer competent in the field had not been appointed.
- Guideline 8.9.3 - An agreement had not properly been entered into.

1.6 Weaknesses in the Implementation of Projects

Instances revealed in sample audit checks with regard to projects abandoned without being commenced or completed, and delays, are given below.

(a) Abandonment of Projects without being Commenced

Although the Small Enterprises Development Unit had granted a sum of Rs. 446,000 during the year under review to 8 district offices for the programs proposed to achieve its objectives, those programs had not been implemented as planned.

(b) Abandonment of Projects without being Completed

Even though the following project had been commenced by the Youth Corps, the project had been abandoned without being completed.

Project	Estimated Cost	Date of Commencement	Expenditure as at 31 December 2013	Reasons for Abandonment
	Rs.		Rs.	
Repairs on Youth Corps Head Quarters , Divulapitiya	6,715,759	2011.12.01	5,264,220	The contractor informed that the task could not be completed due to deficiencies in the estimate prepared by the Technical Officer.

(c) Delays in Implementing Projects

The following delays in the implementation of projects by the Ministry were observed.

Project	Estimated Cost	Date of Commencement	Date to be Completed	Expenditure as at 31 December 2013	Reasons for the Delay
-----	-----	-----	-----	-----	-----
	Rs.			Rs.	
Youvun Parks Construction					

Mathara	169,000,000	2011	2011	124,781,750	Reasons had not been submitted
Battaramulla	Estimates had not been prepared	2010	August 2011	Not Submitted	The chosen land had not been granted by the Urban Development Authority

1.7 Performance

Observations on the progress of the Ministry in accordance with the Annual Budget Estimate for the year 2013 / Corporate Plan / Action Plan, are as follows.

1.7.1 National Youth Corps

Out of 6405 students enrolled to the first batch during the year 2013 for training courses, 43.5 per cent had left the courses, whereas 21.8 per cent of 3153 students enrolled to the second batch, had left the courses. The number of students who completed the courses in the year 2013, and were employed through vocational training, was as low as 12 per cent from the first batch, and 5.4 per cent from the second batch.

1.7.2 Small Enterprises Development Unit

In spite of this institution established under the primary objective of creating a culture of entrepreneurship with a Sri Lankan identity through the development of entrepreneurship among the youth, it was observed through the following matters that a youth-oriented approach was not adhered in the execution of its operations, identification of entrepreneurs and planning of training programs, and attention had not properly been drawn on the fulfilment of the objectives of the institution through continuous follow-up actions.

- (i). District offices had not been officially established in the districts of Jaffna, Vavuniya, Trincomalee, Batticaloa , and Ampara by 31 December 2013, and the institutional operations relating to those districts had been carried out by the Head Office. As for Mannar and Mulativu districts, neither district offices had been established, nor had institutional operations been carried out.
- (ii). Twenty five participants, of whom only 03 persons were below 30 years of age had attended the awareness workshop held at the District Secretariat, Panadura on 22 January 2013. Twenty two of them were already involved in entrepreneurial activities.
- (iii). Of the 28 entrepreneurs who participated in the entrepreneurship training program – “Viyaparayata Maga” held at the Divisional Secretariat, Panadura on 22,23, and 24 April , 2013, the age of 05 entrepreneurs ranged from 36 to 45 years, and it was observed that 04 of them had joined the small enterprises sector in the year 2012, and the business had been set up in the years 2006, 2007, and 2009.
- (iv). Those who participated in the program – “Viyaparayata Maga” held by the District Office, Kalutara were in the age group of 45-60. Although 71 persons had taken part in the program, only 11 of them run their businesses successfully at present.

1.8 Weaknesses in Operating Bank Accounts

Balances to be Adjusted

According to the analysis on the balances shown in the bank reconciliation statements prepared for the month of December , 2013 by the National Youth Corps, the value of the cheques not presented for payment , amounted to Rs. 87,450, of that, cheques valued at Rs.42,500 belonged to a period ranging from 06 months to 01 year , whereas cheques valued at Rs.44,950 belonged to a period of 3 to 5 years.

1.9 Irregular Transactions

Certain transactions performed by the Ministry were of irregular nature. Some of such instances observed, are as follows.

