

National Human Resources Development Council of Sri Lanka-2012

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 2012 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1:2 Comments on Financial Statements

1:2:1 Accounting Deficiencies

Even though it had been stated under the accounting policy that the accounts are maintained on the accrual basis an expenditure of Rs.164,957 incurred in respect of the ensuing year had been brought to account as expenditure of the year under review.

1:2:2 Accounts Payable

No steps whatsoever had been taken either to settle or to credit to the income a sum of Rs.53,055 shown in the financial statements as unclaimed liabilities since the year 2008.

1:2:3 Lack of Evidence for Audit

The evidence indicated against the following items of account had not been furnished to audit.

Item	Value	Evidence not made available
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	Rs.	
Fuel	83,330	The Motor vehicles numbers which fuel had been supplied by 21 fuel bills.
Registration Fees	16,800	Confirmation of payments

1:2:4 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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(a) Section 14(1) of the National Human Resources Development Council of Sri Lanka Act, No. 18 of 1997	The duties and functions of the Council such as the advice and recommendations to be provided to the Minister, making enquiries relating to the implementation of plans and programmes for the development of human resources had not been done.
(b) Section 8(1) of the Finance Act, No. 38 of 1971	Even though the draft budget should be presented to the Board of Directors three months before the commencement of the financial year and obtain the approval, the draft budget estimates for the year 2012 had been approved by the Board of Directors only on 29 March 2012.
(c) Financial Regulation 371	Advances totaling to Rs.500,000 had been

granted to three officers exceeding the approved limit of Rs.20,000

(d) Paragraph 5.2.6 of Public Enterprises Circular No. PED/12 of 02 June 2003

A budgeted statement of income and expenditure, cash flow statement for the year under review and a budgeted balance sheet as at end of the year under review had not been prepared and presented along with the budget.

(e) Guideline 1.2.1 of the Government Procurement Guidelines

Even though sums aggregating Rs.577,350 had been spent for construction works, motor vehicles, hiring of computers and purchase of T Shirts and Cameras, the Procurement Guidelines had not been followed in that connection.

2. Financial Review

2:1 Financial Results

The operations of the Council for the year under review had resulting in a deficit of Rs.3,756,366 as compared with the corresponding deficit of Rs.758,795 for the preceding year. The deterioration of the financial results for the year under review by a sum of Rs.2,997,571 as compared with the preceding year had been specially due to the decrease of the Government grants by a sum of Rs.10,047,417 despite the decrease of Rs.7,052,773 in the expenditure.

3. Operating Review

3:1 Performance

The following observations are made.

- (a) The expenditure incurred on the development of human resources which is the main objective of the Council, taken as a percentage of the total recurrent expenditure indicated a low value.

Year	Total Recurrent Expenditure	Expenditure on Human Resources Development	Human Resources Development Expenditure as a Percentage of the Total Recurrent Expenditure
	Rs.	Rs.	
2008	6,728,939	659,801	09.80
2009	8,675,394	1,540,029	17.70
2010	12,423,287	3,378,959	27.20
2011	30,247,869	19,182,148	63.42
2012	23,195,095	10,003,639	43.13

- (b) The Council had entered into a Memorandum of Understanding with a private company in September 2011 for the preparation and maintenance of a database on the unemployed workmen in Sri Lanka and the designing and maintenance of three websites had been an objective of that project.

The following observations are made in this connection.

- (i) According to the cost estimate presented, a sum of Rs. 40,000 had been paid for the Dedicated Server required for preparation of the website. Nevertheless, a sum of Rs.132,500 had been paid again for that purpose.
- (ii) A proper study of the project had not been carried out before the award of this contract and the Government Procurement Guidelines had not been followed in the award of the contract.

- (iii) Even though the data system and the website had been prepared those had not been utilized even up to 14 August 2013. As such the expenditure of Rs. 942,975 incurred in that connection had become fruitless.

(c) Fly Net Programme

This project had been implemented with the primary objective of showing that the life can be made successful by engaging in alternative vocational activities and for referring them to the relevant training institutions for strengthening the students who had failed in the General Certificate of Education (Ordinary Level) and (Advance Level) examinations. The following observations are made in the examination of this project.

- (i) According to the data made available by the Department of Examinations, relating to the year 2011 the total number of students who should have been taken into this programmes due to failing the Advanced Level and the Ordinary Level examinations had been 270,048. No residential camps had been conducted in accordance with the plans prepared. The only activity carried out under this programmes had been the conduct of 05 district seminars. A very insignificant number of 640 students only had participated in the seminars.
- (ii) Even though a sum of Rs.21,055,033 had been spent from the year 2010 to the year 2012 on the programmes for the students who had failed the examinations which conducted under different names such as F-03, W-09 and Fly Net it had been possible to achieve the participation of only 465,057 students or 2.49 per cent of the students expected for the programme. The Council did not have any data relating to the progress of the 11,578 students. Out of the overall expenditure on the programme 61 per cent represented the publicity expenses.

(d) Other Projects

The programme called “from unemployment to Employment” had been implemented in the Anuradhapura District for the registration of the candidates for employment in the private sector and placing them in employment by 31 March 2012 had been finalized on 31 March 2012. The expenditure incurred

thereon amounted to Rs.2,218,153. An external Consultant had implemented this programme which had ended in total failure and none of the objectives expected had not been achieved. Despite such situations, the Chairman had appointed the same Consultant for the implementation of other project from April to August 2012 and spent a sum of Rs.280,000 in that connection.

The following observations are made in this connection.

