

## **Vocational Training Authority of Sri Lanka - 2013**

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The audit of financial statements of the Vocational Training Authority of Sri Lanka 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 net assets 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 read in conjunction with the Section 13(1) of the Finance Act, No. 38 of 1971 and Section 25 of the Vocational Training Authority of Sri Lanka Act, No. 12 of 1995. My comments and observations which I consider should be published with the Annual Report of the Authority in terms of Section 14(2)(c) of the Finance Act appear in this report.

### **1.2 Management's Responsibility for the Financial Statements**

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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.

### **1.3 Auditor's Responsibility**

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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 judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the Authority'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 Authority'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. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

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

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

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

## **2. Financial Statements**

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### **2.1 Qualified Opinion**

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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 Vocational Training Authority of Sri Lanka 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.

### **2.2 Comments on Accounts**

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#### **2.2.1 Accounting Deficiencies**

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The following accounting deficiencies were observed.

- (a) Computation of the gratuity had been understated by a sum of Rs.2,700,531 and as such the expenditure and the provision for the year under review had been understated by that amount.
- (b) A sum of Rs.2,686,068 spent on the plan prepared for the construction of a building had been brought to account as fixed assets though the construction work had not been done and that had been depreciated for Rs.134,303 and Rs.127,588 in respect of the years 2012 and 2013 respectively.
- (c) Telephone charges amounting to Rs.550,704 and a sum of Rs.372,531 on account of no-pay leave recoverable from employees had been omitted in the accounts.
- (d) The value of 35 motor vehicles received as donations amounting to Rs.11,468,250 had been omitted in the accounts while the value of 04 motor vehicles amounting to Rs.2,385,840 had been brought to account twice.
- (e) Provision had not been made for the licence fees amounting to Rs.598,620 and the semi-luxury dual purpose tax amounting to Rs.622,500 payable on motor vehicles in respect of the year under review.
- (f) A sum of Rs.4,570,604 spent on the maintenance of the premises had been brought to account as fixed assets.
- (g) Instead of computing the net financial result of the disposal of fixed assets and adjusting the relevant accounts, accounting for the full proceeds of disposal as income had been the accounting policy adopted continuously by the Authority. The proceeds of such sales during the year under review amounted to Rs.2,296,834 and the proceeds from the year 2003 to the year 2012 amounted to Rs.7,420,200.

### 2.2.2 Lack of Evidence for Audit

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The files relating to the sum of Rs.2,034,812 spent on training of employees during the year under review had not been furnished to audit and as such the correctness of that expenditure could not be established.

### 2.3 Accounts Receivable and Payable

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#### (a) Accounts Receivable

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The following observations are made.

- (i) Out of the debtors balance of the year under review amounting to Rs.37,587,039 balances amounting to Rs.11,710,229 , Rs.6,903,437 and Rs.3,468,087 remained without being recovered over 5 years, 10 years and 01 year to 04 years respectively.
- (ii) Action had not been taken up to August 2014 for the recovery of course fees amounting to Rs.3,955,000 remaining recoverable from the year 2012.
- (iii) Festival Advances amounting to Rs.215,800 recoverable from 86 employees who had left the service had not been recovered.

#### (b) Accounts Payable

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The following matters were observed.

- (i) The total of the creditors and the balances payable of the year under review amounted to Rs.82,314,599 and out of that, action for the settlement of Rs.1,663,424 , Rs.1,994,480 and Rs.21,135,144 had not been taken over 05 years, 03 to 05 years and 01 year to 02 years respectively.
- (ii) Even though the balances remaining after incurring expenditure from the advances received from outside parties for carrying out activities should be reimbursed to such parties, a sum of Rs.11,427,342 reimbursable to the Institute of Tourism Promotion, the Tertiary and Vocational Education Commission and the Exports Development Board of Sri Lanka remained without being reimbursed over a long period.
- (iii) The creditors balances amounting to Rs.2,193,156 relating to the purchase of fixed assets in the year 2011 had not been settled.
- (iv) Refundable tender deposits amounting to Rs.505,284 and retention money amounting to Rs.9,815,130 relating to the years 2009 to 2011 had not been settled even by the end of the year under review.

