

National Human Resources Development Council of Sri Lanka - 2016

The audit of financial statements of the National Human Resources Development Council of Sri Lanka for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 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. 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.

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 2016 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 Accounts Receivable

A sum of Rs.31,050 and goods valued at Rs.40,112 recoverable to the Council from the former Chairman issued by the Council to the Chairman had not been obtained even by 31 December 2016.

3. Financial Review

3.1 Financial Results

The financial result of the Council for the year under review had resulted in a surplus of Rs.945,003 as against the corresponding deficit of Rs.1,314,128 for the preceding year, thus indicating an improvement of Rs.2,259,131 in the financial result in the year under review as compared with the preceding year. The increase of the grants made by the Treasury by a sum of Rs.1,073,187 and earning profit amounting to Rs.1,073,187 from the foreign training programmes had been the main reasons for this improvement.

In analyzing financial results of 04 preceding years and in the year under review, a deficit had indicated in the years 2012 and 2015 and a financial surplus had indicated in the other years. In considering personnel emoluments and depreciation on non- current assets, the contribution of the Institution amounting to Rs.8,838,045 in the year 2012 had continuously increased up to a sum of Rs.21,728,153 in the year 2016.

4. Operating Review

4.1 Performance

The main objectives in terms of Section 14(1) of the National Human Resources Development Council of Sri Lanka Act No.18 of 1997 are inquiring on all sectors of the National Human Resources Policy including employment, training and education, the application of Science and Technology, the enhancement of the quality of life, designing of social protection for disadvantaged groups of persons, reviewing those policies, inquiring on the implementation of those programmes. The following observations are made relating to the achievement of these objectives.

- (a) Programmes had not been implemented 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 designing social protection for disadvantaged groups and inquiring on the implementation of human resources development plans and programmes approved by the Government.
- (b) Even though the responsibility of reviewing the National Human Resources Policy had been entrusted to the Council according to the Act, it had been entrusted to the Ministry of Labour from the year 2012 by the Cabinet Sub- committee on Economic Affairs.
- (c) The following observations are made on the execution of the functions targeted by the Action Plan.
 - (i) The Report on Sri Lanka Job Market Trends which was scheduled to be issued in the year 2016 had not been published up to 31 March 2017.
 - (ii) Even though a sum of Rs.1,500,000 had been allocated to conduct 15 regional workshops for raising awareness on Job Opportunities in the fields of Tourism, Textile and Information Technology, only 6 workshops had been conducted for the field of Tourism by spending a sum of Rs.882,000 in the year under review.
 - (iii) Twenty- four per cent of the provisions made for research and development activities in the year had not been spent and the performance of 3 programmes was ranging from 10 per cent to 57 per cent.

4.2 Management Activities

The following observations are made.

- (a) Even though a Council consisting of 20 scholarly members including Secretaries of 11 Ministries, the Chairman of the University Grants Commission, Chairmen of 04 Vocational Education Institutions and 5 persons with high experience in the field appointed by the Minister had been appointed and 3 meetings had been held in the year under review for the participation in initiating, promoting and implementing the policies relating to the development of human resources in terms of the provisions in the National Human Resources Development Council of Sri Lanka Act No.18 of 1997, decisions relating to initiating and to promoting them had not been taken.
- (b) Even though it was observed that 20 items of fixed assets of which expenditure amounting to Rs.354,332 according to the Register of Fixed Assets does not physically exist in terms of an Inspection Committee Report, action had not been taken sufficiently in this connection.

4.3 Commencement of Projects on property not properly vested

Even though a contractual agreement valued at Rs.8,916,745 had been entered into with a private contractor on 30 December 2016 for modifying the Council Office established in a building belonging to an external Ministry, the Council Office had not been entered either into such an agreement or into a mutual agreement on long- term basis and even though a fee amounting to Rs.25,000 had been recovered for the goods removed in the modification according to the agreement entered into with the contractor, the fixtures which were agreed to remove had not been identified, listed and the values had not been established.

4.4 Personnel Administration

The approved staff of the Council had been 31 and there were 05 vacancies as at 31 December 2016. However, it was observed that the Council did not have a sufficient staff for the achievement of the broad objectives of the established Act.

5. Accountability and Good Governance

5.1 Internal Audit

An Internal Audit Unit had not been established in the Council and any audit had not been carried out in the year even by the Internal Audit Unit of the Ministry. Even though the necessity of an internal audit for evaluating the sufficiency of internal control systems had been stated by the Management Audit Circular No.DMA/06 which had been issued on 15 November 2011 by the Director General of the Department of Management Audit, it was observed that action had not been taken accordingly.

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 control.

Areas of Systems and Controls

Observations

(a) Budgetary Control

The budget had been revised in the end of the year.

(b) Control of Assets

Not following the provisions of the Circular in removing assets.

(c) Performance

Not paying attention to preparing sufficient programmes for the achievement of the objectives of the Act and implementing them.

(d) Procurement Process

Not following the Procurement Process in selecting external institutions for the implementation of programmes.