

Vocational Training Authority of Sri Lanka – 2017

The audit of financial statements of the Vocational Training Authority of Sri Lanka for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017, 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 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

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka 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 judgement, including the assessment of 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 the 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

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

2. Financial statements

2.1 Qualified Opinion

In my opinion, except for the effect 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 2017 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Accounting Standards

The following observations are made.

(a) Sri Lanka Accounting Standard - 08

Even though, material prior period errors should be retrospectively corrected in the accounts, in terms of paragraph 41 and 42 of the standard, on the contrary, the payment of contributions relating to the period 2006 - 2015 made to the Employees Provident Fund totalling Rs.67,746,000 by the Authority had been accounted in the statement of financial performance as an expense of the year under review and as such the deficit of the year had been overstated by that amount.

(b) Sri Lanka Accounting Standard - 16

- (i) Depreciation of an asset begins when it is available for use in terms of paragraph 55 of the standard. On the contrary a depreciation policy had been identified that depreciation was made for the entire year of purchase.
- (ii) In terms of paragraph 51 of the standard, the residual value and the useful life of an asset should be reviewed at the end of every financial year and if any difference arisen, it should be disclosed as changes in accounting estimates. However, the Authority had not made such adjustments and the accounting policy had not been disclosed by notes in terms of the standard.
- (iii) In terms of paragraph 29 of the standard, accounting of all Property, Plant and Equipment should be selected either the cost method or the revaluation method but the Authority had recognised both accounting methods as accounting policies in accounting.
- (iv) When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required in terms of paragraph 34 of the standard but any assets, whatsoever, had not been revalued since the year 2008.

(c) **Sri Lanka Accounting Standard - 18**

The accounting policy followed in the recognition of the operating revenue earned by a service providing entity should be disclosed in detail as stated in the standard in terms of paragraph 20 of the standard. However, the accounting policy on the recognition of part time Training Course income had not been recognised as required by the standard.

(d) **Sri Lanka Accounting Standard - 19**

In terms of paragraph 57 of the standard, the employees gratuity liability as at the end of the year under review should be computed and accounted on the basis of forecasted unit credit method, but the Authority had computed the gratuity provision based only on the last salary drawn by the employee and the service period.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) Expenditure totalling Rs.119,577,661, comprising a sum of Rs.27,021,229 payable to the Employer Provident Fund relating to the period from January 2006 to May 2015 and a sum of Rs.6,755,307 payable to the Employees Trust Fund as employers contributions and the surcharge of Rs.13,539,553 payable thereto and the employees contributions of Rs.72,261,572 of the Employees Provident Fund had not been brought to accounts as payables.
- (b) Expenses of Rs.254,364 incurred in respect of the year 2018 relating to 07 service agreements and the expenses of Rs.423,750 not recognised as accrued expenses of the year 2016 but spent in the year 2017 had been brought to accounts as expenses of the year under review.
- (c) Even though, the modernization of the Pothuvill and Rockhill Vocational Training Centres had been completed and the related expenditure had been capitalised, the expenditure of Rs.240,470 incurred for the transfer of three-phase meters to some other places relating to that modernization had further remained in the work-in-progress account.
- (d) The repair work of the roof and the truss of the motor mechanical workshop building at the Godakawela Vocational Training Centre had been completed in the year 2016 but the expenses of Rs.278,887 spent thereon had been included in the works-in-progress Account as at 31 December 2017 without being capitalised to the relevant assets account.
- (e) A sum of Rs.93,500 incurred for making a plaque for the commencement of a course at Panapitiya Training Centre had been included in the works-in-progress account.

2.2.3 Contingent Liabilities

Even though, it was ordered on a decision given by a Labour Tribunal on 23 August 2018 relating to a court case sued against the Authority by an employee to pay a compensation of Rs.3,227,737, provisions thereon had not been made in the accounts. Furthermore, necessary disclosures had not been made in the accounts in respect of 7 court cases filed by employees against the Authority and one case filed by the Authority against an employee.