- (a) A sum of Rs. 6,620,000 had been spent to purchase 500 sets of sports equipment to be distributed contemporaneous with the Deyata Kirula exhibition. This purchase had been made as an urgent purchase contrary to the general procurement process. Furthermore, a specification elaborating upon the sports equipment to be purchased, and a cost

estimate had not been prepared. There was no verification to the fact that those sports equipment had been distributed in desired quantities and in a proper manner.

- (b) A wide-screen had been installed at the Deyata Kirula exhibition premises at a cost of Rs. 5,500,000 on the approval of the Secretary to the Ministry and contrary to procurement procedure by considering it highly urgent. Prior to the purchase, the requirement and post-usability of the screen had not been taken into account. The screen had been given to the Vocational Training Authority after the exhibition came to an end.
- (c) A private institution had been paid a sum of Rs. 3,114,500 for the beautification and supply of equipment to the National Youth Corps stall at *Deyata Kirula* exhibition. It was not possible to verify that the said task had been performed in an economical and productive manner due to reasons such as, failure to prepare a detailed cost estimate, failure to enter into an agreement properly, and making payments without properly certifying the work done.
- (d) A detailed specification, in terms of Guideline 5.6 of Procurement Guidelines, had not been prepared with regard to carpeting and renovation of the outdoor premises of Nipunatha Piyasa. The total value of Rs. 1,560,000 relating to that had been paid without certifying that the task had properly been completed.

1.10 Transactions without Authority

A payment equivalent to 6 per cent of the cost of the contract had been paid without an acceptable to the consultants who had been selected without adhering to procurement procedure for the construction of a new building at the head office of the National Youth Corps. The institution had granted approval to utilize the same performance bond worth Rs. 775,000 produced in favor of the construction of an another training center.

1.11 Losses and Damages

Observations made on the losses and damages during sample audit checks are as follows.

- (a) The National Youth Corps had awarded the contract for supplying 23,000 pairs of trousers for uniforms at a cost of Rs. 22,885,000 to a private institution. According to the letter dated 15 January 2013 for granting the tender, the uniforms should have been supplied under 04 stages by 10 May 2013. However, the items had not been supplied by due dates. The duration ,within which the uniforms should have been supplied , had been extended, contrary to Guideline 8.14 of Procurement Guidelines and without obtaining acceptable reasons, by the Chairman at a request made by the supplier that the duration be extended owing to a delay caused in importing the cloths. Hence, a

large sum of money that would have been recovered to the Government as demurrages had been lost.

- (b) A sum of Rs. 4,591,651 had been spent in 06 instances for purchasing 2500 pairs of boots from a private institution to be used by the Youth Corps. However, only 2114 pairs of boots had been received by the Youth Corps in accordance with the registers of the stores. Accordingly, a shortage of 386 pairs of boots , worth Rs. 708,950, was observed.
- (c) A sum of Rs. 41,664 had been spent by the Ministry on newspaper advertisements published on the national competition for skills and inventions held in 2013. A sum of Rs. 20,400 had been spent futilely for publishing amended advertisements owing to the flaws in the earlier ones.

1.12 Management Weaknesses

The following matters were observed during sample audit checks.

1.12.1 Failure to Implement Youth Employment Network

The following matters were observed.

- (a) The Youth Employment Network should have been established as a separate institution under the Ministry in terms of Gazette Extraordinary No. 1681/03 dated 22 November 2010. However, it had not been so done even by the end of the year under review. Furthermore, in spite of provisions aggregating Rs. 3,550,000 allocated during 2010 to 2013 for the implementation of this institution, those provisions had not been utilized for achieving the objectives.
- (b) Further the Youth Employment National Action Plan had been presented for Cabinet approval under the Cabinet Paper No. 06/2283/274/015 of 10 November 2006, and approval in that connection had been granted on 20 December 2006.
 - (i). Appointment of a Cabinet Sub-committee under the patronage of the President for implementation of the national program on the generation of youth employment.
 - (ii). Appointment of a steering committee with the participation of Secretaries to the Ministries, other government and non-governmental organizations.
 - (iii). Establishment of a National Secretariat for youth employment under the Ministry for the implementation of national program for generating youth employment.

