

Tertiary and Vocational Education Commission - 2015

The audit of financial statements of the Tertiary and Vocational Education Commission for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and the statement of comprehensive income, 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 read in conjunction with the Section 13(1) of the Finance Act, No.38 of 1971 and Section 10(d)(2) of the Tertiary and Vocational Education (Amendment) Act, No.50 of 1999. My comments and observations which I consider should be published with the Annual Report of the Commission in terms of Section 14(2)(c) of the Finance Act appear in this report.

1.2 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.

1.3 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 Auditing 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 Commission'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 Commission'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. Subsections (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.

2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Tertiary and Vocational Education Commission as at 31 December 2015 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 Financial Statements

2.2.1 Accounting Deficiencies

The following observations are made.

- (a) The depreciation of fixed assets had been understated by a sum of Rs.94,921 due to errors in computation.
- (b) Even though a contractual liability of Rs.793,000 for the formulation of a Training Plan had been cancelled after the balance sheet date, the necessary adjustments had not been made.
- (c) The value of 1,877 compact disks of the National Skills Standards and the stock of office stationery as at the end of the year under review had not been computed and brought to account.

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) A sum of Rs.1,123,118 reimbursable from Line Ministry from the year 2014 had not been reimbursed even up to 05 May 2016.
- (b) Action had not been taken for the recovery of a sum of Rs.165,183 recoverable from three employees who had resigned from service in the years 2006 and 2010.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Commission for the year ended 31 December 2015 had been a deficit of Rs.1,947,804 as against the surplus of Rs.2,250,877 for the preceding year. Accordingly, the financial result of the year under review, as compared with the preceding year, had deteriorated by Rs.4,198,681. Even though the Government grants had increased by a sum of Rs.6,112,401, the increase of employees cost for the year by a sum of Rs.9,937,250 had been the major reason for the deterioration of the financial result.

An analysis of the financial results for 5 preceding years indicated that despite the deficits of the Commission in the year 2013 and 2015, there were surpluses in the rest of the years in the financial results. In taking into account the employees remuneration and the depreciation on non-current assets, the contribution of the Commission in the years 2011 and 2012 had been Rs.30,198,474 and Rs.41,989,597 respectively. Even though it had decreased to Rs.39,198,869 in the year 2013, it had improved again to Rs.51,064,746 in the year 2014 and up to Rs.58,555,774 by the year under review.

4. Operating Review

4.1 Performance

According to the Tertiary and Vocational Education Act, No.20 of 1990, the planning, co-ordination and development of the Tertiary and Vocational Education System, the award of nationally recognized Certificates and the maintenance of Training Standards had been cited as the objectives of the establishment of the Commission. The following matters were observed during the course of examination of the achievement of those objectives during the year under review.

- (a) (i) Even though targets had been set for the new registration of 500 public and private sector institutions and the renewal of the registration of 400 institutions, only 297 institutions had been registered and 343 institutions had been subjected to evaluation. That indicated a decrease of 24 per cent as compared with the preceding year.
- (ii) Even though 503 Courses in the Public Sector and 108 Courses of the Private and Non-Governmental Organizations had been evaluated for accreditation to the National Training Levels, only 339 and 53 Courses respectively had been accredited. Even though 259 courses of those organizations had been subjected for renewal of accreditation, only 177 Courses had been renewed.
- (b) According to a research conducted by the Commission, it had been revealed that 9,522 Courses relating to Vocational Training are being conducted, while only 2,323 of those Courses or 24 per cent had been accredited for the National Training Level. According to the Act, it is the responsibility of the Commission to maintain all the Courses under the National Vocational Levels. Nevertheless, the Commission did not have an adequate course of action for the registration of the above Courses.
- (c) Even though targets had been set for the issue of 60 Certificates for the National Vocational Qualification Level 6, only 09 Certificates had been issued, while only a low number of 1,471 Certificates of the National Vocational Level 5 had been issued. As such, it was observed that the creation of those qualified in levels 5 and 6 of the National Vocational Qualifications is prevailing at a low level.
- (d) Even though the Commission had implemented an arrangement for the supply of financial assistance to acquire the facilities necessary for the Vocational Training Course of the Public Sector and the Private Sector for obtaining the National Vocational Qualification Levels, acceptable criteria for the selection of the institutions for the purpose had not been

determined. Even though a sum of Rs.2,569,912 had been granted as financial assistance in the year under review, 13 courses had not obtained the accreditation by the end of the year under review.