2.2.4 Accounts Receivable and Payable

The following observations are made.

- (a) Loan balances of Rs.3,548,335 and Rs.527,436 receivable from the Ministry of Vocational Training and Rural Industries, remained for more than 17 years and the Nation Apprenticeship and Industrial Training Authority remained for 14 years respectively had not been recovered even by the end of the year under review.
- (b) A balance of Rs.1,437,200 due from the Laksala closed down now remained outstanding for more than 12 years had to be recovered. The Chairman of the Authority had informed me that as the receivable balances stated in paragraph(a) and (b) above could not be recovered, the approval of the Treasury was sought to write off those balances.
- (c) The shortage of revenue amounting to Rs.11,732 brought forward since the year 2011 at the District Office, Galle had not been settled even by the end of the year under review.
- (d) A sum of Rs.1,875,747 payable to a private entity in respect of purchase of fixed assets in the year 2012 had not been settled even during the year under review, due to deficiencies in procurement process.
- (e) Contributions of Widows and Orphans Fund amounting to Rs.111,871 payable to 10 officers from 2004 to 2017 had not been settled even by the end of the year under review.

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

The following non-compliances were observed.

Reference to Laws, Rules, Regulations etc.	Non-compliance
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	
(i) Financial Regulation 110	A register of losses had not been maintained in the Head Office and the District Offices in terms of Financial Regulations.

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| (ii) Financial Regulation 188 (2) | Despite 2 cheques valued at Rs.49,644 deposited in the year 2009 were not realised even by 31 December 2017, action had not been taken thereon. |
| (iii) Financial Regulation 272(3) | Originals of 13 payment vouchers totalling Rs.4,651,292 and the related bills were not made available to audit. |
| (iv) Financial Regulation 502(2) | An updated register of fixed assets had not been maintained in terms of Financial Regulation. However, the Chairman of the Authority had informed me that the preparation of a new computerized register of fixed assets had been commenced in the year 2017 and 90 per cent of the work thereof had been completed by 18 September 2018. |
| (v) Financial Regulation 571 | Retention money totalling Rs.8,817,754 payable to two contractors and suppliers remained for more than 2 years and the refundable deposit of Rs.584,996 had not been settled or taken into revenue. |

2.4 Transactions not supported by adequate authority

The following observations are made.

- (a) Even though, the Treasury approval should be obtained for the establishment of a fund in terms of paragraph 3.1 of the Public Finance Circular No.PF/423 of 22 December 2006, an Insurance Fund had been established without the approval of the Treasury and out of the money collected from apprentices at Rs.500 during the period from the year 2014 to 31 December 2017, a total sum of Rs.37,883,500 had been deposited in a bank account of the authority and an insurance indemnity of Rs.507,000 had been paid during the year under review.
- (b)
 - (i) The International Labour Organization had entered into an agreement to grant a sum of Rs.32,229,600 as an aid on 04 September 2015 with the Vocational Training Authority of Sri Lanka for the Development of 12 courses in Batticalo, Vauniya, Mannar and Ampara Districts. However, the concurrence of the Treasury had not been obtained in terms of paragraph 2 of the State Accounts Circular No.30/94 of 20 April 1994 on granting foreign Aid.
 - (ii) Furthermore, the foreign aid granted by the International Labour Organization had not been given through the expenditure Head of the Line Ministry, in terms of paragraph 4.4.1 of this circular.

- (c) Contrary to the paragraph 4.5 of Chapter XIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka and without the approval of the Treasury, combined allowances at Rs.2,500 per day for staff officers and at Rs.2,000 per day for other officers had been paid for night out accommodation facilities who performed field duties on the approval of the Board of Directors.