## 2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

Non-compliance with the following laws, rules, regulations and management decisions were observed.

<b>Reference to Laws, Rules, Regulations, etc.</b>	<b>Non-compliance</b>
(a) Finance Act, No. 38 of 1971	
(i) Section 13(5)(d)	Half yearly Internal Audit Reports had not been furnished even by 31 July 2014.
(ii) Section 13(8)	The steps proposed to be taken by the Board after considering the Audit Report under Section 13(7)(a) issued in respect of the year, 2012 had not been furnished to audit.
(b) Establishments Code of the Democratic Socialist Republic of Sri Lanka	
(i) Chapter VIII Section 6.1	Even though the Overtime rate payable per hour should be computed at 1/8 of days salary or the day's salary of an officer receiving monthly salary should be computed at 1/30 of the monthly salary, the Authority had paid overtime by computing the day's salary as 1/20 of the monthly salary.
(ii) Chapter IX Section 2.2	Even though 10 per cent of allowances received for duties performed after office hours should be recovered as royalty and brought to account as income, it had not been so recovered on the lecture fees for part time courses and other allowances.
(iii) Chapter XIV Sections 28.5 and 28.6	In instances of delayed submission of travelling claims the full amounts had been paid without making deductions in terms of the Establishments Code.
(iv) Chapter XXIV Section 3.17.4	Even though another acceptable surety should be furnished within a month if the service of the surety is terminated for any reason, instances of action not taken accordingly were observed.

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

(i) Financial Regulations 110 and 104

A Register of Losses had not been maintained and the reports on losses on 14 accidents caused to motor vehicles in the year under review and the accidents caused in the preceding years had not been furnished to the Auditor General.

(ii) Financial regulation 188(2)

When ever credit has not been granted by the Bank for cheques and money orders deposited but not realized, it should be investigated. But such action had not been taken on 03 deposits amounting to Rs.429,055.

(iii) Financial Regulations 210 and 217

Even though payments made for delays in making payments due to negligence should be recovered from the officers responsible, it had not been so done in cases such as obtaining licences and payment of rates.

(iv) Financial Regulation 344

When Counterfoil Books of Receipts issued for cash received are received by the institution and the issues made to the officers, those should be recorded in a Register of Counterfoil Books and issued in numerical order. The Authority had not maintained such register for the issue of Counterfoil Books to Instructors.

(v) Financial Regulation 372

Even though the Imprest or the Sub-imprest granted to officers should be checked by a responsible officer not less than once in every month, 08 instances of such checks not exercised since the grant of sub-impres and 06 instances of non-maintenance of Petty Cash Books for Petty Cash impres were observed.

(vi) Financial Regulation 381

Two Current Accounts in two Private Commercial Banks and one Current Account in a State Bank had been opened without obtaining Treasury approval.

(vii) Financial Regulation 1647 (e)

A Register containing the information to whom the motor vehicles of the Authority had been issued and the particulars of accessories issued had not been maintained

- (d) Government Procurement Guidelines  
(i) Section 9.3.1
- Even though the approval of the Secretary to the Line Ministry should be obtained for motor vehicle repairs costing over Rs.200,000 , a sum of Rs.1,462,641 had been paid during the year under review in 06 instances where such action had not been taken.
- (ii) Sections 2.8, 2.12 and 2.14.1
- Even though not less than 03 quotations should be called for if Shopping Procedure is followed for procurement it had not been so done. Minutes of the Technical Evaluation Committee or the Procurement Committee had not been furnished.
- (e) Circular No. TVET/ಬಿಇಲೆ/ 2004/01 dated 28 January 2004 of the Secretary to the Ministry  
(i) Section 1.2
- Even though courses should not be commenced without 70 per cent of the full capacity, 492 courses which had not fulfilled that requirement had been commenced.
- (ii) Section 1.1
- Even though 70 per cent minimum of the capacity should have completed the course at the conclusion of the Course, there were 173 courses which did not comply with the requirement.
- (f) Public Administration Circular No. 19/89 of 23 March 1989 Paragraphs 05 and 06
- A Register of Overtime had not been maintained. Even though the Staff Officer should certify the vouchers for overtime after satisfying himself that overtime work has been completed, in 39 instances it had not been so done.
- (g) Public Administration Circular No. 41/90 of 10 October 1990
- Even though the fuel consumption of motor vehicles should be tested once in every 06 months such tests had not been carried out in respect of all motor vehicles.
- (h) Public Administration Circular No. 9/2007 of 11 May 2007 Paragraph 01
- Two employees had been recruited contrary to the provisions in the circular and a sum of Rs.1,253,000 had been paid as their salaries.
- (i) Payment of Gratuity Act, No. 12 of 1983 Section 5(1)
- Even though the gratuity of service terminated employees should be paid within 30 days, it had

