

Demonstrating Innovative Approaches for Private Sector and Women’s Empowerment in TVET Sector in Sri Lanka - 2023

The audit of financial statements of the Demonstrating Innovative Approaches for Private Sector and Women’s Empowerment in TVET Sector in Sri Lanka for the ten months period from 01 January to 31 October 2023 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 4.02 (a) of the Grant Agreement No. 9193 SRI (EF) dated 11 May 2018 entered into between the Democratic Socialist Republic of Sri Lanka and the Asian Development Bank. My comments and observations which I consider should be reported to the Parliament appear in this report.

1.2 Implementation, Objectives, Funding and Duration of the Project

According to the Grant Agreement of the Project, then Ministry of Skills Development and Vocational Training presently, the Ministry of Education is the Executing Agency and Implementing Agency of the Project. The overall objective of the Project is to contributing to increased female labour force participation and women’s economic empowerment through Technical and Vocational Education and Training. The Project consist of 02 component A and B and there are 05 output under component A namely (i) strengthening of private sector engagement in Technical and Vocational Education and Training (ii) enhancement of entrepreneurship development training programme for self-employment with a focus on women (iii) provision of women-targeted incentives, mentoring and on-the-job training to attract women into non-traditional areas (iv) Demonstration of gender – inclusive recruitment and working environment practices in private sector (v) Provision of efficient response to COVID -19 impact on skills sector. As per the Grant Agreement, the estimated total cost of the Project is US\$ 3 million equivalent to Rs.534 million and was agreed to be financed by the Japan Fund for Poverty Reduction (JFPR) as a grant and it is administrated by ADB for the purposes of financing the Project. The Project had commenced its activities on 16 November 2018 and scheduled to be completed on 31 March 2021. Subsequently, the Project period extended twice up to 30 June 2023 and activities of the Project closed on 31 October 2023.

1.3 Opinion

In my opinion, accompanying financial statements give a true and fair view of the financial position of the Project as at 31 October 2023, statement of Project expenditure and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

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 financial statements 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 Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles 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.

Those charged with governance are responsible for overseeing the Project’s financial reporting process

1.6 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, 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 Project.
- 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other 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 Project

- (a) A sum of Rs. 2.5 million had been allocated to develop a Management Information System and Web for the Agro Tech Dissemination Center. However, a service provider had been selected by the Technical Evaluation Committee without transparency manner using the outdated and fraud quotations and criteria which were not included in the specifications.
- As per the information received by the ASSC, they confirm that the procurement was made according to the procurement guideline. The procurement was done by the ASSC.
- Service Provider should be selected in transparency manner.
- (b) A mobile App was developed by the Information and Communication Technology Industry Skills Council at a cost of Rs. 11.23 million with the purpose of obtaining service by registering the student who complete the courses in Technical Vocational Education and Training (TVET) sector and industrialists. However, it was not implemented at present to get the benefit for Council, student and industrialists who register with the App, due to lack of facility arrangement to implement the mobile App. Therefore, the expenditure incurred to develop the above App becomes fruitless.
- The Council decided to pursue a partnership with the Sri Lanka Telecom Mobitel Company. After several product review sessions, SLT Mobitel agreed to utilize Pro Connect and signed a Memorandum of Understanding (MOU). However, they later informed the council that their technical and marketing teams were currently engaged in a different project, causing a delay in their focus on Pro Connect. As a result, the product remains idle for the time being.
- Action should be taken to obtain facility arrangements to implement the developed mobile App.
- (c) The Institute for Research Development Training had been granted Rs.8.86 million to procure drone equipment under the activity 4.2.1.1. It was observed in the physical inspection made on 02 May 2024 that the procured drone equipment had remained idle at the Institute without utilizing for training or agriculture activities as stated in the project proposal, due to lack of knowledgeable instructor to operate and the Institute had not established properly as training institute. Further, no progress received on the training courses conducted by the Institute.
- Institute for Research Development Training (IRDT) has 7 certified drone pilots trained with ASSC all over the Northern province. Drones are not used throughout the year, they are used seasonally in agricultural activities. When off-season, Drones are stored according to instruction given by the manufacture.
- Action should be taken to use the drone equipment in effective manner.

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| (d) | According to an Agreement entered into with an entrepreneur, it is required to construct a road network of a plant nursery with the width of 1m, thickness of 0.15m and length of 1207m. However, according to the measurement sheet submit by the contractor, it was observed that the road network had been constructed with the width of 1.22m, thickness of 0.15m and length of 719m and reimbursed the total grant of Rs.3.22 million to entrepreneur without verifying the length constructed by the entrepreneur. | Agreed. Payment is made by the Chartered Engineer's recommendation. However, the Private Sector Engagement Expert not done the physical verification. To verify the facts mention in the audit report we are currently conducting a physical verification & steps will be taken to rectify the matter after reading the report. | Action should be taken to reimburse money to entrepreneur after verifying the achievement of millstone. |
| (e) | A sum of Rs. 3.51 million had been granted to an entrepreneur to achieve 02 millstones. Out of that it is required to carry out NVQ Training programme under millstone 01and verify through TVEC/NAITA certificate according to the agreement. However, it was observed that the NVQ 3 certificates had been issued by the respective training center, although the TVEC only has the authority to issue such certificate. | At the time there was no institute registered and accredited to issue a NVQ certificate for the intended programme. However, Cinnamon Training Academy had secured the accreditation to issue this certificate until 26.04.2021. At the time even though they were not accredited they had a valid registration with TVEC. Therefore, the certificate issued by the Cinnamon Training Academy was accepted as the next best option. | Action should be taken to issue NVQ certificate in acceptable manner. |
| (f) | A sum of US\$ 911,540 equivalent Rs. 293.07 million had been incurred to established 32 smart class room including equipment procure to the Ministry. According to the information made available, 400 Learning Management System (LMS) at a cost of Rs. 5.67 million had been procured for lecturers. However, only 320 LMS had been allocated for 32 training centers. Therefore, allocation of procured balance 80 LMS valued at Rs. 1.13 million could not be verified in audit. Further, out of the 320 LMS allocated for lecturer, 183 LMS represent 57 percent had been utilized for the academic purpose. | Agree to the law usage of the LMS by lecture & students, and the reason for lack of training etc. The ministry is planning to give more focus training in this matter when funded are available. | Follow up action should be taken to utilize the Smart class room for the academic purposes. |

In addition to the above, out of 3,200 LMS valued at Rs.45.37 million were procured and allocated for academic activities of the

students, 753 LMS representing 24 percent had only been utilized for academic purpose and there are 16 training centers that were not used any student license, due to lack of training for lecture, training material and facilities for students follow courses. Therefore, effectiveness of the pilot project remained at low level.

2.2 Internal Control

Audit Issue

An Internal Audit had not been carried out by the Internal Audit Section of the Executing Agency on the activities carried out by the Project.

Management Response

Comments not received.

Auditor's Recommendation

Action should be taken to carried out the internal audit by the Execution Agency.