3. Financial Review

3.1 Financial Result

According to the financial statements presented, the financial result of the year under review had been a deficit of Rs.132,115,206 as against a surplus of Rs.33,280,068 for the preceding year thus deterioration of financial results by Rs.165,395,274 in the year under review as compared with the preceding year. Even though, the receipt of recurrent grants for the year under review had exceeded by Rs.24,900,000 as compared with the previous year and a sum of Rs.124,146,500 had been received from the Ministry for recurrent grants, decrease of other income by Rs.146,925,569 and increase of personnel emoluments by Rs.149,189,026 had mainly attributed to the above deterioration.

In the analysis the financial results of the year under review and the preceding 4 years, a surplus in the year 2016 and deficits in the other years had indicated. The contribution of the Authority after consideration of employees remuneration and depreciation on non-current assets in the year 2013 amounted to Rs.1,023,595,450 and it had become Rs.1,438,489,867 in the year 2017. The contribution of the Authority had increased up to 2016 but it had dropped by Rs.31,818,127 in the year 2017.

4. Operating Review

4.1 Performance

4.1.1 Planning

- (a) The Corporate Plan prepared for the period 2014-2018 by the Authority had not been updated.
- (b) The objective of the Skills Sector Development Project was to prepare a human resources development plan, including Skills Based Promotions to the Authority and staff allowances. Nevertheless, such a plan had not been prepared until the end of the year 2017 and even a data base in respect of the qualification levels of instructors had not been maintained.

4.1.2 Operations and Review

The following observations are made.

- (a) The Authority had not conducted formal surveys in respect of demand and supply of Labour Market since several years and the attention had also not been drawn to maintain international relationship.

- (b) It was planned to enrol 37,239 apprentices during the year 2017 for full time and part time training programs belonging to 1,544 courses relating to 19 field and 2094 programs in 19 fields had been conducted and 36,695 apprentices had been enrolled therefor. Particulars are given below.

Field	2016		2017	
	No.of targeted enrolment of Apprentices	Actual No.of Apprentices enrolled	No.of targeted enrolment of Apprentices	Actual No.of Apprentices enrolled
- Information Technology Communication and Multi-Media Technology	7,890	7,439	8,440	9,360
- Personnel and Social	3,930	4,453	4,875	5,436
- Textiles and Garments	4,840	3,842	4,630	4,276
- Electrical electronic and Telecommunication	3,850	3,316	3,790	3,695
- Buildings and constructions	3,630	3,091	3,655	3,692
- Balance 14 fields	11,320	9,396	11,849	10,236
Total	35,460	31,537	37,239	36,695

The following observations are made.

- (i) As compared with the year 2016, it was observed that targeted enrolments in the year 2017 had increased by 1,779 out of which 1,495 had been increased in Information Technology and Personnel Development (Beauty Culture and Hair Dressing) but not in other main Vocational fields. Accordingly, it was observed that the Authority had not planned training programs, in accordance with the Labour Market requirements. As compared with the previous year, enrolment of apprentices had improved by 5,158 or 16 per cent and the drop out of courses had increased by 04 per cent as compared with the preceding year.
- (ii) During the year under review, 920 apprentices had been enrolled for the information Technology and Personal development courses, exceeding the target. It was further observed that exemption of fees from all courses in terms of government policy had caused thereto.
- (iii) Due to dearth of instructors and the causes, 354 programs belonged to full time courses planned and 215 programs belonged to part time courses had not been conducted. Of them, 56 and 52 programs had been in the fields of Motor Vehicle repairs and maintenance and building constructions respectively which were highly demand fields.

- (iv) Part time courses such as hotel and tourism, metal and light Engineering, fisheries and aqua culture planting planned to be conducted during the current year had not been conducted due to non-rendering of instructors and insufficient payments etc.
- (v) Attention of the Authority had not been paid to increase enrolments for Vocational Training Sectors such as wood related products, gem and jewellery, printing and packaging, metal and light engineering and lather footwear products related products and to introduce new areas in terms of social needs.
- (vi) It was observed that the number of courses and enrolments in the District Centres of Manner and Mullithivu and the National Centres of Batticalo, Baddegama and Mirijjawwila had been very low level as compared with the capacity of those centres and action had not been taken to increase enrolments in such Districts and National Centres.
- (vii) The most number of dropouts of courses amounting to 289 was observed in Ampara District and it represented 12 per cent of the total enrolments.

