

## **Skills Sector Development Programme - 2020**

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The audit of financial statements of the Skills Sector Development Programme for the year ended 31 December 2020 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 provisions in the Article IV of section 4.04 (a) of the Loan Agreement No.s 3119 SRI (SF) and 3120 SRI (SF) dated 27 May 2014 and Additional Financing Agreements No. 3650 SRI (COL) and No. 3651 SRI dated 11 May 2018 entered into between the Democratic Socialist Republic of Sri Lanka and the Asian Development Bank. My comments and observation which I consider should be reported to parliament appear in this report.

### **1.2 Implementation, Objectives, Funding and Duration of the Project**

According to the Loan Agreement, the Ministry of Skills Development and Vocational Training, presently the Ministry of Education is the Executing Agency and there are 10 Implementing Agencies of the Programme. The objectives of the Programme are building of efficient skills education system to meet the local and foreign labour market demand by 2020 and improving quality, relevance, access, recognition for vocational training and supportive policies, systems and structures. The activities of the Programme are implemented under the component of Results Based Lending Mode. As per the Loan Agreement, the estimated total cost of the Programme was US\$ 1,061.2 million equivalent to Rs. 141,524.23 million and out of that US\$ 200 million equivalent to Rs. 28,708.23 million and US\$ 100 million equivalent to Rs. 13,100 million were agreed to be financed by Asian Development Bank and International Development Association respectively. The balance amount of US\$ 761.2 million was financed by the Government of Germany, Exim Bank of Korea, others and Government of Sri Lanka. The Programme had commenced its activities on September 2014 and scheduled to be completed by 30 June 2021.

### **1.3 Opinion**

In my opinion, the accompanying Consolidated Statement of Total Expenditure of the Skill Sector Development Programme agreed with the information provided in the financial statements of the 11 Agencies as at 31 December 2020 gives a true and fair view of the Consolidated Statement of Total Expenditure of the Programme.

### **1.4 Basis for Opinion**

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

## **1.5 Responsibilities of Management and Those Charged with Governance for the Consolidated Statement of Total Expenditure**

Management is responsible for the preparation of Consolidated Statement of Total Expenditure that give a true and fair view in accordance with the information provided in the financial statements of the 11 Agencies and for such internal control as management determine is necessary to enable the preparation of Consolidated Statement of Total Expenditure that are free from material misstatement, whether due to fraud or error.

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

## **1.6 Auditor's Responsibilities for the Audit of the Consolidated Statement of Total Expenditure**

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

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

- Identify and assess the risks of material misstatement of the Consolidated Statement of Total Expenditure, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Programme.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the Consolidated Statement of Total Expenditure, including the disclosures, and whether the Consolidated Statement of Total Expenditure represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## 2. Physical Performance

### 2.1 Physical progress of the activities of the Programme

<b>Expected physical performance as at 31 December 2020</b> -----	<b>Responses of the Management</b> -----	<b>Auditor's Recommendations</b> -----
(a) According to the information received, the targets of 18 activities, out of the 51 activities under 9 Disbursement link Indicators to be Implemented under the proceeds of Loan of the Asian Development Bank had not been achieved as at the year under review.	As per ADB loan agreement, target achievement completion of all disbursement link indicators is 30th June 2021. There had been delays mainly due to closure and partial operation of training centres and the industry due to Covid-19 pandemic situation	The management should take necessary action to achieve the targets on rest of the activities of DLIs under the Loan Agreements of ADB.
(b) According to the loan agreement No. 3650 and No. 3651 of the Asian Development Bank US \$ 100,000,000 were targeted to be disbursed by end of the year under review. However, the total US \$ 36,280,000 had not been disbursed.	As per ADB loan agreements referred, total disbursement of USD 100 Mn to be completed by 31st December 2021.	As it was shown the inefficiency in utilization of funds, the management should take necessary action to achieve the targets of the programme.

### 2.2 Contract Administration

<b>Audit Issues</b> -----	<b>Responses of the Management</b> -----	<b>Auditor's Recommendations</b> -----
(a) Two projects which had cost Rs. 84,216,614 under the Skills Sector Development Fund of the National Youth Services Council had been suspended from August 2018 due to delay in completion by the contractor.	Actions were taken to terminate the contracts of renovation work of Dambulla training center and improvement of Trincomalee training center building due to delays of the contractor and the work is being continued by treasury funds.	Immediate action have to be taken to complete the construction work.
(b) According to the progress report, the improvement work of 4 training centers	Not commented.	Special attention needs to be paid to expedite the civil works of training centres which are identified to

of the National Apprenticeship and Training Authority was scheduled to be completed by November 2019, but the improvement work had not commenced by the end of the year under review. The programme proposal had not been approved by the National Planning Department.

construct and modernized.