- (c) The Ministry of Youth Affairs had unveiled the National Action Plan on Youth Employment in August 2007 under the patronage of the International Labour Organization and the World Bank, and recommendations for alleviating the unemployment in Sri Lanka had been presented therein. The program that had been implemented included the programs to be executed in generating youth employment, actions to be taken in that connection, guidelines, and many more recommendations. Nevertheless, the activities included in the said Action Plan could not be implemented even by the end of the year under review.

1.12.2 As the service provider had violated 05 conditions included in the agreement entered into with the Youth Services Company in connection with the cleaning and security of the Leadership Development National Centre in Embilitpitiya, attention of the management had not properly been drawn in that regard , despite the failure to obtain the said services satisfactorily.

1.12.3 According to the sample audit check, information verifying whether the fact that 1181 sets of uniforms including T-shirts, trousers, and shoes issued to 04 training centers by the National Youth Corps in the months of September and October in the year 2013 had been received by the relevant Centers , had not been furnished to the Head Office of the National Youth Corps as per General 219 even by the date of audit 25 November 2014.

1.13 Human Resources Management

----- Approved and Actual Cadres -----

(a) Ministry of Youth Affairs and Skills Development -----

Category of Employee	Approved	Actual	Vacant
-----	-----	-----	-----
Senior Level	52	34	18
Tertiary Level	181	134	47
Secondary Level	906	663	243
Primary Level	77	68	9
Other	6	1	5
(Casual/Temporary/Contract basis)			
Total	1,222	900	322
	=====	====	====

(b) National Youth Corps

Category of Employee	Approved	Actual	Vacant
Senior Level	9	7	2
Tertiary Level	55	53	2
Secondary Level	255	215	40
Contract basis	357	304	53
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Total	676	579	97
	===	===	==

The following observations are made.

- (i). The Institute had not taken steps to fill 97 vacancies by the end of the year under review.
- (ii). Eighty eight officers of the senior level had vacated National Youth Corps during the year under review, and they represented 13 per cent of the approved cadre.

(c) Small Enterprises Development Unit

Small Enterprises Development Unit is a separate entity functioning under the scope of the Ministry and it does not have an approved cadre consisting of all grades. Ministerial staff is deployed for the posts of tertiary level. Approved and actual cadres for the other posts are as follows.

	Approved	Actual	Vacant
Deputy Director / Assistant Director	18	05	13
Assistant Director (Supra)	05	01	04
Entrepreneurial Development and Training Officer	50	30	20
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Total	73	36	37
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According to the information presented above, the existence of a considerable number of vacancies in the Unit was observed.

(i). Leadership Development National Centre , Embilitpitiya

Category of Employee	Approved	Actual	Vacant
Tertiary Level	5	4	1
Secondary Level	27	24	3
Primary Level	36	32	4
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Total	68	60	08
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02. Head 215 –Technical Education and Training Department**2.1 Scope of Audit**

The audit of the Appropriation Account including the financial records, reconciliation statements books, registers and other records of the Technical Education and Training Department for the year ended 31 December 2013 was carried out in pursuance of provisions in Article 154 (1) in the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Head of the Department on 22 September 2014. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

2.2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation statements

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Accounts and the Reconciliation Statements in accordance with the provisions in Articles 148,149,150 and 152 of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliations Statements that are free from material misstatements whether due to fraud or error.

2.3 Audit Observations

According to the Financial Records and books for the year ended 31 December 2013, it was observed that except for the effects of the general observations appearing at (a) to (d) and major audit findings appearing in paragraphs 1.4 to 1.12 herein, the Appropriation Account and

the Reconciliation Statements of the Technical Education and Training Department had been prepared satisfactorily.

(a) Non-maintenance of Books and Registers

It was revealed in audit test checks that following registers had not been maintained and certain registers had not been properly maintained and updated.

Type of Register -----	Relevant Regulation -----
Register of Liabilities	Financial Regulation 214
Register relating to Computer Accessories	Treasury Circular No. IAI/2002//02 dated 28 November 2002

(b) Budgetary Variance

Provisions amounting to Rs.97,043,200 made available for 35 Items of Expenditure had been transferred to other Items of Expenditure under Financial Regulation 66 due to preparation of estimates without proper planning.

(c) General Deposits Account

Action in terms of Financial Regulation 571 had not been taken to settle 19 Deposits amounting to Rs.254, 529 that had exceeded more than 2 years.