(c) The following observations are made in respect of job placements

- (i) The target of the job placement in the year 2017 amounted to 8,300 but the actual placements amounted to 6,661.
- (ii) Job placements in the year 2017 had dropped by 28 per cent as compared with that of the year 2016. A proper system was not available in the Authority to improve the foreign employment placements, based on the foreign job market and the foreign employment placements had been as low level as 02 per cent of the whole job placements.
- (iii) Even though, the local job placements had improved by 6 per cent as compared with the previous year, it had dropped as compared with the target by 23 per cent.
- (iv) The top place in the priority in terms of job placements as per field had sustained electrical, Electronic and Telecommunication fields, representing 971 and it had been 15 per cent as a percentage of overall job placements. However, it was observed that job placements in the field of gem and jewellery, printing and packaging, fisheries and aqua planting, lather related products had been even less than 01 per cent of the overall job placements. The courses related those fields had not been prepared and presented in terms of periodical requirements.
- (v) Job placements of trainees passed out from the training of Authority had not been followed up and a data base in that regard was not available in the Authority and as such the correctness of number of job placements could not be established in audit.

- (d) The following observations are made in respect of the functions of the Research and Development Division.
- (i) Even though, a sum of Rs.1.5 million had been allocated to complete 4 researches and studies in respect of research and development of the Authority for the year under review, only one study had been completed during the year under review.
 - (ii) Research on “trater study on persons acquired Vocational Training – Kurunegala, Anuradhapura and Polonnaruwa Districts 2014/2015” included in the action plan of the year 2017 had not been conducted.
 - (iii) The study to inquiry into causes why the instructors of the Authority vacate the service and the research study on the identification of reasons to decrease the participation of trained beneficiaries who had completed the training of the Authority in the final evaluation and to minimise the tendency of obtaining certificates had to be completed during the year 2017 but those studies had been at a primary stage.
 - (iv) Five feasibility studies, not included in the Action Plan for the year 2017 had been conducted by the Planning, Research and Development Division during the year under review. Even though, the main objective of the research division is to conduct research and studies by identifying periodical requirements in the Vocational Training field, a sufficient attention was not paid in that connection.
- (e) A sum of Rs.1 million had been provided for the rehabilitation of lands in other districts and the rehabilitation had been carried out in Hingurakgoda Vocational Training Centre, National Centre at Narahenpita and lands in Anuradhapura District office by incurring an expenditure of Rs.2,098,601. A sum of Rs.1,098,601 had been spent, exceeding the allocated amount.

4.2 Management Activities

The following observations are made.

- (a) It was observed that security officers employed in security services at the Head Office of the Vocational Training Authority of Sri Lanka and its district centre during the year 2017 had served continuously for periods ranging from 5 to 28 days. Therefore, it was observed that the service of a security officer could not be performed as expected and it would be contradictory to the provisions in Labour Laws.
- (b) A sum of Rs.322,232 had been paid out of the Authority’s Fund in respect of damages caused to a third party by a motor vehicle met with an accident on 20 February 2017 and the value of loss had not been reimbursed from the relevant insurance company.

- (c) Due to delay in making payment of Rs.27,098,089 as 3 per cent contributions to the Employees Trust Fund Board on cost of living allowances for the period 2006 to May 2015 on behalf of employees of the Authority, a surcharge of Rs.13,549,044 had been imposed by the Employees Trust Fund Board on 07 July 2017. The Director General of National Budget had informed in the year 2016 that this money should be recovered from the responsible officers for the delay. Accordingly, the Chief Financial Officer of the Ministry had directed that the manner how to recover the surcharge be informed. Nevertheless, the Authority had not taken action to initiate disciplinary action against those officers being identified. Despite, no budgetary provision was available for the payment of surcharge in the Authority, the Finance Division had put up the Board paper No.02 on 24 July 2018 and sought the approval of the Board of Directors to complete the payments in 12 instalments.

