

National Human Resources Development Council of Sri Lanka - 2011

1. Financial Statements

1.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the financial position of the National Human Resources Development Council of Sri Lanka as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Comments on Financial Statements

1.2.1 Sri Lanka Accounting Standards

A sum of Rs.8,567,852 received by the Council as government grants during the year under review had not been brought to accounts in terms of Sri Lanka Accounting Standards No. 24.

1.2.2 Accounting Deficiencies

In preparing the draft financial statements, differences of Rs.68,915 with the ledger were observed by us and it had been subsequently rectified and submitted the revised financial statements. However, the possibility of existence of further such accounting deficiencies in the accounts could not be ruled out.

1.2.3 Unreconciled Control Accounts

There was an unreconciled balance of Rs.282,452 between the value shown in the income and expenditure account as human resource development activities of the Council during the year 2011 and the value shown in the annual progress report as activities performed during that year.

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

The following non-compliances with laws, rules, regulations and management decisions were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance

(a) Acts of Parliament	

(i) Section 8(1) of the Finance Act No. 38 of 1978	Although the draft budget should be submitted to the Board of Directors and get it approved before 3 months of the commencement of the financial year, the budget estimate for the year 2011 had been approved by the Board of Directors on 29 March 2012.
(ii) Payment of Gratuities Act No. 12 of 1983	Gratuities provided had not been invested to meet the future liabilities.
(b) Financial Regulations (F.R) F.R. 371 (2)(b)	Although an ad-hoc imprest should not be obtained in excess of Rs.20,000 , the value of payments made in excess of Rs.20,000 in 23 instances totalled Rs.1,340,000.
(c) Government Procurement Guidelines Paragraph 1.2.1	Furniture and office equipment valued at Rs.3,483,317 had been purchased without following the approved procurement procedure in 18 instances.

(d) Circulars

Public Enterprises Circular No.

PED/12 of 02 June 2003

- (i) Sub-paragraph 5.2.6 A budgeted income and expenditure statement, a cash flow statement for the year under review and a budgeted balance sheet as at the last date of the year under review had not been prepared and presented along with the budget.
- (ii) Sub-paragraph 6.5.1 The draft annual report should be submitted to the Line Ministry and the Department of Public Enterprises with a copy to the Auditor General before 60 days after the closure of financial year. Nevertheless, action had not been taken accordingly since 2005 to date.
- (iii) Sub-paragraph 7.4.2 The Senior Management Committee had not been established.

02. Financial Review

The operation of the Council for the year under review had resulted in a deficit of Rs.758,795 as against the surplus of Rs.1,563,052 for the preceding year. Decrease in government recurrent grants by Rs.334,893 and increase in recurrent expenditure by Rs.2,021,393 had been the special reasons for the deterioration of financial results amounting to Rs.2,321,847 for the year under review as compared with the preceding year.

3. Operating Review

3.1 Performance

The following observations are made.

(a) Any of the key duties and functions whatsoever stated in Section 14(1) of the Act by which the Council had been established such as providing advice to the Minister regarding all aspects of the national Human Resource policy, forwarding human resource development plans and programmes in conformity with the national policy, recommendations to the Minister in respect of changes to be made to the national human resource policy and to the plan and programmes being implemented and to find out the implementation of the human resource development plans approved by the government had not been carried out by the Council during the year under review.

(b) The expenditure incurred on human resources development which is the key objective of the Council, as a percentage of total recurrent expenditure is given below.

Year	Total recurrent expenditure	Human resource development expenditure	Human resource development expenditure as a percentage of total recurrent expenditure
-----	-----	-----	-----
	Rs.	Rs.	%
2005	5,152,941	844,454	16.4
2006	5,868,600	692,147	11.8
2007	6,086,767	535,632	8.8
2008	6,728,939	659,801	9.8
2009	8,675,394	1,540,029	17.7
2010	12,423,287	3,378,959	27.2
2011	30,247,869	19,182,148	63.42

After deducting the expenditure incurred on electronic and media advertisement amounting to Rs.9,939,546 out of the total human resources development expenditure for the year 2011, the percentage of human resources development from the total recurrent expenditure was not 63.42% but was less value as 48%.

- (c) The special project had been implemented to strengthen the students those who had failed all subjects in GCE (O/L) examination with the primary objective to inform them that their livelihood can be succeeded by a personality development process for the upliftment of mentality of the target group under W-9 programme and referring them to alternative vocational fields and for relevant training institutions. At examination of this the following were observed.
- (i) A sum of Rs.12,979,803 had been spent for this project up to 31 December 2011, out of which a sum of Rs.6,427,856 or 50% of the total expenditure had been incurred for publicity.
 - (ii) According to the data given by the Department of Examinations, failures in all 9 subjects amounted to 8,873 but the number of students applied for the project amounted to 1,201, which is a minimum number of target as low as 13 per cent.
 - (iii) According to the project reports, it was expected to hold a one day seminar in every district and a 5 day camp. However, only 14 district wise seminars and 4 residential workshops had been conducted. The student participation for those 4 workshops had been only 510 out of 1201 applicants, but the expenditure incurred on district seminars and residential workshops amounted to Rs.439,703 and Rs.6,223,420 respectively.
 - (iv) Even though a series of discussion had been held to take the assistance of various scholars for this programme, no any proposal as to how the projects would be implemented had been received from them.
 - (v) Although, it was expected to refer the students, those who participated in the residential camp after the programme to the training institutions, only

the National Apprentice and Industrial Training Authority (NAITA) was available as a training Institute. However, this purpose could not be achieved due to the non availability of training opportunities in that Institute to suit the vocational training that they expected according to their educational qualifications.