- (e) Even though the Annual Acton Plan had been amended and the activities such as the updating of the Vocational Training Plan of the Information and Communication Technology Division, obtaining draft reports by conducting 6 annual surveys, purchase of computer software and expansion of the Geographical Information System included in the original Action Plan had been postponed for the ensuing year instead of execution, the reasons therefore were not made available to Audit.
- (f) Even though a provision of Rs.500,000 had been made for the completion of 06 researches in the year , none of those researches had been completed.
- (g) An allocation of Rs. 28.51 million had been made in the year under review for the Skills Sector Development Project and a sum of Rs.27.5 million had been spent in the year. Nevertheless, a Performance Report in accordance with the Project Action Plan had not been presented. It was observed during the course of the audit examination that the following activities included in the Action Plan had not been executed.
 - (i) Establishing that the National Vocational Qualification Levels of Sri Lanka are equal to the international levels in co-ordination with the authorities of 10 foreign institutions which are employing Sri Lankans, entering into foreign employment agreements for the graduates leaving the Vocational Institutions, review of the standards relevant to the evaluation process and the training and registration of School Teachers for the enhancement of the efficiency and the standards of such process and recruitment of Evaluation Staff for the levels 5 and 6 of the National Vocational Qualifications.
 - (ii) Improvement of the Course modulars to enable the enrolment of 10,000 students for the new priority fields recognized by the Commission, the introduction of the scholarship scheme for the students based on performance, the formulation of a policy and financing arrangement with the co-operation of the University of Vocational Technology to achieve the Government recruitment targets for the levels 5,6 and 7 of the National Vocational Qualifications, formulation of the Gender Policy for the Vocational Technology Field and the development and implementation of a Vocation Promotion arrangement for the development of the image of the Tertiary and Vocational Education Field.

4.2 Management Activities

A sum of Rs.199,000 had been paid to the University of Kelaniya in the year 2013 for the preparation of a Vocational Education Plan for the Western Province. According to the agreement, that plan should have been finalized on 05 May 2014 and the Commission had terminated the agreement on 13 January 2016 as it had not been so done. The University had furnished an unfinished report to the Commission. Adequate future action on the preparation of a Training Plan had not been implemented even by 05 May 2016.

4.3 Operating Activities

The following observations are made.

- (a) The appointment of Evaluation Staff for the evaluation activities based on skills for the award of the National Vocational Qualifications had been assigned to the Commission with effect from the year 2013. Nevertheless, action had not been taken even up to the end of the year 2015 to identify correctly the requirement of the Evaluation Staff and appoint an adequate number of persons. The following matters were further observed in this connection.
 - (i) Even though the total number of Evaluation Staff recruited from the year 2005 up to the end of the year 2015 had been 1,945, whether the Evaluation Staff were in active service had not been confirmed.
 - (ii) Even though the Commission had appointed Evaluation Staff in the year under review for the evaluation of 2,945 Courses and as that was not adequate, the Commission had granted approval for the Evaluation Staff selected by the institution concerned for the evaluation of 3,188 Courses, As such, Confirmation of the independence of those evaluations could not be obtained.
 - (iii) Even though evaluation should be done within two months from the appointment of Evaluation Staff, instances of taking periods of 03 to 08 months for that purpose and 05 to 20 months for making payments were observed.
- (b) The use of results of researches of several past years for the development of the Commission had been at a low level and no follow up action had been taken in that connection. The matters in 09 Research Reports prepared in the years 2013 and 2014 at a cost of Rs.546,930 and Rs.493,000 respectively had not been released even by 25 April 2016, the date of audit..

4.4 Transactions of Contentious Nature

According to Sections 4.3.1 and 4.4 of Chapter xv of the Establishments Code, the compulsory service period to be completed before reaching the age of 55 years is 10 years. Contrary to that, an officer, 48 years of age had been selected to follow three years Course on Policy Analysis at the University of Wuhan in the People's Republic of China and granted study leave with pay. The total cost of the Course amounted to Rs.8,048,160 and a sum of Rs.2,038,826 had been paid as the course fees for the year under review. The course had been selected only by the applicant and a fair evaluation of the relevance of the course selected to the Commission and whether benefits adequate for the costs incurred would be received by the Commission and the Country had not been carried out.

4.5 Delayed Projects

Even though the Survey on Industries Demand Gap relating to 4 industries should have been completed by 08 November 2014, that had not been completed even by 05 May 2016, the date of Audit.

4.6 Staff Administration

The following observations are made.

- (a) The vacant posts of the Commission as at 31 December of the year under review had been 26 and that included 21 posts in the Executive Grades. Two officers in the Executive Grade in Service had proceeded abroad on Scholarships on academic activities. The non-filling of these vacancies had caused an adverse impact on the performance of the institutional activities relating to the appointment of the Evaluation Staff, the evaluation of registration and accreditation of the Institutions and the Courses to the National Vocational Qualification Level.

- (b) Action had not been taken even during the year under review on the vacant post of Director, Courses Accreditation and Training Standards existing from the year 2009 and acting appointments had been made in that connection on acting basis over a period exceeding 06 years. In addition, despite the release of the Deputy Director General on secondment basis to the Skills Sector Development Project, an appointment on acting basis to the post of Deputy Director General also had been made. Even though acting appointments cannot be made for periods exceeding 03 months, action contrary to that had been taken.

5. Accountability and Good Governance

5.1 Internal Audit

Even though the approved staff of the Internal Audit had been 5 officers, out of that 03 posts of Assistant Directors had been vacant. As such, an adequate internal audit could not be carried out. In addition, the expenditure of the Skills Sector Development Project had not been subjected to an internal audit.

5.2 Budgetary Control

Comparison of the budgeted income and expenditure for the year under review with the actual income and expenditure revealed variances ranging from 43 per cent to 100 per cent, thus indicating that the budget had not been made use of as an effective instrument of management control.