4.3 Operating Activities

The following observations are made.

- (a) A motor vehicle had been obtained from a private entity on rent basis during the period from 27 October 2017 to 27 November 2017 for the Vice Chairmen of the Authority. As payments had been made for 601 kilometres in excess of the distance travelled stated in the running chart, an overpayment of Rs.21,035 had been made. Despite, this motor vehicle had not been operated in November 2017 in terms of running charts, a sum of Rs.74,500 had been paid for 780 litres of fuel.
- (b) Despite, a motor vehicle had been assigned to the Chairman of the Authority, a motor vehicle had been taken on rent basis at a monthly rental of Rs.90,000. A sum of Rs.54,267 had been spent for the supply of fuel in excess of the fuel limit approved for the assigned vehicle of the Chairman.
- (c) Fixed assets, disposed of subsequent to the year 2009 had not been adjusted to the Register of fixed assets. Even though, 185,948 items of fixed asset belonged to 9 classes of assets costing Rs.8,576 million as at 31 December 2017 existed, a coding system for the identification of individual item physically was not in use by the Authority. As such the physical existence of assets stated in the register of fixed assets could not be determined.
- (d) A sum of Rs.10,427,342 given by the Tertiary and Vocational Education Commission during the period from the year 2011 to the year 2014 for the purchase of training, equipment had not been used for that purpose and shown in the financial statements as payable balances, instead.

4.4 Idle and Under- utilized Assets

The following observations are made.

- (a) The Ashok Leyland Bus costing Rs.1,500,000, the written down value of which amounted to Rs.112,627 as at 31 December 2017 had retained in the District Office premises of Anuradhapura for more than 2 years without being used and another Ashok Leyland Bus costing Rs.1,100,000, the written down value of which amounted to Rs.82,593 as at 31 December 2017 had been parked in the premises of the Ampara Nindavur Vocational Training Centre for more than one year without being used.

- (b) As the applicants had not applied for the heavy vehicles training in the Galle District Koggala Vocational Training Centre, the training functions had not been commenced and as such the bus attached thereto in the year 2016 for training functions had been parked in the premises of the Training Centre, being idle for more than one year.

4.5 Personnel Administration

The following observations are made.

- (a) The officer who held the post of Chief Internal Auditor had been appointed for the Post of Director Finance since 05 May 2015 for acting on full time basis and he had been confirmed in that post since 03 September 2018. Therefore, the Chief Internal Auditor post had fallen vacant since May 2015 but the Authority had not taken action to recruit a qualified permanent officer for that post.
- (b) The approved and actual cadre of the Authority as at 31 December 2017 stood at 2,433 and 1,876 respectively, being vacancies of 557. Out of vacancies, 441 had been the instructors and as such the number of target training programs could not be conducted. In approving the scheme of recruitments 149 posts in secondary and primary levels had been given, personal to those officers and the actual number of posts thereof amounted to 98.

5. Sustainable Development

5.1 Reaching Sustainable Development Goals

Every public entity should act in accordance with the 2030 agenda of the United Nations on Sustainable Development but the Vocational Training Authority of Sri Lanka was not aware about how to act in respect of the functions come under the preview of the scope of the Authority.

6. Accountability and Good Governance

6.1 Internal Audit

In terms of Management Audit Circular No.DMA/2009(i) dated 09 June 2009 and Financial Regulation 133, audit programmes should be prepared and implemented, so that the achievement of objectives expect by establishing internal audit units as stated in paragraph 7 of the above circular. Even though, an internal audit unit had been established in the year under review, consisting of 12 officers, it was observed that the objectives expected to be achieved in operating that unit had not been fulfilled, as weaknesses in planning audit programmes, implementation and follow up action thereon and engagement of pre-audit work.