not been so done in 35 instances. The delays ranged between 01 month to 26 months.

(j) Public Enterprises Circular No. PED/12 of 02 June 2003

(i) Section 6.5.1

A copy of the Annual Report had not been presented with the accounts.

(ii) Section 7.4.1

The Audit and Management Committee should meet at least once in 03 months and the reports of the Auditor General and audit queries, 162 reports and 70 internal audit reports included in the 9 matters for discussion at the meetings had not been discussed.

(iii) Section 7.4.5

Even though a Board of Survey of the fixed assets should be conducted and reconciled with the balances in the Register of Fixed Assets it had not been so done.

(iv) Sections 8.3.9 and 9.4

Twenty two employees had been released to the Ministry and other Government Institutions and paid salaries and allowances contrary to the provisions in the circular.

(v) Section 9.3.1 (vii)

Even though acting appointments are made due to any reason whatever, those should not be made for more than 03 months. But there were 15 instances of action contrary to the requirement.

(k) Public Finance Circular No. 446 of 01 September 2010

A sum of Rs.2,211,090 had been paid to the officers of the Authority for telephones contrary to the provisions in the circular.

### **3. Financial Review**

#### **3.1 Financial Results**

According to the financial statements presented, the financial result of the Authority for the year ended 31 December 2013 amounted to a deficit of Rs.49,225,894 as against the surplus of Rs.16,030,860 for the preceding year. The financial result for the year under review as compared, with the preceding year indicated a deterioration of Rs.65,256,754. The decrease of Government and special projects grants, other grants, sundry income and the decrease of profits of Production Units had mainly affected the deterioration.

### **3.2 Legal Actions Against the Authority and instituted by the Authority**

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Employees had filed 06 cases and external institutions had filed 02 cases against the Authority. The verdict in two cases filed by two employees had been delivered in favour of employees in the year 2007. Acting against the advice of the Attorney General, the Authority had lodged an appeal. Again the same verdict had been delivered with an order for payment of Rs.5,469,015 as salaries and reinstatement of the two employees. In addition a sum of Rs.455,520 as two years salary in respect of a case filed against the non-extension of service and a sum of Rs.87,000 to another employee had also been paid. Lawyers' fees amounting to Rs.1,329,741 had been paid in connection with these cases.

## **4. Operating Review**

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### **4.1 Performance**

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The following matters were observed.

- (a) Even though the admission of 33,882 apprentices for 77 courses in 18 fields had been planned for the year under review, only 28,446 apprentices had been admitted.
- (b) According to the estimates of the admission of apprentices for courses and the grant of the National Vocational Qualification Certificates for the year under review and the actual performance, had not been 16 per cent and 30 per cent respectively.
- (c) The number of annual drop out from the courses had been considerable and no action had been taken to minimize drop out numbers. Out of the apprentices admitted to the courses in the first semester of the year 2013, seven hundred and eighty three had dropped out and that had increased to 2,986 by the end of the year 2013.
- (d) Even though plans had been made for referring 16,800 apprentices for further training, the actual number referred for further training had been 10,214.
- (e) Even though plans had been made for providing job placements for 8,025 apprentices, only 4,974 had been provided with job placements.
- (f) Even though Research and Development Division had planned for 29 activities under 06 fields only 17 had been executed. Even though it had been expected to carry out one each of New Courses Project Proposals and Project Studies, those had not been done. The researches, project magazines and activity based researches had failed to achieve 80 per cent, 50 per cent and 24 per cent respectively of the expected targets.
- (g) The following matters were observed in connection with the holding of the Entrepreneurial Development Programmes.
  - (i) Even though it had been expected to achieve the participation of 300 for the 20 Programmes under "Know Your Business", only 155 had participated though the number of programmes held had not been indicated.