- (i) At least the covering approval of the Board of Governors had not been obtained for the implementation of the Project.
- (ii) Even though the projects had been called as other projects, the activities to be executed by them or the nature of the projects had not been explained.
- (iii) An agreement had not been entered into in connection with the execution of the activities of this project estimated at Rs.700,000. As there was no information on the progress even the assignment of any functions to the consultant is not certain.
- (iv) This had not been open for competitive biddings in terms of the Government Procurement Guidelines.
- (v) The expenditure of Rs.280,000 incurred had become fruitless as there were no objectives achieved from the project.
- (vi) Even though the payment of a sum of Rs.60,000 in cash made to the Consultant had been noted in a voucher, it was not possible to ascertain in audit whether he had accepted the money.

(e) Deyata Kirula Project 2012

A sum of Rs.2,529,431 had been spent on the Deyata Kitula National Development Exhibition held at Oyamaduwa, Anuradhapura from 03 to 12 February 2012. The following matters were observed at an examination of this event.

- (i) Thirteen persons comprising 06 persons including the Chairman and Officers of the Council and 07 persons including the Consultant and his staff only had participated at the exhibition. The Assistant Research

Officers had spent a sum of Rs.61,180 for food for the participants from 02 to 12 February 2012. But the sum of Rs.88,390 obtained by the former Chairman for the supply of food for 25 officers for 08 days is a transaction of contentious nature.

- (ii) According to bills presented by the former Chairman, a sum of Rs.60,050 had been paid to a private institution. But there were no benefits accrued to the Council from that payment.
 - (iii) Even though 02 houses and a hotel had been booked for accommodation at a cost of Rs.367,178, there was no evidence that the Project Consultant and the staff remained therein on full-time basis for 15 days. But the facilities available at those houses and the number that can be accommodated was not made available to audit.
- (f) As the Council had not carried out any functions from July to September 2012, the sum of Rs.1,216,361 spent on salaries and other overhead during that period had become fruitless.
- (g) According to the Progress Report prepared as at 31 December 2012, the total savings of provisions amounted to Rs.30.49 million and 06 projects with provisions amounting to Rs.12.90 million included therein had not been implemented. The expenditure on 02 projects had exceeded the provision by a sum of Rs.0.98 million.
- (h) Thirteen projects implemented by the Council in the years 2010, 2011 and 2012 at a cost of Rs.27,501,957 had been abandoned halfway. That amount taken as a percentage of the total human resources development expenditure of the three years amounting to Rs.32,564,746 represented 84 per cent.
- (i) The capital and recurrent grants received from the Government for the year 2012 amounted to Rs.10,301,090 and the income earned by the Council in that year amounted to an insignificant sum of Rs.85,090.

3.2 Management Inefficiencies

Five Meetings of the Board of Directors only had been held in the year 2012 and 03 members of the Board of Directors had not participated any of those meetings. The participation of another seven members had been at a weak level.

3:3 Apparent Irregularities

The following observations are made.

- (a) Even though the former Chairman had obtained sums totalling Rs.68,100 comprising a sum of Rs.47,100 for a Matara District Project and a sum of Rs.21,000 for the Kegalle District Review Meetings, such project and meetings had not taken place.
- (b) Even though sums totalling Rs.69,411 comprising Rs.43,097 for the publication of a newspaper advertisement for the publication of a book called “Sri Lanka Deshapalanaye Mahindawadi Nyaya and a sum of Rs.26,314 as other expenditure had been spent, such book had not been compiled.
- (c) The Council had identified the year from September 2011 to September 2012 as the Human Resources Development Year and spent a sum of Rs.3,124,386 comprising a sum of Rs.3,107,497 on the publicity for holding a reality show for the selection of the “Nipunatha Sanda” through a singing competition open to all skilled Sri Lankan Community at district, provincial and national level organized in that connection and a sum of Rs.26,889 as other expenditure. No other activity other than the publication of the media notices had been done and the project had been abandoned after June 2012.

3:4 Transactions of Contentious Nature

The following observations are made.

- (a) Even though a sum of Rs.22,400 had been paid for obtaining the internet facilities, said to be for the implementation of several projects in the Corporate Plan, no objectives had been achieved therefrom.
- (b) Instead of handing over the work relating to advertising in the electronic and print media direct to the institutions, a sum of Rs.4,937,720 had been paid to a private company in that connection in the year 2012 alone without following the Procurement Guidelines. According to the address appearing in the letter of

appointment issued by the Minister of Youth Affairs and Skills Development to the Chairman and the address appearing in the letterheads of that company, it was established that the company concerned is a business run from the residential address of the former Chairman.

- (c) All the fuel bills produced by the former Chairman for the sum of Rs.19,600 obtained as fuel expenses in connection with a one day seminar held in Ratnapura in May 2012 had been those obtained about one month after the said seminar.

4. Accountability and Good Governance

4:1 Corporate Plan

The Corporate Plan prepared for the years 2010 to 2014 did not include a review of the operations of the three preceding years in terms of Sub-section 5.1.2 of the Public Enterprises Circular No. PED/12 of 02 June 2003. A financial evaluation of the annual progress could not be carried out as the financial value of the objectives to be achieved had not been stated.

4:2 Action Plan

The Action Plan for the year 2012 had been approved by the Board of Directors only on 29 March 2012.

4:3 Procurement Plan

A Procurement Plan for the goods and services for purchase during the year under review had not been prepared and approved in terms of the Guideline 4.2(c) of the Government Procurement Guidelines.

4:4 Internal Audit

An Internal Audit Unit had not been in operation in the Council and the Internal Audit Unit of the line Ministry of Youth Affairs and Skills Development had carried out the internal audit of the affairs of the Council.

4:5 Budgetary Control

According to the Progress Reports presented, variances of 75 per cent were observed between the budgeted expenditure and the actual expenditure of 03 items. As such it was observed that the approved Annual Budget Estimates had not been made use of as an effective instrument of management control.

5. 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) Budgetary Control
- (c) Accounting