6.2 Procurements and Contract Process

6.2.1 Procurements

The following observations are made.

- (a) According to the guideline 6.3.3 of the government procurement guidelines 2006, the responsibility of the bid opening rests with the Procurement Committee but an audit test check observed that the appointment of the bid opening committee members had been done by the Director (Human Resources and Administration) of the Authority in 6 instances.
- (b) The agreed contract period of the modification of Wellawayawatta Training Centre had been terminated as at 10 June 2017, but the works had not been completed and action had not been taken to get the period of performance bond extended in terms of guideline 5.4.8(b) of procurement guidelines of 2006.
- (c) In terms of Procurement Guideline 2.7.5 of the government procurement guidelines of 2006, a person with the subject knowledge should be appointed to the Departmental Procurement Committee but an officer with the knowledge of subject matter was not included in the procurement committee of the modification of Wellawayawattea District Training Centre contract.
- (d) Even though, the Deputy Director of the National Vocational Training Institute at Narahenpita had informed the Director (Administration) of the Authority on 23 January 2017 that the canteen should be given on lease basis to an external party by calling for competitive biddings, the appointment of Technical Evaluation Committee therefor had delayed for 7 months.
- (e) Even though, a supplier had been named and presented to the Procurement Committee on 20 November 2017 with the recommendations of the Technical Evaluation Committee after being called for bids the decision of the Procurement Committee had not been given even by 31 August 2018 and the reasons for the delay in giving the decision were not made available to audit. As a result, a new supplier had not been selected even up to the date of audit on 31 August 2018 and the canteen had been operated by the former supplier himself.
- (f) The renter of the canteen operated the canteen even up to the date of audit on 31 August 2018 since the year 2011, deviating from procurement process and even without business registration certificate had written to a letter to the Vice Chairman of the Authority on 05 December 2017 stating that he had presented the highest rent and as he had not been given the opportunity of operating the canteen and requested a legitimacy. Even though the confidentiality of the procurement process should be protected in term of guideline 1.4.1 of the government procurement guidelines 2006 it was observed that the related parties had not protected the confidentiality of the procurement process as they had disclosed information on bid awarding process to external parties before being given the procurement decisions.

6.2.2 Weaknesses in Contract Administration

The following observations are made.

- (a) An agreement had been entered into on 19 August 2016 for the modernization of the Wellawayawatta Training Centre and the construction works should have been completed by 10 June 2017. However, after a delay of 124 days, the Authority had taken over the building on 11 October 2017 subject to rectify the defects, but the full demurrage charges had not been recovered for the number of days being delayed.
- (b) An agreement had been entered into with a private company on 07 October 2013 for the construction of a workshop building for the Mirijjawila National Vocation Training Centre, with a contractual value of Rs.42,613,557 and the work thereof should have been completed by 31 December 2014. However, the value of work done as at that date amounted to Rs.19,353,158 and due to non-handing over the building being completed the work, the construction work had been suspended since 05 January 2015. This matter was referred to a Reconciliation Board by the private company, being disagreed with that decision. According to the final bill prepared by the Authority on the instructions of a consultancy firm on 25 October 2015 a sum of Rs.3,819,000 had to be recovered from the contract company. Even though, bids had been called for again on 08 April 2016 to get the balance work completed by another construction company, the Procurement Committee met on 27 October 2016 had decided to suspend the bid evaluation process of the second call of the bid as a result of not taking a final decision in respect of the first contractor. However, the construction work of contract had been suspended for more than 3 years as at 31 December 2017.
- (c)
 - (i) An agreement had been entered into on 25 April 2017 for Rs.17,679,003 for the modification of the District Training Centre building, at Kaikawala, Matale to be completed within 180 days under the Skills Sector Development Project. While being modernised the part of concrete to which iron carps were fixed had been removed un protectively and the lack of proper supervision of an experienced supervisor the old building had been damaged and this was observed at an inspection carried out on 08 June 2017 by the Director of the construction Division of the Authority. In the preparation of original estimates it was planned to build a concrete beam on the bricks column and to fix iron carps on it. However, it was informed that new concrete column had to be constructed due to being damaged the columns when the roof was removed. Accordingly, the columns when the roof was removed. Accordingly, the approval of the Chairman was obtained to make new concrete posts at a cost of Rs.1,170,000 within the 10 per cent contingency cash limit of Rs.1,707,900 but the approval of the procurement committee had not been obtained. However, action had not been taken to recover this loss from the officers negligently performed this task.
 - (ii) The concrete period of the above contract had been extended up to 10 April 2018 on the request of the contractor on such reasons that bad weather condition, reluctance to serve by workers due to threats of unidentified villages, non-payment of additional money for extra works, delays in