(d) Reconciliation Statement relating to the Advances to Public Officers Account

The total of recoveries in arrears according to the Reconciliation statement relating to Advances to Public Officers Account - Item No.21501 as at 31 December 2013 amounted to Rs.5,060,883. The Department had failed to recover those balances in arrears.

2.4 Good Governance and Accountability

2.4.1 Activation of Audit and Management Committee

Proper action had not been taken with regard to 5 decisions taken by the Audit and Management Committee meetings conducted in the Ministry during the year under review on behalf of the Department.

2.5 Assets management

(a) Idle and Under-utilized Assets

It was observed at audit test checks that certain assets had been remained idle or under-utilized as analyzed below.

Category of Assets	Number of Units	Idle or Under-utilized Period
(i) Buildings	04	More than 4 years.
(ii) Vehicles	03	More than one year and less than 4 years.
(iii) Machinery	05	More than 4 years.
(iv) Other Assets	64	More than 4 years.

(b) Conducing Board of Survey

Action had not been taken in terms of financial regulations with regard to surpluses and shortages and other recommendations pointed out in the Board of Survey Reports for the years 2012 and 2013 relating to Technical Education Department and 38 Technology/Technical Colleges.

(c) Assets given to Outside Parties

Certain assets had been improperly released to outside parties by the Department. Details of such instances are shown below.

Type of Assets	Number of Assets (Units/Extent)	Institution Provided with the Asset	Value
(i) Lands (Hectares)	12 Acres and 3 Roods 17 Perches 110 perches 07 Acres 12 Acres 1.5 Acres 9.5 Perches	University College Ministry of Sports Uva Wellassa Stadium Youth Forces Training Centre Open University Mrs.G.G. Premawathie	Rs. 22,000,000
(ii) Buildings	04 02	Ministry of Sports Institute of Gems and Jewelry	Not provided

(d) Action had not been taken to get back 2637 library books issued to Academic and Non-academic Staff and Students in 10 Technology and Technical Colleges.

2.6 Non-compliances

(a) Non-compliance with Laws, Rules, Regulations etc.

Instances of non-compliance with laws, rules and regulations observed in audit test checks are analyzed below.

Reference to Laws, Rules and Regulations	Non-compliance
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(a) Statutory Provisions	

Public Servants Provident Fund Ordinance No. 18 of 1942 as amended by Public Servants Provident Fund Act No. 17 of 2003	Although 8 Percent Contribution should be recovered from the salaries of Casual and Substitute Employees and be remitted to Director General of Pensions, contributions amounting to Rs.527,000 recovered from the employees during the years from 2007 to 2011 had been retained in the Deposits Account and a sum of Rs.296,521 had been credited to Government Revenue.
(b) Establishment Code	

(i) Section 13.3 of Chapter II	Although the appointment for covering up duties should be done temporarily, appointments for covering up duties made by the Department were in operation for more than 02 years.
(ii) Section 10.1.5 of Chapter XII	Although the authority for granting Lapsed Leave is vested in the Secretary to the Ministry, 17 ½ days leave had been granted to an officer of the academics staff of the Warakapola Technical College by the Principal, without such authority.
(iii) Section 23.18 of Chapter XII	Although a report relating to Government Officers who are on leave out of the Island should be sent monthly to the Auditor General, by the Head of Department, such action had not been taken.

(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

- | | | |
|------|---------------------------|--|
| (i) | Financial Regulation 177 | Although the collections of Government money should be banked daily, a sum of Rs.38,221 collected by an officer of the Dambulla Technical College during the period from the year 2010 to 2012 had not been banked after recording in the Cash Book. |
| (ii) | Financial Regulation 1646 | Daily running charts and monthly performance summaries of vehicles had not been submitted to the Auditor General. |

(d) Hand Book for Technical Colleges Operations

- | | |
|--------------------|---|
| Paragraph 7.13 (I) | Although all Courses should be revised, out of total number of 422 Vocational Courses, only 284 Courses had been revised. |
|--------------------|---|

2.7 Weaknesses in Implementation of Projects

It had been failed to fulfill seven Projects valued at Rs.99.11 million during the year under review, included in the action Plan prepared for the year 2013.

2.8 Performance

When a sample of students who sat at the examination in 9 Colleges of Technology and 29 Technical Colleges is taken and analyzed the results, following matters were revealed.