- (ii) Even though targets had been set for the supply of financial facilities to 200 trainee apprentices, financial facilities had been supplied only to 149 apprentices.
- (h) Even though the conduct of 40 programmes with the participation of 3,050 persons already engaged in the training field with the objective of enabling them to improve their knowledge and skills and providing them the new technology in the changing world had been expected, only 31 programmes with the participation of 2,434 persons had been conducted.

## 4.2 Management Inefficiencies

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The following matters were observed.

- (a) Even though a double cab motor vehicle of the Authority had met with an accident in the year 2003, a committee to hold an enquiry on the accident had been appointed only in February 2009 after the elapse of 06 years. Even though the Committee of Inquiry had recommended the recovery of Rs.185,333 from the Driver, Rs.235,667 from 04 other officers and Rs.135,000 from the officers in charge of the motor vehicle for the loss of spare parts of the motor vehicle, action for the recovery of the loss had not been taken even by August 2014. A physical inspection of the motor vehicle revealed that it is not in repairable condition. Action had not been taken to eliminate the unusable motor vehicle from the fixed assets.
- (b) Even though advances obtained should be settled immediately after the completion of the purpose, the settlement of advances amounting to Rs.2,597,010 relating to 26 instances had been delayed over periods ranging from 60 days to 178 days. A Sum of Rs.42,575 had to be paid as penalty due to the failure to obtain the licences of 55 motor vehicles on the due dates from the advances obtained for the purpose.
- (c) Examination of Purchase of T Shirts  
The following matters were observed in connection with the purchase of T Shirts for apprentices at a cost of Rs.6,322,442.
  - (i) The approval of the Board of Directors had not been obtained for the purchase of T Shirts and an agreement in terms of Section 8.9.3 of the Procurement Guidelines had not been entered into with the supplier.
  - (ii) Out of the 25,000 T shirts ordered 10,412 only had been supplied in 10 instances, and 2,143 T shirts which did not conform to standards and quality had been returned.
  - (iii) Accurate and updated stock records had not been maintained and an excess of 2,517 T shirts was revealed during the course of audit.
- (d) Training materials valued at Rs.1,984,078 exceeding the requirements of the actual number of participant apprentices had been purchased in the purchase of training materials by the District Offices. The training materials costing Rs.813,255 purchased

by the Authority for a Skills and Invention Competition had not been correctly entered in the stock books.

(e) The following observations were made in connection with the conduct of courses by 09 Centres in the Puttalam District.

- (i) Courses had not been conducted at two Centres. Even though the overall drop out from courses had been 8.81 per cent the course-wise drop out percentage had ranged from 12 per cent to 47 per cent.
- (ii) Certificates in respect of 27 courses conducted in the years 2008 to 2012 had not been issued. Sixty six certificates prepared by the Head Office for the courses other than the above courses had not been distributed.
- (iii) Three Instructors had not participated in teaching activities while 14 courses had not been at the accreditation level. The accreditation certificate had not been obtained for the Information and Communications Technology Course due to lack of required equipment and facilities.

(f) Maintenance of Driver Training Schools

The following matters were observed.

- (i) Eleven Driver Training Schools are being maintained and Targets had been set for the enrollment of 646 apprentices in the year 2013. Nevertheless, only 86 had been enrolled. As such the enrolled of apprentices had been lesser than the target by 560 or 86.66 per cent.
- (ii) Even though 14 motor vehicles had been attached to 05 Driver Training Schools, apprentices had not been enrolled.
- (iii) Even though Instructors had been attached to the Centres in Kegalle and Ampara, courses had not been conducted while only one apprentice had been enrolled by the Centre at Anuradhapura.
- (iv) Even though only licences for light motor vehicles had been provided buses and motor cycles attached to the Centres had been idling.

(g) Examination of Accidents to Motor Vehicles

The following matters were observed.