providing information for the change of roof and delays in making payments etc. It was observed that non-provision of proper consultancy service for the extension of contract period, non-identification of boundaries properly in designing, delays in the presentation of designs had caused to this situation.

- (iii) Even though, the construction period was scheduled to be completed as at 31 January 2018, required workforce had not been used since the beginning of the project and the required raw materials were not supplied to the work site on time even though the consultancy entity and the Authority had informed the contractor from time to time. As such, the construction progress as stated in the progress Report had been only 60 per cent and the construction works were not completed even by 31 July 2018.
- (d)
 - (i) A contract agreement had been entered into on 24 October 2014 valued at Rs.110,355,000 for the modernisation of Hotel school, Ahangama and the work should have been completed in 240 days. However, it had not been completed and handed over even by 31 December 2017. It had been modernised by changing designs from time to time as fully equipped hotel with 13 rooms modernized as luxurious rooms with a swimming pool.
 - (ii) It was decided to modernize the kitchen subsequently, which was not included in the primary modification plan and the work had been awarded to another contractor on 23 December 2017 at a value of Rs.4,920,314 and due to be completed as at 12 January 2018. As the Authority not provided required designs and instructions had caused to construction delay and the period had been extended again up to 05 June 2018.
 - (iii) The construction of a hotel school, the contract value of which amounted to Rs.162,707,530 under the Skills Sector Development Project funds near a separate location had been commenced on 02 February 2017 and the construction work should have been completed as at 01 August 2018 as per the agreement but the work was not completed as well. As a result, four courses holted in the year 2014 could not be started even by the year 2018 and as such the objectives of the Authority and the Skills Sector Development Project could not be achieved.
- (e) Despite, it was not planned to commence training courses in the Hotel School, training equipment valued at Rs.10,931,904 had been purchased by the Authority in the years 2015 and 2016 for the Bakery, Restaurant employees, Stuarts, cookery courses and given to the Galle District office. The physical verification carried out by the auditors on 05 May 2018 observed that due to non-availability of accommodation facilities in the District office for storing of those goods, they had been kept in 3 Vocational Training Centres and in the model Hotel school premises where modernization was being done without being used and un protectively, un systematically and being idle. The warranty period of certain goods were lapsed and goods such as bed sheets, towels etc. had destroyed as stored unprotectively. Moreover, those goods had not been posted to the inventory books of the Galle District office and a survey of goods had also not been conducted by a Board of Survey in the years 2015, 2016 and 2017.

- (f) A stock of hotel equipment valued at Rs.6,767,868 purchased during the year 2017 and furniture valued at Rs.6,758,049 had been given to the Ahangama Hotel. As the modernization had not been completed and the knowledge to operate a Hotel was not available in the Authority, those goods and equipment had become idle. The land where the hotel was constructed belonged to the Southern Province Tourist Bureau and according to the agreement, the land had been given only to operate a training centre and as such the ability to operate a hotel had been problematic in audit.