- (i) When examination results of 438 Courses conducted in 38 Technology and Technical Colleges are taken into consideration, more than 50 per cent of the students who sat for examinations of 279 Courses had passed the examinations. Number of students passed relating to other 179 Courses were in a range between 0 -50 per cent.
- (ii) According to the Hand Book of Statistics prepared for the year 2013, 12 Courses for National Vocational Qualifications (NVQ) and 37 Courses for Non-national Vocational Qualifications (NVQ) had been conducted. It was observed that, out of those, percentage of passing at 06 Courses for National Vocational Qualifications (NVQ) and 15 courses for Non-national Vocational Qualifications (NVQ) was in a low level of less than 50 per cent.

2.9 Contract Administration

Observations relating to lapses in Contract Administration revealed in audit test checks are shown below.

- (a) According to Clause 4.3 of the Government Procurement Guidelines, instructions relating to preparation of more accurate and correct total cost estimates had been given. However, in the examination of matters relating to fixing an Electrical Lift in the Department having spent a sum of Rs.5,280,062, it was observed that those instructions had not been considered. Due to that, an injustice had been caused to other interested contractors and price gain to the Department had been lost ultimately.
- (b) In constructing the two storied Work-Shop Building in Matale Technical College, all plans and estimates had been prepared to construct that building parallel to the boundary of the land. It was observed in audit that an additional cost of Rs.11,287,068 had to be born due to change of the place of construction of the building at the time of awarding the contract.

2.10 Losses and Damages

An expenditure of Rs.364,000 had been incurred for land clearing and making plaques for construction of two new buildings in the Anuradhapura Technical College premises without building plans, financial provision and awarding contracts.

2.11 Management Weaknesses

Following weaknesses were observed in audit test checks.

- (a) Although sums amounting to Rs.2,577,778 and Rs.2,071,111 had been paid respectively to Colombo Municipal Council annually, for two buildings under Assessment Nos.355 and 355 A, when making payment of rates for the Technical Education and Training Department, correctness of that had not been ensured.
- (b) Although Education Management Information System (EMIS) had been established in the Technical Education and Training Department and 6 Colleges of Technology through Technical Education Development Project in collaboration with 2 Private Institutions, having spent a sum of Rs.33,118,046 (without tax), objectives expected through that had not been achieved.
- (c) Action had not been taken to recover a sum of Rs.3,727,556 to be recovered relating to six vehicle accidents.

2.12 Human Resources Management

Approved and Actual Cadre

Cadre position as at 31 December 2013 was as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Surplus
(i) Senior level	1313	555	758	--
(ii) Tertiary Level	144	21	123	--
(iii) Secondary Level	1272	778	494	--
(iv) Preliminary Level	1172	805	367	--
(v) Others(Casual/Temporary/ Contract Basis)	--	02	--	02
Total	3901	2161	1742	02

Following observations are made.

- (i) Department had not taken action to fill 1742 vacant posts as at the end of the year under review.
- (ii) Salary increments of officers who had not completed the efficiency bar test in terms of conditions of appointment had not been deferred.
- (iii) Authenticity of the certificate and relevancy to the particular field of the certificate submitted by one officer for exemption from the Efficiency bar had not been established.
- (iv) It had been treated that success in passing the Efficiency Bar Examination for Grade III of the Sri Lanka Education Administrative Service by an officer was sufficient in lieu of the Efficiency Bar Examination relevant to Class II of the Sri Lanka Technical Education Service without the, approval of the appointing authority.
- (v) Although the Public Service Commission had not ordered to exempt an officer in the Sri Lanka Technical Education Service from the efficiency bar, he had been exempted from that examination having altered that letter falsely.
- (vi) An officer who got an appointment as Building Instructor during the year 1987, had been promoted without getting confirmed the relevant qualifications for the appointment and the promotion.

- (vii) While three officers of the Department had been released to the Ministry of Youth affairs and Skill Development and to the Presidential Secretariat, a sum of Rs.407,620 had been paid as salaries to them.
- (viii) If a full time service is required for a post, permanent appointment should be made without delay, However, the Department had not taken action to fill 45 permanent posts.