- (vi) This project could not be reached its objectives up to now due to implementation of this project depending only on solely attractive publicity without doing a pre-study on the targeted sample and their expectations.

(d) "Unemployment to Employment" Project

A very special project, namely "Unemployment to employment" had been commenced in the year 2012 parallel to the "Deyata Kirula National Development Programme" with the objectives that the registration of unemployed persons in the Anuradhapura District at the Divisional Secretariat level and publish in the web-site of the Council, registration of private institutions which could provide employment and refer them for private sector employment. To achieve those objectives, an agreement had been entered into with a Attitude Development and Human Resource Management consultant on 05 July 2011.

The following observations are made in this regard.

- (i) Even though the contractual value of this project was Rs.1,248,000 , this had not been referred for a competitive bidding in terms of Chapter 03 of the Procurement Guidelines. Similarly, the pre-qualification of this supplier, in terms of sub paragraph 3.12 of that Chapter had not examined and a certificate, ensuring that the service had been carried out in accordance with the provisions in the agreement, had not been issued by the officer in charges in terms of Sub-paragraph 8.12.4.
- (ii) Although the project should have been completed by 31 March 2012, the number of registered unemployed persons input to the data base amounted

to 790 even by the date of audit on 27 April 2012. However, the Council had failed to provide information, such as how many people had been employed and the number of registered private institutions etc. for audit. None of this information was available with the officer in charge of the subject as well.

- (iii) According to the data bank, the number of persons expected employment within the Anuradhapura District amounting to 790 had been of contentious and as such, it is questionable in audit that the contractor who had undertaken this service had given his service as expected. Similarly, a sum of Rs.2,218,153 incurred on this project had become a fruitless expenditure as non-registration of private institutions required for the employment of registered unemployed persons and there were no such persons employed.

(e) **Year of Human Resources**

The Council had identified the year 22 September 2011 to 22 September 2012 as the year of human resources development and it was planned to present an amateur TV singing Programme named as "Nipunatha Sanda". A sum of Rs.3,082,453 had been spent for advertisement on this programme. Except the publication of newspaper advertisement, there was no progress in this project even up to 27 April 2012.

(f) **Public Awareness Programme**

According to the Action Plan for the year 2011, it was planned to hold 12 programmes during the year but only one programme was held by participating only 129 persons. The total expenditure of Rs.91,524 comprising a sum of Rs.78,624 for paper advertisements and Rs.12,900 for workshops had been spent.

(g) **Abandonment of Projects Without being Completed**

The following development projects commenced by the Council during the year 2010 had been abandoned without being completed.

- (i) As agreed with a University Professor, a survey had to be done on drop out of students from courses and the relevant report should have been handed over on or before 10 April 2010 but it had not been done and the expenditure incurred thereon amounted to Rs.76,875.
- (ii) Although the prime objective of the F-3 programme commenced on the instructions of the Hon. Minister was to give instant training to those who had failed in the GCE (A/L) and O/L) examinations and become destitute, by a special vocational guidelines programme and to make them employment, non of the students had been provided with employment. Further, the present progress of the 9737 students who had participated in a few day training had not been even followed up. A sum of Rs.5,601,870 had been spent on this from December 2010 to April 2011, out of which a sum of Rs.5,066,419 or 90% had been spent on electronic and written media advertisements.

4. Accountability and Good Governance

4.1 Corporate Plan

In terms of Sub-paragraph 5.1.2 of the Public Enterprises Circular No. PED/12 dated 02 June 2003, a review of financial results of the preceding 3 years had not been included in the Corporate Plan prepared for the period from 2010 to 2014. Similarly, the annual progress could not be financially evaluated as the financial values of the targets to be achieved had not been included therein. Further, the reviewed Corporate Plan for the period from 2011 – 2015 had also not been prepared even as at the date of audit on 08 May 2012.

4.2 Action Plan

The action plan for the year 2011 had been approved with amendments by the Board of Directors only on 29 March 2012, that is after 3 months of the year under review. The effectiveness of a plan prepared after the end of the relevant year would be problematic in audit as the objective of an annual action plan is to establish the expected functions to be achieved in the next year in agreement with the existing objectives of the Council and to incur expenditure with a proper management.

According to the original action plan approved for the year 2011 the progress is as follows.

- (a) Eight programmes valued at Rs.8,570,000 as stated in the annual action plan for the year 2011 had not been implemented.
- (b) A sum of Rs.3,086,400 had been spent during the year for the programme, named as "year of Human Resources" which had not been included in the annual action plan for the year 2011.
- (c) A provision of Rs.625,000 had been made in the action plan for 50 sub-programmes at Rs.12,500 per programme scheduled to be carried out under one major programme. However, a sum of Rs.14,853,000 had been incurred for carrying out only 38 sub-programmes. Accordingly, the expenditure incurred to conduct one programme amounted to Rs.390,868 and it represented material percentage of 3127 from the expected expenditure.

4.3 Internal Audit

An internal audit unit had not been established in the Council, although the Council annually incurred a recurrent expenditure of more than Rs.30 million and the activities of the Council had been audited by the Internal Audit Division of the Ministry of Youth Affairs and Skills Development.

4.4 Budgetary Control

In considering the variances between the budgeted expenditure and the actual expenditure of the year under review, a considerable variances of Rs.3,489,511 in 8 expenditure items was observed thus the budget had not been made use of as an effective instrument of financial control.

05. Systems and Control

Weaknesses in systems and control observed during the course of audit were brought to the attention of the Chairman of the Council from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Supplies and Services
- (c) Budgetary Control
- (d) Internal Audit
- (e) Implementation of Projects