

National Human Resources Development Council - 2013

The audit of financial statements of the National Human Resources Development Council of Sri Lanka, comprising the statement of financial position as at 31 December 2013 and the statement of financial performance , 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 24 of the National Human Resources Development Council of Sri Lanka Act, No. 18 of 1997. My comments and observations which I consider should be published with the Annual Report of the Council 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 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 misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council’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 Council’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. 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 effects 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 National Human Resources Development Council of Sri Lanka as at 31 December 2013 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

Accounting Deficiencies

- (a) Even though the expenditure of the year under the recurrent grants according to the financial statements amounted to Rs.13,780,000 that sum according to the Treasury computer printouts amounted to Rs.13,966,566. Accordingly a difference of Rs.186,566 was observed between the Treasury computer printouts and the accounts.
- (b) Action had not been taken to revalue and account for 04 assets costing Rs.1,702,500 fully depreciated and remaining in usable condition.

2:3 Accounts Receivable and Payable

- (a) Even though 03 items of expenditure payable totalling Rs.73,097 related to periods ranging from 01 year to 03 years action had not been taken even by the end of the year under review to settle them.
- (b) The sum of Rs.71,162 recoverable from an officer who served as the Chairman of the Council had not been recovered up to 02 April 2014, the date of audit.

3. Financial Review

Financial Results

The operations of the Council during the year under review had resulted in a surplus of Rs.292,661 as against the deficit of Rs.108,058 for the preceding year. The financial results for the year under review as compared with the preceding year, indicated an improvement of Rs.400,719. The increase of the Government grant by a sum of Rs.4.4 million had been the main reason for the improvement.

Nevertheless it was observed that the monthly expenditure on security services of the Council had been increased by 88 per cent with effect from October 2013 and the expenditure

on janitorial services had been increased by 49 per cent with effect from July 2013 without any acceptable justifiable reasons.

4. Operating Review

4:1 Performance

Six duties and functions of the Council are set out under Section 14 (1) of the National Human Resources Development Council of Sri Lanka Act. But, according to the following matters, it was observed that the plans and the actual functioning of the Council during the past period indicate that attention had not been paid for the execution of the primary objectives relating to the establishment of the Council.

- (a) Even though the Action Plan prepared for the year under review indicated 10 programmes planned for execution in the year, those did not cover 03 out of the 06 objectives set out in the Act.
- (b) The estimated provision for the 10 programmes referred to above amounted to Rs.9,850,000 while only 09 programmes had been implemented at a cost of Rs.7,230,000. Out of the 09 programmes implemented the expected targets of only 03 programmes had been achieved.

4:2 Management Inefficiencies

The members appointed to the Council according to the Act, should consist of Heads of Institutions connected with the economic and human resource development of the Council for the achievement of the objectives of the establishment of the Council more effectively. But 04 members out of the 17 appointed to the Council for the year under review had not participated in any of the meetings and only one member had participated in all the meetings. Five members had participated in only one meeting. Three members to be appointed by the Minister in terms of Section 3(1)(P) of the Act had not been appointed.

4.3 Operating Inefficiencies

The following observations are made.

- (a) The Council had carried out the preliminary works for the preparation and maintenance of a database on the unemployed persons in Sri Lanka with effect from 20 September 2011. Through a private institution at a preliminary cost of Rs.257,500 and sum of Rs.920,375 had been spent thereon. The work had not been completed even by the end of the year under review and the total expenditure incurred had been fruitless. The programme had failed due to the following reasons.
 - i. Selection of a private institution without following a proper methodology and the failure to carry out a proper evaluation of the capacity of the institution to carry out the work properly and without interruption.

- ii. The agreement with the private service provider institution being non-formal and incomplete.

- (b) Awareness programmes had been conducted with the participation of students from 05 selected districts as a pilot project for referring the student who were not eligible for higher education to vocational training to empowering them and for the identification of hindrances relating thereto. A sum of Rs.1,810,879 had been spent thereon during the year under review. According to the following matters it was observed that the expected objectives of the programme had not been achieved.
 - (i) Even though 1,906 students had participated in the preliminary programme only 50 per cent out of them had registered with Vocational Training Institutes for vocational training.

 - (ii) Even though the conduct of the programme had been planned for the participation of students from all the regions of the selected 05 districts, an audit test check of the programme conducted in 04 districts revealed that 438 students from the areas around the 04 main towns of those districts had participated while only 25 students from 15 Divisional Secretariat Divisions situated outside the towns had participated. Out of 400 students of 03 districts who had registered for vocational training in several institutions as at the date of the programme, 355 students had not participated in the vocational training courses.

5. Accountability and Good Governance

5:1 Corporate Plan

The Corporate Plan prepared for the year 2013 to 2017 did not include the review of the operations of the 3 preceding years in terms of Sub-section 5.1.2 of the Public Enterprises Circular No.PED/12 of 02 June 2003. As the financial value of the targets to be included had not been shown the annual progress could not be compared in financial terms.

5.2 Internal Audit

An Internal Audit Unit was not in operation in the Council and the Internal Audit Branch of the line Ministry of Youth Affairs and skills Development had carried out the internal audit work of the Council.

6. Systems and Controls

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

- (a) Procurement
- (b) Accounts