

National Human Resources Development Council of Sri Lanka - 2015

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 2015 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 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 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 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. Subsections (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

2 Financial Statements

2.1 Opinion

In my opinion, 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 2015 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

2.3 Accounts Receivable

Money recoverable to the Council from the former Chairman from the year 2012 and the value of inventory goods not returned amounting to Rs.71,162 had not been recovered even by the end of the year under review. A case had been filed in the Colombo District Court for the recovery of money amounting to Rs.31,050, thereof.

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

Instances of non-compliance with laws, rules and regulations are given below.

Reference to Laws, Rules, Regulations and Management Decisions

Non-compliance

- (a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

Financial Regulation 110

A Register of Losses and Damages had not been maintained.

- (b) Public Administration Circular No.41/90 of 10 October 1990

Even though fuel consumption of vehicles should be tested every 06 months, it had not been conducted in respect of all vehicles.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Council for the year under review had been deficit of Rs.1,314,129 as against the corresponding surplus of Rs.1,187,102 in the preceding year, thus indicating a deterioration of Rs.2,501,231 in the financial result as compared with the preceding year. Even though Grants and other transfer payments had decreased by a sum of Rs.8,333,678, the decrease of Treasury Receipts for expenditure on development activities by a sum of Rs.7,973,872 and the increase of salaries by a sum of Rs.2,706,865 had been the main reasons for this deterioration in the financial result.

In analyzing financial results of the year under review and of 04 preceding years, the financial result in the years 2013 and 2014 indicated a surplus and the financial result in the other years indicated a deficit. In considering personnel emoluments and depreciation on non-current assets, the contribution of the Council had shown a continuous improvement from Rs.3,446,541 to Rs.19,501,966 from the year 2011 to the year 2015.

4. Operating Review

4.1 Performance

The following observations are made.

The key objectives in terms of Section 14(1) of the National Human Resources Development Council of Sri Lanka Act, No.18 of 1997 are periodically reviewing those policies by examining all sectors of the National Human Resources Policy, examining the implementation of those programmes including employment, training and education, the enhancement of the quality of life, the designing of social protection for disadvantaged groups of persons.

The following observations are made in the achievement of the above objectives.

- (a) Programmes had not been prepared in the year under review by the Council for the achievement of the objectives of the application of Science and Technology for national human resources policies and the designing of social protection for disadvantaged groups and verifying the implementation of Human Resources Development designs and approved by the government programmes.

However, carrying out the function of reviewing the National Human Resources Policy in co-ordination with the Ministry of Labour had been entrusted by the Cabinet Subcommittee on Economic Affairs and as such, I was informed by the replies of the Chairman that the Council is deployed in that function in co-ordination with that Ministry at the observation level.

- (b) The following observations are made in the Performance against the action plan of the year 2015.
- (i) Even though it was reported that reports were presented to the Minister by completing 3 projects within the year, evidence on presented letters and dates was not made available to audit. According to the reply, the Chairman is acting as a Consultant of the Prime Minister, the relevant reports had been personally handed over to the Prime Minister who is the relevant Minister.
 - (ii) The physical progress of 06 research projects proposed to be completed within the year had ranged from 60 per cent to 90 per cent.
 - (iii) Only 37 per cent or a sum of Rs.2,521,137 had been spent out of the provisions made for the functions of the Action Plan of the year under review. Any expenditure had not been incurred for the preparation of the Project on policy

statement for the “One Million Jobs Programme”, to be completed within the year and it had been informed by the Chairman by his replies that the cost would be minimized as the resource persons being volunteers.

4.2 Management Activities

The following observations are made.

- (a) The members of the Council consists of 20 members including Secretaries of 11 major Ministries as Finance, Education, Labour, Youth Affairs, Science and Technology, Agriculture and Health and Chairmen of 04 Vocational Educational Institutions including the Chairman of the National Apprentice and Industrial Training Authority, the Chairman of the University Grants Commission and five officers with high experience in the field appointed by the Minister in terms of Section 3 of the National Human Resources Development Council of Sri Lanka Act, No.18 of 1997.

Even though 12 meetings should be held for a year, only 02 meetings were held in the year 2015. It was observed that proposals relating to the achievement of the objectives and the performance had not been presented and any such decisions had not been taken in those meetings.

- (b) The research reports in respect of preparing the Policy Statement for the creation of one million jobs which had been completed within the year and handed over to the Minister, preparing a set of proposals for the issuing of a Degree or a Diploma Certificate for all students who have passed three subjects in the G.C.E (Advanced Level) Examination and discussing the Government Proposal for increasing the expenditure for education from 1.5 per cent to 6 per cent of the Gross Domestic Product had not been presented for the approval of the Council.

- (c) It was observed that the number of members not participated at least once had been 05 and the number of members participated only to one session of the meeting had been 07 out of 19 members appointed in 02 meetings of the Board of Control held in the year under review.

It had been informed by the replies of the Chairman that participation for the meetings is difficult due to the members being busy and even though arrangement is being made for the amendment of the Act as a remedy for it, it had been temporarily suspended due to making changes to the institutional structure of the Council.

- (d) A Steering committee had not been appointed in order to review research and guidance.

4.3 Uneconomic Transactions

A sum of Rs.208,674 had been spent uneconomically for food and beverages under this programme due to the non- attendance of 1759 persons out of 3000 persons, estimated for 02 “*Rakiya Aruna*” programmes in the year 2015.

5. Accountability and Good Governance

5.1 Internal Audit

An Internal Audit Unit had not been operated to ensure whether activities of the Institution are efficiently and effectively operated and sufficient methods of internal control are implemented in terms of the Management Audit Circular No.DMA/06 of 23 December 2011.

5.2 Budgetary Control

A variance ranging from 20 per cent to 3555 per cent between the budgeted income and expenditure and the actual income and expenditure were observed, thus indicating that the budget had not been made use of as an effective instrument of management control.

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.

Areas of Systems and Controls

Observations

(a) Achievement of objectives

Not paying attention to prepare programmes and to allocate funds to achieve all objectives sufficiently stated in the Act and not taking action to achieve targets in terms of the Action Plan.

(b) Stationery Stock Control

Not taking action to control stationery stocks under a proper supervision by using issue orders of issuing materials and using Goods Received Notes in taking stationery to stock.