03. Ceylon – German Technical Training Institute

3.1 The audit of financial statements of the Ceylon – German Technical Training Institute for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of financial performance / statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, 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. My comments and observations on the above financial statements appear in this report. A detailed report for the year under review was furnished to the Principal of the Institute on 26 January 2015.

3.1.1 Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

3.1.2 Auditor’s Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000 – 1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute’s preparation and fair presentation of the financial statements 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

Institute's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

3.1.3 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

3.1.4 Incorporation of the Institute

According to the Cabinet Memorandum No. 05/0994/029/013 of 18 August 2005 it had been decided to allow the Ceylon German Technical Training Institute to be further maintained under the identification of the Central Transport Board until it is formally incorporated. Even though a period of 10 years had elapsed since such decision, action had not been taken for the incorporation of the Institute.

3.2 Financial Statements

3.2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report the financial statements give a true and fair view of the financial position of the Ceylon-German Technical Training Institute as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

3.2.2 Comments on Financial Statements

3.2.2.1 Sri Lanka Public Sector Accounting Standards

Even though the contributions to the Employees' Provident Fund and the employees gratuity to 02 groups of employees of the Institute had been computed on 02 systems, the accounting policy followed in that connection had not been disclosed in the financial statements.

3.2.2.2 Accounting Deficiencies

The following observations are made.

- (a) Even though a sum of Rs.532,074,670 had been shown as the surplus on revaluation in the financial statements, according to the computation made in audit, that amounted to Rs.514,586,175. As such the revaluation surplus had been overstated by a sum of Rs.17,488,495.

- (b) The contribution to the Provident Fund in respect of the year under review for the staff appointed to the Central Transport Board and deployed in the Institute amounted to Rs.22,018,855 whereas according to the ledger, the balance amounted to Rs.23,435,838 and as such a difference of Rs.1,416,983 was observed between the two balances. That difference had been due to the crediting of the interest earned from the investment of the Provident Fund contribution in fixed deposits to Provident Fund Account instead of recognizing the interest as an income.
- (c) Prior to the receipt of the certified bills in connection of work-in-progress relating to a construction done in the year 2011, an estimated value of Rs.1,894,765 had been posted as building works-in-progress in the year end financial records and the credit entry thereof had been shown as creditors. On the receipt of certified bills in the year 2013, the payment made had been debited to the Buildings Account and credited to cash without considering the above entry. Similarly a revaluation amount had been brought to account as buildings in the year under review. The creditors balance in the balance sheet had been overstated by a sum of Rs.1,894,765 as a result thereof.
- (d) The balance of a Bank Current Account as at the end of the year under review according to the cash book amounted to Rs.19,133,425 and that had been shown as Rs.19,128,762 in the statement of financial position. As such the Bank balance had been overstated by a sum of Rs.4,663, in the financial statements.
- (e) According to the financial statements the net value of 19 motor vehicles used by the Institute had been shown as Rs.439,961 and action had not been taken to revalue those motor vehicles and account for the correct value.

3.2.2.3 Lack of Evidence for Audit

Even though a current asset balance of Rs.1,133,529 appear in the financial statements from the year 2005, the particulars thereof had not been furnished to audit.

3.2.3 Accounts Receivable and Payable

Action had not been taken even by the end of the year under review to settle the unpaid wages balance of Rs.308,496 as at 01 January 2013.

3.2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

Even though the advances granted for a particular purpose should be settled immediately after the completion of the purpose in terms of Financial Regulation 371, the advances totaling to Rs.1,252,550 granted for the purchase of goods in 21 instances had been settled after delays ranging from 01 year to 03 years.

3.3 Financial Review

3.3.1 Financial Results

The financial results of the operations of the Institute during the year under review had been a deficit of Rs.31,919,207 as compared with the corresponding deficit of Rs.9,811,037 for the preceding year. Accordingly, the financial results for the year under review as compared with the preceding year, had deteriorated by a sum of Rs.22,108,170. The increase of operating expenditure for the year under review as compared with the preceding year by a sum of Rs.44,693,792 had been the main reason for the deterioration.

3.4 Operating Review

3.4.1 Performance

The following observations are made.