- (i) Compensation for 04 accidents to motor vehicles had not been obtained.
- (ii) The inquiry in terms of the Financial Regulation on an accident caused in the year 2011 had not been conducted even by 30 July 2014. A labourer had driven the motor vehicle at the time of the accident and he had admitted offence. Even though a Letter of Demand for the payment of a sum of Rs.255,950 for the loss caused to the third party had been sent in the year

under review, no steps whatsoever had been taken in that connection even by 31 July 2014.

(h) National Vocational Training Institute, Narahenpita

The following matters were observed.

- (i) Action had not been taken to obtain the requisite approval, furnishing statement of actual expenditure in accordance with the Board Paper, furnishing reports (SOT 05, SOT 02) for registration of the courses, transfer of operating expenses and profit to the Office Account and furnish a six month report in connection with 10 out of 12 Part Time Courses conducted.
- (ii) Fuel valued at Rs.62,246 exceeding the approved fuel valued at Rs.12,100 had been obtained for a motor vehicle allocated for travel from office to the residence of an officer not entitled to transport facilities.
- (i) One hundred and sixty five usable items of goods and 56 unusable items of goods of the hostel of the Ratmalana Centre had been kept in stores without security.
- (j) Receipts and Payments-National Vocational Training Centre, Ratmalana.

Deficiencies such as the non-maintenance of a Petty Cash Book, non-preparation of petty cash vouchers, non-maintenance of a register for recording income received, non-recording of advances amounting to Rs.133,780 in the Register of Advances in 18 instances, idling of over Rs.1 million in every month in the Bank Account of the Production Unit, income amounting to Rs.75,700 received in December 2012 entered in the Cash Book on 01 January 2013, non-recording of receipts in the numerical order in the Cash Book and the failure to number the receipts, observed indicated that the financial control of the Centre was weak.

(k) Academic Activities

(i) Conduct of Training Courses

- (a) The methodology introduced for the enrollment of apprentices had not been followed and as such the number of courses with drop outs exceeding 20 per cent in the year under review and the preceding year had been 296 and 181 respectively.
- (b) One hundred and sixty five half yearly courses had been conducted only in one of the half years. Even though instructions had been issued that in the case of lack of adequate number of apprentices or in the case of Instructors attached to courses not conducted obtain salaries for more than 02 months to be transferred to other Centres or if that is not done, the prior approval of the Ministry should be obtained. Nevertheless, 233 Instructors had been retained in the Centres without taking such action.
- (c) Seven hundred and eighty seven courses had been conducted with apprentices exceeding the maximum number that can be enrolled for

the courses. The excess over maximum capacity in 129 instances ranged between 40 per cent to 500 per cent.

- (d) Even though targets had been set for enrollment of 5,380 apprentices for 205 courses of the year under review those courses had not been conducted.
- (e) Seventy members of the Instructor Staff had obtained 1,621 days of no-pay leave and it was observed in audit that obtaining no-pay leave had an adverse impact on the training of apprentices.

(ii) Conduct of Examinations on Completion of Courses

The following matters were observed.

- (a) Out of the 45,759 apprentices registered in the first semesters of the years 2011 and 2012, pre-evaluation of all 16,399 apprentices who had completed the courses, had not been carried out.
- (b) Certificates had not been awarded to 8,048 apprentices registered under 703 courses in the half years 2011 and 2012 even by the end of the year under review due to the non-receipt of results, courses not being in the accreditation level and other reasons.
- (c) Certificates had been awarded for 15,725 apprentices who completed the courses in the year under review.

(l) The following matters were observed in connection with the construction works.

- (i) According to the agreement for Rs.2,476,968 entered into in the year 2011 in connection with the preparation of plans and bills of quantities of the New Hotel School at Ahangama, that work should have been completed and handed over within 02 months. But that had been completed and handed over after a delay of 05 months. Nevertheless, liquidated damages had not been recovered in terms of the agreement. Information on the preparation of bills of quantities was not revealed and the work on construction of buildings had not been commenced even by August 2014.
- (ii) Even though a sum of Rs.268,393 had been paid for carrying out soil tests of the land for the construction of the new building at Thangalla, construction work had not been commenced.

(m) Work-in-progress

The following matters were observed.