- (c) Eventhough the Cabinet approval for the constructions of new building in Rathmalana had been granted on 5 August 2014 the construction works was not commenced during the year under review. The delay period was over 5 years and cost of construction was Rs. 200 Million. The programme was scheduled for completion in August in 2019, the physical progress of the project was 60 per cent only as at 31 December 2020.
- Construction of the VTA Ratmalana building is progressing slowly under bio bubble concept, but the physical progress is 95% of the scope of work. Balance work will be completed in October 2021.
- Management attention need to be drawn to expedite the construction works.

### 2.3 Operating Inefficiencies

Audit Issues -----	Responses of the Management -----	Auditor's Recommendations -----
(a) According to the annual action plan of the National Youth Services Council, Rs. 1 million had been allocated to promote flexible delivery to enable multiple entry and exit for students seeking occupation specific skills and industry requirements. However, none of the activities were carried out as per progress report.	Training centers were made aware and instructed to start the courses and the training programs were not successful due to the non-participation of the students as per the prevailing covid-19 pandemic.	Attention has to be drawn to achieve the expected outcome

- (b) According to the annual action plan of the National Youth Services Council, Rs. 4 million had been allocated to identify additional physical resources and teams for five training courses at four training centers in the North Central and Uva Provinces, However the physical resources and teams could not be identified during the year under review.
- Monaragala Training Center - The equipment could not be procured due to the construction work being carried out at this training center and the delay in the construction work.
- Horowpathana Training Center – The required building renovations could not be carried out due to budget constraints as SSDP funds had not been allocated for this.
- Orubandiwewa Training Center – The machinist course has been upgraded with the institutional funds.
- Ulapane Training Center – Though the modernization work had been purposed in January, the courses were re-scheduled in the complete rationalization plan developed by the new management.
- Immediate action have to be taken to commence the respective courses.
- (c) The student hostel constructed by the Ceylon German Technical Training Institute on an etimated contract value of Rs. 757 million and under the provisions of the Skills Sector Programme was scheduled to be completed on 30th October 2020, its physical progress was 65 percent at the end of the year under review.
- Construction of the Student Hostel Building is progressing under bio-bubble concept and the physical progress is 70% at present.
- More attention have to be drawn on continuous supervision of the work assigned to the constructor.
- (d) Quality Improvement Systems (QIS) were introduced in 2017 to further improve the quality management system. Ceylon German Technical Training Institute had not taken action to install the systems and obtain quality certification until end of the year under review
- Due to the shortage in staff, the training providers are occupied full time to train the internal students. Quality Improvement System is a long term concept, which should be introduced gradually. The impact of the global pandemic has resulted in further delaying the process
- Management should take necessary action to achieve expected targets.
- (e) According to the programme progress report, the employment data collection rate of students who were pass out from the
- The low data collection rate is due to the following, Difficulty in locating the students due to change of address , change
- The management should take necessary action to collection of data

Ceylon German Technical Training Institute during the year under review was 35 per cent. of contact number or migration CGTTI provides details of students passing out to prospective companies and request the employer to inform details to CGTTI once they recruit. However, the poor response by the employer results in actual data not received to CGTTI. CGTTI assures that the employability rate is maintained at 95%

- (f) Although Rs. 69.43 million had been allocated for employee linked training programs (ELTP) during in the year under review, no training agreements had been signed for the year 2020. Contracts had not been awarded to recruit 2000 additional trainees as targeted. Initially it was planned to award 2000 contracts during the year 2020. Procurement process initiated. But, with the effect of COVID-19 pandemic, country was locked down for over 3 months and training centers were closed throughout the year. As per the loan agreement, SSDP had to complete its activities by 30/06/2021. With COVID -19 pandemic activities were delayed. Therefore, procurement was kept on hold at its final stage. The management should take necessary action to achieve the targets of the programme.
- (g) Although Rs. 13.889 million has been allocated during the year under review for flexible training programs with a view to improving the skills of the staff working in the industrial establishments and reducing the skill gap of the certified. However, out of which only Rs. 0.0195 million had been spent and also failed to achieve the target of at least 2000 additional workers participated in skills upgrading flexible training programs in industrial sector. Main reasons for lagging behind targets are the negative impact on the industry and the closure of the training providers (public and private) due to Covid-19 pandemic. Furthermore, most of the industry sectors were not willing to invest on skill upgrading of their workers under the current situation. Therefore, achievement of planed targets became extremely difficult and hence budget allocation remained almost unutilized Attention have to be drawn to achieve the expected outcome

- (h) Although it was targeted to install at least 300 centers certified in the new enhanced QIS by the end of the year under review, only 232 centers had been certified with QIS by the end of the year under review. Also, at least 200 quality ambassadors should have been training and appointed to improve the quality control of training centers, but only 106 were appointed.
- Quality Improvement Systems  
Since January 2020 most of the occasions training centres were closed because of Corona Pandemic. Therefore we could not arranged mandatory site visits essential to established QIS systems in training centers and appointment of Quality Ambassadors .
- Recruit sufficient and quailed ambassador to fulfill the training requirement