

National Human Resources Development Council - 2014

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 2014 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 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.

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 2014 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

2.2.1 Sri Lanka Public Sector Accounting Standards 07

Action had not been taken for the revaluation of assets to show a fair value, though the assets costing Rs. 2,940,950 fully depreciated and being used at present.

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) Three items of expenditure payable totalling Rs.29,580 related to periods ranging from 01 year to 03 years had not been settled even by the end of the year under review.
- (b) The sum of Rs.71,162 recoverable from the former Chairman of the Council had not been recovered according to the decision of the meeting of the Board of Council held on 15 July 2013.

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

Instances of non-compliance with the following laws, rules, circulars and Financial Regulations were observed

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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(a) Section 3(1) of the National Human Resources Development Council of Sri Lanka Act, No.18 of 1997.	Only 4 members had been appointed by the Minister though the composition of the Council should consist of 15 members appointed on designations and 5 members appointed by the Minister.
(b) Public Finance Circular No. IAI/2002/02 dated 28 November 2002	Even though a separate Register of Fixed Assets should be maintained for the computer accessories and software, such a Register had not been maintained by the

Council.

- (c) Treasury Circular No.842 dated 19 December 1978.

Even though, a Register of Fixed Assets should be maintained for every accounting purpose, all purchases of fixed assets had been entered in the Inventory Register by the Council.

3. Financial Review

3.1 Financial Results

The operations of the Council during the year under review had resulted in a surplus of Rs.1,187,102 as compared with the surplus of Rs. 292,661 in the preceding year. The financial results for the year under review had indicated an improvement of Rs.894,441 as compared with the preceding year.

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.No.18 of 1997. Similarly, the duties and functions to be performed for the development of human resources of the Country is described furthermore under the 1st Schedule of the Act. However, attention should be paid in respect of the plans and the actual functions of the Council prepared for the past period and execution of the following matters mentioned in the Act.

- (a) The recommendations had not been furnished to the Minister by the Council in respect of the changes to be made for the policy, plans and programmes in necessary moment and the review and examination of the Programmes and plans periodically operational with the National Human Resources Development Policy.
- (b) The implementation on the Human Resources Development Plans and Programmes approved by the Government had not been sought.

4.2 Management Inefficiencies

The members appointed to the Council in terms of Sub –section 3 of the Act, should consist of a team of 20 members with Heads of Institutions involved in the economic and human resource development of the country for the achievement of the objectives of the establishment of the Council more effectively. However, it was observed that the contribution of the members of the Council had been a minimum level in the examination of minutes of Board of Control and participation of members for the meetings held during the year under review.

- (a) 07 members out of the 19 appointed for the 06 meetings of Board of Control held during the year under review had not participated in any of the meetings.

- (b) It was observed in audit that only the Chairman and other 2 members had participated in all the meetings held and 2 members had participated only for one meeting .

4.3 Operating Inefficiencies

The following observations are made.

- (a) Even though according to the Action Plan, the final report in relation to the Project of Middle East Immigrant Labourers and their Social Knowledge should be furnished to the Minister in the year under review, this project had been executed after 06 months of the planning. However, a sum of Rs. 0.35 million had been spent for that purpose but the report had not been furnished even as at 18 June 2015.
- (b) A sum of Rs.1.6 million had been spent in the year under review for the planning and to conduct surveys in respect of 7,000 families under the Project of Development of war disadvantaged families displaced by war in Mullaitivu District in the Northern Province. According to the Action Plan, this Project should be completed during the year under review but the reports had not been submitted even as at 18 June 2015.
- (c) The survey of the National and International Labour market Study Project had been conducted by a private institution spending a sum of Rs.4 million. Even though a report had been submitted by that institution relating to the survey ,that report had not contributed to achieve the expected objectives of the Council.

4.4 Personnel Administration

Twenty officers had been recruited to the Council in the year 2013 and 03 officers had left in the same year. Nine officers were recruited in the year under review and 09 officers had been left. Accordingly, it was observed that there was a tendency that officers vacate their services and there were 05 vacancies existed out of 33 approved cadre. It was observed that there was one vacancy for an essential post of the Research Officer, though these posts were limited to 4 officers .

4.5 Resources of the Council Given to Another Government Institutions

The service of a driver who had been recruited for the permanent service of the Council had been deployed for another Government Institution during a period over 5 years.

4.6 Un-economic Transactions

A sum of Rs.43,411 had been spent for printing of 500 units of June volume of the Journal News Letter which is published once in 06 months by the Council and a sum of Rs.79,236 had been spent to print the December volume in a more harder paper . As such, an unnecessary expense of Rs.35,825 had been incurred .

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. Similarly, the financial values of targets to be achieved had not been stated .

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) Accounting
- (b) Assets Management