6.3 Budgetary Control

The following observations are made.

- (a) The budget relating to the year under review had been revised in the year 2018 after being incurred expenditure and the approval of the Board of control therefor had been obtained on 27 February 2018. Accordingly, action had not been taken to revise the budget being reviewed periodically when incurring expenditure and as such it was observed that the budget had not been made use of as an effective instrument of management control.
- (b) Variances between 14 to 100 per cent were observed between the budgeted recurrent and capital expenditure and actual expenditure and as such the budget had not been used as an instrument of management financial control.

6.4 Unresolved audit paragraphs

Any action whatsoever had not been taken by the Authority in respect of the following deficiencies pointed out in my previous report.

- (a) A cab belonged to the Authority had met with an accident in the year 2003 and a Committee to inquire into that had been appointed only after 6 years in February 2009. According to that inquiry report, it was recommended that, out of the loss of Rs.421,000 incurred due to accident, a sum of Rs.185,333 from the driver the balance of Rs.235,667 from another 4 officers and the loss of spare parts valued at Rs.135,000 from the officers in charge of the vehicles had to be recovered. However, those recommendations had not been implemented even by 30 October 2017. Action in terms of Financial Regulations had not been taken in respect of the accident of the vehicle even up to the year 2015 and the vehicle was now not in a repairable position.
- (b) A sum of Rs.7,500,000 was received in February 2012 from the Sri Lanka, Tourist Promotion Bureau to be paid to the 'Salacine' institute for the celebration of World Tourist Day in the year 2011. The balance money of Rs.1,000,000 after making relevant payments had been taken to the revenue of the Authority without the approval of the Board of Directors in the year 2015 and action had not been taken to get the approval therefor even in the year under review.
- (c) The Kegalle District office had paid a sum of Rs.101,650 in 02 instances for the purchase of 9 toners in the years 2015 and 2016 based on fake invoices. Despite, the goods were not received to the stores, they had been posted to the stock books as receipts as per instructions of the management. The cheques had been issued in the

name of another person, not stated in the payment vouchers. It was further observed that this money had been credited to a joint account of the cheque issuing officer and the female officer who dealt with purchasing and handling cheques. Even though, the Authority had conducted a preliminary inquiry and finished, the final inquiry was being conducted even by 31 July 2018.

- (d) Salaries totalling Rs.1,711,961 had been paid to an interdicted and prosecuted officer in the year 2011 on the grounds of cash discrepancies during the period 2011 to 2013 without approval and action had not been taken in this regard even by the end of the year under review.

7. Systems and Controls

The weaknesses in systems and controls were brought to the notice of the Director General of the Authority from time to time. Special attention is needed in respect of the following areas of controls.

Areas of systems and control -----	Observations -----
(a) Personnel Administration	<ul style="list-style-type: none"> - Recruitment of officers who had not satisfied the minimum qualification of recruitments. - Not recruited permanent officers for vacancies and officers engaged in acting basis for a long period, instead.
(b) Assets Management	<ul style="list-style-type: none"> - Non-maintenance of a proper register of fixed assets. - Non -use of code numbers for the identification of asset items. - Existence of idle assets. - Inventerization of all assets and safety of assets not ensured.
(c) Financial Control	<ul style="list-style-type: none"> - Segregation of functions not implemented in a manner not subjected to internal check. - Supervision not performed systematically.
(d) Accounting	<ul style="list-style-type: none"> - Change of journal entries without proper approval.
(e) Contract Administration	<ul style="list-style-type: none"> - Performance bonds not extended prior to the expiration. - Non-provision of specific boundaries of lands in which buildings are constructed and facilities and instructions to contractors. - Contract works not supervised.
(f) Performance	<ul style="list-style-type: none"> - Not taking action required for performance, targets, reconciliation and variances.