

National Human Resources Development Council of Sri Lanka – 2017

The audit of financial statements of the National Human Resources Development Council of Sri Lanka for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 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 2017 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 Payable

The balances payable as at 31 December 2017 valued at Rs.1,192,086 and a balance amounting to Rs.250,000 remained payable for the Labour Market Survey, out of it, remained not being settled for a period of over one year.

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

Even though at least 12 meetings should be conducted for a Financial Year by the Council in terms of the National Human Resources Development Council of Sri Lanka Act, No.18 of 1997, only 04 meetings had been conducted for the year 2017.

3. Financial Review

3.1 Financial Results

The financial result of the Council in the year under review had resulted in a surplus of Rs.4,167,580 as compared with the corresponding surplus of Rs.945,003 in the preceding year. An improvement of Rs.3,222, 577 was observed in the financial result in the year under review as compared with the preceding year. Earning profit amounting to Rs.5,788,680 by foreign training programmes had been the main reason for this improvement.

In analyzing financial results in the year under review and of 04 preceding years, it indicated a deficit in the year 2015 and a financial surplus in other years. In considering personnel emoluments and depreciation for non- current assets, a continuous improvement in the contribution of the Institution indicated, from a sum of Rs.9,634,876 in the year 2013 to a sum of Rs.21,610,655 in the year 2017.

4. Operating Review

4.1 Performance

4.1.1 Function and Review

The following observations are made.

- (a) Even though a sum of Rs.15.65 million had been provisioned for the completion of the 29 projects/ programmes in the year by the Revised Action Plan in the year 2017, a sum of Rs.17.39 million had been spent for the implementation of those programmes/ projects. As such, a sum of Rs.1.74 million had been spent exceeding the amount of money allocated by the Action Plan.

- (b) Projects/ programmes amounting to Rs.2.93 million, planned to be completed as at 31 December 2017 could not be completed and the physical progress of 03 programmes amounting to Rs.0.65 million, out of it remained at a low level of less than 50 per cent.

- (c) Even though it had been targeted to prepare and issue 2 journals annually by the National Human Resources Development Council of Sri Lanka, only one journal out of it had been released in the year 2017.

5. Sustainable Development

5.1 Achieving the Sustainable Development Goals

Every Government Institution should act as per The 2030 Agenda for Sustainable Development, of the United Nations and awareness had not been raised by the National Human Resources Development Council of Sri Lanka as to the way that action should be taken relating to the functions considered under their scope relating to the year under review.

6. Accountability and Good Governance

6.1 Internal Audit

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

6.2 Budgetary Control

The following observations are made.

- (a) Even though the Budget relating to the year under review had been revised in December 2017, the approval of the Council had not been obtained relating thereto.
- (b) A variance ranging from 10 per cent to 65 per cent in the recurrent expenditure and a variance ranging from 15 per cent to 100 per cent in capital expenditure was observed according to the Revised Budget. Expenditure amounting to Rs.527,420 had been incurred for the purchase of computers, of which provisions had not been allocated by the Budget and the entire provision amounting to Rs.400,000 allocated for the capital expenditure of vehicles had been saved.

6.3 Unresolved Audit Paragraphs

The recommendations in the Inquiry Report dated 19 November 2015 relating to a shortage of 26 Items of Fixed Assets costing Rs.354,332 remaining in the Register of Fixed Assets had not been implemented even by 31 December of the year under review.

7. 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
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(a) Control of Assets	Not following accurate methodologies in removing assets.
(b) Performance	Not preparing and implementing sufficient programmes for the achievements of the objectives of the Act.