- (a) The Institute had conducted 09 full time courses during the year under review and the National Vocational Qualification Certificates had been awarded for 03 courses. Action was being taken for the accreditation of 04 courses. The Training Standards for the Mill Wright and the Diesel Mechanics courses had not been prepared by the Tertiary and Vocational Education Commission.
- (b) Costs amounting to Rs.154,439,216 had been incurred in the year under review for 1,395 students following the 04 year full time courses. Accordingly, an annual expenditure of Rs.110,709 and full course expenditure of Rs.442,836 have to be spent per student for the courses.

3.4.2 Management Inefficiencies

The following observations are made.

- (a) According to an agreement entered into between the Institute and a private company on 08 February 2010, a computerized accounting software system costing Rs.1,103,200 should be supplied and installed. A cost of Rs.591,100 had been spent thereon in the years 2010 and 2011. According to the agreement, the computerized accounting system should have been installed within 90 days. Nevertheless, the accounts could not be prepared even by the end of the year under review due to the existing deficiencies. As such any benefit from the expenditure incurred had not been received.
- (b) The production work done by the Institution had not been brought to account under a Cost Accounting System.

- (c) Action had not been taken either to record the goods received as donations to the Institute in the Inventory Book or to assess and bring to account their value.
- (d) The registers and files on the insured value, insurance contributions, accidents, losses, etc. of the motor vehicles of the Institute had not been maintained properly.
- (e) Action had not been taken even by 08 August 2014 to settle 06 Money Orders valued at Rs.35,036 deposited in the years 2006 and 2007 and remaining without being realized.

3.4.3 Operating Inefficiencies

The following observations are made.

- (a) The balance as at the end of the year under review in the Current Account of the Personal Accident and Insurance Benefit Scheme established by the Institute without approval and a methodology for payment of benefits, by collecting a sum of Rs.250 annually from the bursary paid to the students amounted to Rs.2,404,205 and a sum of Rs.3,852,799 thereof had been invested in fixed deposits. The collection from the bursaries and the interest on investments for the year under review amounting to Rs.325,900 and Rs.388,066 respectively had been received by the Insurance Fund. The Institute had not taken action to provide a legal basis for the scheme to enable the payment of other benefits in addition to the accident benefits to the contributors.
- (b) The sum of Rs.2,716,773 representing the contribution to the Employees' Provident Fund recovered from the salaries of the employees of the Central Transport Board who are members of the Provident Fund of the Central Transport Board and attached to the Institute and the installments recovered from the loans granted to employees' from the Fund had been brought to account under Provident Fund contributions Payable without determining whether the money should be remitted to the Central Bank of Sri Lanka or the course of action to be taken thereon.

3.4.4 Transactions of Contentious Nature

The following observations are made.

- (a) In addition to the conduct of the approved Training Courses by the Institute, it had conducted Part Time, Short Term and Special Training Courses. The following matters were observed in that connection.
 - (i) The syllabuses for these Training Courses had not been planned by Competent Boards of Scholars and those had not been subjected to timely revision. The approval of the Secretary to the Ministry had not been obtained for commencing such courses.

- (ii) In addition to the lecture fees paid to the officers implementing these courses, bonus amounting to Rs.179,000 and an attendance allowance of Rs.1,077,003 had been paid during the year without formal approval. The basis for allocation of overhead and other costs relating to these courses was not clear and the formal approval for that as well had not been obtained.
- (iii) Sums of Rs.16,430,258 and Rs.7,656,642 out of the course income had been invested in fixed deposits and Treasury Bills respectively, without approval.
- (iv) The Course fee income and expenditure as at the end of the year under review amounted to Rs.41,673,397 and Rs.33,331,522 respectively. The expenditure, as compared with the preceding year, had increased by 60 per cent. Out of this expenditure 87 per cent represented the allowance paid for the part time courses. Such expenditure ranged between 26 per cent to 112 per cent of the income of each course. Even though a specific basis and formal approval should be in place for these payments it had not been so done.

(b) Irregularity in the Computation of Employees Gratuities

The following observations are made in this connection.

- (i) Action in terms of the Payment of Gratuity Act had not been taken in the computation of employees gratuity. The letter of the Chairman of the Sri Lanka Central Transport Board had been made the basis thereto.
- (ii) Two bases had been followed for the computation of employees gratuity for the officers attached from the Central Transport Board and for the Officers of the Ceylon German Technical Training Institute.

(c) Irregularity in the Computation of Contribution to Employees Provident Fund

The following matters were observed in connection with the computation of contributions to the Employees Provident Fund.