- (i) The sum of Rs.3,189,321 comprising Rs.1,528,035 spent in the year 2011 and the sum of Rs.1,661,286 spent in the year under review on the contract for the construction of the canteen and the classroom of the Vocational Training Centre of the Kandy District had been shown as work-in-progress even by the

end of the year under review. The work on the contract had been awarded to another contractor on 20 November 2013, and an advance of Rs.1,661,286 and the first payment of Rs.1,156,800 had been made. Even though the work should have been completed in 120 days according to the agreement, the contract had not been completed even by 7 November 2014.

- (ii) Even though the Assistant Director had obtained a sum of Rs.2,820,560 in the year 2012 in connection with a construction work of the District Office Vavuniya, constructions done from a money were not revealed.
  - (iii) Even though contract for Rs.42,613,557 for the construction of the new workshop of the National Vocational Training Institute at Mirijjawila had been awarded on 07 November 2013 for the completion of constructions within 150 days, it had not been so done.
- (n) Examination of Payment of Official Telephone Charges
- (i) The Authority had paid a sum of Rs.55,727 in respect of three officers who had been supplied a mobile phone in addition to the settlement of approved official and residential telephone bills in terms of circular provisions.
  - (ii) Even though the Director, Deputy Directors, Chief Assistant Directors and the Assistant Directors of the District Offices only are entitled in accordance with the provisions in the circular, for telephone facilities subject to limitations, the Authority had spent a sum of Rs.2,155,363 for providing mobile telephone connections to 421 officers not entitled to official telephone with effect from March 2013. Even though this matter was pointed out in audit from time to time the management had not paid attention to the matter.
  - (iii) The 11 officers relating to the sum of Rs.91,576 remaining without being recovered as the excess on the approved telephone charges in respect of the period June to December 2009 had resigned from services.
- (o) In four instances of capitalization of installation of new engines to motor vehicles valued at Rs.782,092 had been recorded in the Register of Fixed Assets as installed to another motor vehicle instead of the motor vehicles to which the engines were installed.
- (p) The course fees receivable in respect of the preceding year amounting to Rs.3,315,515 had not been recovered even by the end of the year 2014. The course fees recoverable from 213 apprentices who had dropped out from half yearly courses amounted to Rs.1,661,150. Even though that amount should be recovered from the Instructors in terms of the circulars, that had been written off as drop outs from the courses without being so done.
- (q) Action had not been taken to vest in the Authority, 21 motor vehicles valued at Rs.20,696,800 and 05 Government lands on which building costing Rs.34,184,361 had been constructed.

### 4.3 Transactions of Contentious Nature

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The following matters were observed.

- (a) A sum of Rs.300,000 paid as sponsorship contribution to the Suryaya Udanaya Programme 2013 conducted by the Welfare Association of the Ministry of Youth Affairs and Skills Development and a sum of Rs.161,000 spent on entertainment expenses of the Awareness Programmes on the Future Pathway of the Authority held on 01 May 2013 had been shown under the promotion expenditure without obtaining the approval of the Board of Directors. Whether this Programme was conducted on the said date was a contentious issue in audit.
- (b) Establishment of VTA Holdings Company  
The following matters were observed.
- (i) In accordance with the Board of Directors Decision No. 162/08 of 13 August 2013, the VTA Holdings Company had been registered under the companies Act on 18 December 2013, as a Limited Private Company. Even though the Secretary to the Ministry of Youth Affairs and Skills Development had submitted a Cabinet Memorandum on the matter on 10 June 2014, the approval of the Cabinet of Ministers for this purpose had not been received even up to the date of this report.
- (ii) The approval for the establishment as an independently maintained institute without being a charge on the Government, the Ministry or the Vocational Training Authority or any responsibility relating to the staff and subject to scrutiny of the Auditor General had been sought through the Cabinet Memorandum. Even though a sum of Rs.2 million had been paid to the VTA Holdings Company in terms of the Board Paper No. 167/06 of 21 January 2014 subject to settlement in the year 2014, it had not been settled even up to the date of this report. But two employees of the Vocational Training Authority and two employees of the Transport Repairs and Maintenance Division paid by Authority had been deployed in the Catering Services Section. In addition 7 apprentices had been attached for training and their allowances had also been paid by the Authority.
- (c) Adjustments had not been made in the accounts in respect of the excesses and shortages identified by the Boards of Survey conducted in the years 2011, 2012 and 2013.
- (d) Gratuities amounting to Rs.1,649,992 had not been paid to 11 employees who had resigned from service during the years 2011 to 2013.