- (i) The contribution to the Employees Provident Fund of the officers recruited by the Central Transport Board and attached to the Institute had been made at 10 per cent from the salaries of employees and 12 per cent from the Institute based on the letter No. EPF/LC/CGTTI/05 dated 23 March 2005 contrary to Section 10(1) and (2) of the Employees Provident Fund Act.

- (ii) That money had been invested without being remitted to the Central Bank of Sri Lanka and the total value of the investment as at the end of the year under review amounted to Rs.22,307,769.

3.4.5 Idle Assets

A sum of Rs.309,792 received from the sale of lottery tickets issued in the year 2005 in connection with the Twenty Fifth Anniversary Celebration of the Institute had been invested in a fixed deposit account without being used for the relevant objectives.

3.5 Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Director of the Institute from time to time. Special attention is needed in respect of the following areas of systems and controls.

- (a) Procurement
- (b) Accounting
- (c) Internal Control
- (d) Staff Loans Control

04. Youth Welfare Fund

4.1 Introduction

With the objective of utilizing the movable and immovable properties confiscated by the Government as per Emergency Order (confiscation of property) No. 01 of 1990 stated in the Gazette Extraordinary No. 610/2 of 15 May 1990, for the welfare of the youth, the Youth Welfare Fund had been established under the Youth Welfare Fund Directives No. 01 of 1993 authorized by the President on 21 May 1993 as per Section 05 of Public Security Act (40th Authority) in accordance with Gazette Extraordinary No. 768/1 dated 24 May 1993. Accordingly, the Fund had been included under the purview of the Minister of Youth Affairs and Sports with effect from 29 June 1993.

However, with the annulment of the Public Security Ordinance in August 1994 that had been in operation till then, the emergency order (confiscation of property) No. 01 of 1990 imposed thereunder, together with the Youth Welfare Fund No. 01 of 1993, had become non-operational.

4.2 **Audit Observation**

- (a) The Fund had become non-operational following the annulment of the Public Security Act with effect from August 1994. The accounts relating to liquidation of the Fund had not been presented to audit even by the end of the year under review.

- (b) Despite the Secretary to the Ministry being informed by the Attorney General through his letter dated 09 August 1999 that there was no legal hindrance preventing the vesting of ownership of the immovable property belonging to the Fund, in the National Youth Council, the ownership of the said property had not been properly vested in the National Youth Council even by the end of the year under review. Furthermore, action had not been taken even by the end of the year under review in connection with the matters pointed out by the audit reports for the year 2012 with regard to non-settlement of jewelries and cash deposits owned by the Fund.

05. **National Youth Award Authority**

5.1 **Incorporation**

The National Youth Award Authority had been established under the Gazette Extraordinary dated 29 January 2007 as per Cabinet decisions taken on 25 July 1979 and 24 September 1980 in accordance with the Cabinet Memorandum No. 11 of 1979. This Authority had been established in the year 1980 in affiliation with the National Youth Council under purview of the Ministry of Youth Affairs and Employment by following The Duke of Edinburgh's International Award established in Britain in the year 1956 by the Duke of Edinburgh. The administration of the Authority had been carried out based on a draft consisting directives formulated on the establishment of National Youth Award Authority. The directives in the drafts stated that the rules and procedures governing the presentation of youth awards – the main objective of the Authority, should be on par with that of the Duke of Edinburgh's International Award in the United Kingdom.

5.2 **Audit Observation**

(a) **Accounting Deficiencies**

Financial Statements for the year 2013 had not been prepared.

(b) Appointment of Members to the Authority

Although the members of the Authority should be appointed by the Ministry as per draft Directive No. 06, no members had been appointed even by the end of the year under review.

(c) Performance

According to the Action Plan for the year under review, 17 programs had been planned to be implemented, and a sum of Rs. 5,000,000 out of the provisions from the Treasury received by the National Youth Council, had been granted to the Authority in that connection. The total expenditure for the year amounted to Rs. 4,537,448, and of that, a sum of Rs. 2,183,643 had been spent on the implementation of 08 programs stated in the Action Plan, whereas a total of Rs. 2,353,805 had been incurred as other recurrent expenses. Furthermore, 09 programs that had been planned to be implemented during the year could not be implemented.