### 4.4 Slow Moving, Idle and Underutilised Assets

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The following matters were observed.

- (a) Seven items valued at Rs.633,064 , five items of which value had not been indicated, 10 Food Servers and 04 Guriton Trolleys not used for courses of the District Office, Puttalam had been idling without being used. In addition 14 Computer Monitors and a Sewing Machine had been kept in the stores without being used. While 73 items relating to 09 items of equipment sent for the Carpentry Course remained idle without being used.
- (b) Seventeen courses had not been commenced due to the unavailability of Instructors and 679 training equipment for those courses had been idling. Out of that, the value of 11 items amounted to Rs.970,000 and the value of balance 668 items had not been furnished to audit.
- (c) Two items of the Printing School valued at Rs.5,242,880 in repairable condition since the sunami remained idle up to the year 2014.
- (d) Training materials valued at Rs.800,000 received from a Project had not been recorded in the stock books and remained stacked without security.
- (e) Even though equipment for a course of the District Office, Jaffna had been supplied in the year 2012, those remained idle up to the year under review as the course had not been commenced.
- (f) The Drivers Course of the second half year 2013 had not been conducted and as such a bus and a van had been idling.
- (g) Even though one floor of the three storeyed building of which construction had been commenced in the year 2008 had been completed and made use of in the year 2009, the balance construction work had not been commenced even by December 2013. The concrete slab had been rusted and subject to deterioration due to exposure.
- (h) The following matters were observed in connection with the training equipment of the National Vocational Training Centre at Ratmalana.
  - (i) Over 35 chairs and 05 equipment of the Welding Course Classroom, 78 small iron cupboards near the Radio and Television Equipment Repair Course Classroom and 26 equipment in the classroom, 14 equipment unusable of the Motor Mechanics Course, 10 equipment of the Carpentry Course needing repairs, 5 equipment of the Machinery Section, remained idle over a long period without being repaired and used or taking any other course of action. This situation had not been revealed at the stock verification of the year 2012.
  - (ii) Four items of equipment not required for the Welding Course of National Skills Qualification Level 4, seventeen equipment of the Motor Mechanics Course and equipment of 02 Courses of two rooms had been idling.
  - (iii) Even though 22 equipment for Landscaping Courses, 30 units relating to 16 equipment for Machinery Course, 12 equipment for Information and Communication Technology Course, a Compressor for the Carpentry

Section, 318 sundry equipment for Industrial Equipment Course, 107 equipment for Draftsman Course had been requested, those had not been supplied even by April 2014.

#### **4.5 Underutilisation of Funds**

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A sum of Rs.13,269,017 made available for various projects by the end of the year under review had been idling without being utilized for the intended purposes.

#### **4.6 Identified Losses**

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The following matters were observed.

- (a) Penalty amounting to Rs.128,858 had been paid due to the failure to obtain revenue licences for motor vehicles on the due dates.
- (b) Even though goods valued at Rs.29,500 of the Vocational Training Institute, Haldanduwana had been damaged necessary action had not been taken by conducting an inquiry.
- (c) A physical stock verification of the items relating to motor vehicles such as tyres, tubes and batteries of the Main Stores of the Authority revealed a shortage of 06 items of bin card value amounting to Rs.163,848.

#### **4.7 Resources of the Authority given to other Government Institutions**

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The following matters were observed.

- (a) Twenty two employees of the Authority had been released to the Ministry and other outside institutions contrary to the provisions in Sections 8.3.9 and 9.4 of the Public Enterprises Circular No. PED/12 of 02 June 2003. The salaries, allowances and overtime of 18 of those employees had been paid by the Authority. A sum of Rs.5,091,982 had been paid in respect of the year under review while a sum of Rs.10,835,399 had been paid in the preceding years.
- (b) Even though 7 Instructors had been released, action in terms of the conditions in their letters of appointment had not been taken. Instances where release of certain Instructors since the date of appointment for periods exceeding 17 years to other State Institutions were observed.
- (c) Even though one employee had reported for service in the Authority on 09 September 2013 he had been released to another institution with effect from 07 October 2013. The Authority had paid overtime amounting to Rs.251,165 and Rs.182,069 in the year under review to two other released employees.
- (d) A sum of Rs.99,167 had been under-reimbursed in the reimbursement of salaries. Even though action should have been taken for the recovery from the institution concerned, that amount had been written off. Action for write off had been taken



without following the procedure (Treasury approval) for the write off of recoverable balance.

#### 4.8 Staff Administration

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The following matters were observed.

- (a) The approved staff and the actual staff had been 2,256 and 1,775 respectively and as such 481 posts had been vacant.
- (b) Irregular Appointment of an Officer for Acquisition of Lands  
The following observations are made in this connection.
- (i) A retired officer over 68 years of age had been appointed without calling for applications with effect from 01 January 2013 by predating on 18 March 2013. Even though the approval for that should be obtained from the Cabinet of Ministers, the approval of the Ministry had been obtained for the service period of 04 months.
- (ii) Even though the service period according to the directive of the Ministry expired on 30 April 2013, he had served up to September 2014 on the approval of the Board of Directors. The allowance of Rs.30,000 in terms of the Public Administration Circular dated 11 May 2007 had been increased to Rs.50,000 with retrospective effect.
- (iii) Records of reporting for duty had not been maintained. The acquisition of Lands, for which the officer was recruited had not shown any quantitative progress.
- (c) Recruitment of an Officer on Assignment Basis for the Post of Investigating Officer  
The following observations are made in this connection.
- (i) A retired officer over 62 years of age had been appointed without calling for applications by issuing letters of appointment every 3 months from the year 2012 up to the date of this report. Even though the approval of the Cabinet of Ministers should be obtained for that, it had not been so done. Action had not been taken to recruit for the permanent post.
- (ii) Even though the Director (Administration) should have made assignments in writing it had not been so done. Even though a report on the progress of work should have been submitted to the Chairman at the end of each month, it had not been so done.
- (iii) The service had been extended from 11 February 2014 to 30 April 2014 through predating by letter No. ADM/ASS/INV/18/2012-1 dated 25 April 2014 of the Chairman.

- (iv) According to the Board Paper No. 168/3, the Board of Directors had approved the extension of the service of the Investigating Officer either up to 30 April 2014 or up to the appointment of an Officer with the required qualifications, whatever comes first. But he had been further retained in service without taking action accordingly.
- (d) Training at a cost of Rs.160,000 had been provided to 04 employees recruited on contract basis.

## **5. Accountability and Good Governance**

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### **5.1 Corporate Plan and Its Operation**

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A Corporate Plan should be prepared in terms of Section 5.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003 and in terms of Section 5.1.3, the updated Corporate Plan approved by the Board of Directors should be furnished along with the Annual Budget 15 days before the commencement of the financial year. The Corporate Plan had been submitted for approval of the Board of Directors only in the year 2013. But the activities in the Corporate Plan made effective for the year 2013 and thereafter had not been included in the activities of the Action Plan for the year 2013.

### **5.2 Internal Audit**

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The Internal Audit Plan had not been forwarded to the Auditor General before the commencement of the year to obtain his concurrence and the approval of the Board of Governors for the plan had been obtained only on 30 April 2013. The programmes which could not be covered in the preceding year had not been included in the Internal Audit Plan of the ensuing year. Even though a sum of Rs.204,459,721 had been spent in the year under review for contracts and purchase of training equipment, those areas had not been subjected to Internal Audit.

### **5.3 Budgetary Control**

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The budget for the year under review had not been approved within the period specified in the Finance Act. Variances ranging from 8 per cent to 633 per cent between the estimated income and expenditure and the actual income and expenditure under 16 items of the budget were observed. Thus it was observed that the budget had not been made use of as an effective instrument of management control.

**6. Systems and Control**  
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Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Authority from time to time. Special attention is needed in respect of the following areas of control.

- (a) Assets Management
- (b) Accounting
- (c) Motor Vehicle Control
- (d) Staff Management
- (e) Stock Control
- (f) Training of Apprentices