

Head 328 - Report of the Auditor General on the Department of Manpower and Employment - Year 2017

The Appropriation Account, and Reconciliation Statement relating to Head and Item stated in the First Schedule and Third Schedule of the Appropriation Act, No. 24 of 2016 as amended by the Appropriation (Amendment) Act, No.32 of 2017 were presented to Audit by the Department of Manpower and Employment. The financial and physical performance reflected by those accounts and reconciliation statements were audited in terms of Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

1.2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Financial Management and Accountability

The Minister of Finance is charged with the raising of Revenue and the collection of other Government monies as well as with the general oversight of all the financial operations of Government in terms of Financial Regulation 124 of the Democratic Socialist Republic of Sri Lanka. The Chief Accounting Officers have been appointed by the Minister of Finance to discharge the above responsibility in terms of Financial Regulation 124(2). The Head of the Department appointed by the Treasury will be the Accounting Officer in respect of all the financial transactions of his Department in terms of Financial Regulation 125(1)(a). This responsibility includes designing, implementing and maintaining internal controls relevant to the maintenance, preparation and fair presentation of Accounts and Reconciliation Statements presented within the limitations imposed by Parliament in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions, Government Financial Regulations and Administrative Regulations.

1.3 Scope of Audit

The audit of the Department of Manpower and Employment - Head 328 for the year ended 31 December 2017 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka in respect of designing of financial and physical performance, Government expenditure, Government revenue, management of human and physical resources, apply of internal control systems, compliance with laws, rules and regulations and maintenance of books, registers, records and reconciliation statements in an updated manner, preparation and presentation of accounts in timely manner, issuance of performance reports to respective parties based on the performance indicators. The Management Audit Report for the year under review was issued to the Director General of the Department on 07 September 2018. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the plans, accounts, reconciliation statements and performance reports presented to Audit and tests of

samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

1.4 Audit Observation

The material and significant audit observations out of the audit observations included in the Management Audit Report appear in paragraph 2.1 to 2.10 of this report. It was observed that the accountability as the Accounting Officer had been satisfactorily executed, to ensure the adequacy of the financial administration subjected to the following summarized audit observations revealed in the execution of the provisions of the Financial Regulation 128 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

General responsibilities of the Accounting Officers in terms of Financial Regulation 128	Non-compliance of the Accounting Officer to the Provision	Reference to the Paragraph of the report Containing Observations
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Financial Regulations

128 (1) (a) The work of his department is planned and carried out with due despatch, having regard to the policy laid down by the Government and the intentions of Parliament in granting him financial provision for the activities authorised and that an endeavour is made to complete the programme of work laid down for the year and	1. Failure to adequately plan the procurement activities. 2. Failure to prepare budget estimates realistically. 3. Failure to achieve the expected level of output. 4. Deficiencies in the execution of procurement procedure	2.3 (a) 2.8 (a) 2.2 (b) 2.3 (b)(c)
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/ or attain the targets specified.

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| 128
(1) (b) | The organisation for financial control and accounting in his department is effective, and provides adequately for the correct ascertainment, where necessary, of dues to Government, the systematic, complete and prompt collection of dues, and bringing to account of monies received, the authorization of commitments, on behalf of the Government, the supervision and examination of services and supplies rendered, and the prompt and correct payment therefor from public funds. | 1. Failure to achieve the expected level of output. 2.2 (b) |
| | | 2. Deficiencies in the execution of procurement procedure. 2.3 (b) (c) |

128 (1)(c)	The Financial Regulations and other supplementary instructions of the Government are adhered to in	Non-compliance	2.10
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his department,
and that they are
supplemented
by departmental
instructions
where
necessary.

128 An adequate Deficiencies stated in the Advances 2.9
(1)(d) system of to Public Officers Account.
internal check
for receipts,
payments, and
issues is
maintained and
tested from time
to time.

128 Adequate and Deficiencies in the management of 2.4
(1)(e) proper assets.
arrangements
are made for the
safe custody and
preservation of
money, stores,
equipment, and
other assets
belonging to the
Government, or
is in its custody,
and that these
are verified from
time to time;
and, where they
are disposed of ,
such disposal is
according to
prescribed
Regulations and
instructions.

128 The procedure Losses and damages. 2.6
(1)(o) laid down in
Financial
Regulations 103
to 108 is
adhered to in

case of losses to Government by the delays, negligence, faults or frauds on the part of officers / employees and surcharges are imposed on officers / employees responsible for such losses in terms of F. R. 156 (1).

2. Material and Significant Audit Observations

2.1 Performance

The following observations are made.

- a) Provision amounting to Rs. 2 million had been utilized on the development of Electronic Public Employment Services Centers for promoting the productivity of labor force as mentioned in the annual Action Plan. However, the output expected therefrom had not been achieved.
- b) An expenditure of Rs. 8,335,000 had been spent in the year 2015 on the development of a computer software for the management and supervision of the National Policy of Human Resources and Employment under the cooperation of Asian Development Bank. It had been planned thereunder to establish online links between the institutions and Ministries identified to have been pivotal in the implementation of that policy, but the system had not become functional even up to the end of the year under review. Those assets and software purchased on 08 September 2015, had remained idle even by the end of the year under review.
- c) There had been a total of 10,577 employment opportunities provided by the Department in the year under review indicating a decrease of 3,597 employment opportunities as against the preceding year. In the year 2017, the total unemployment accounted for 358,507 of the population, and as compared thereto, the total employment remained as low as 3 per cent. Accordingly, the contribution of the Department to the alleviation of unemployment in Sri Lanka was 3 per cent. Furthermore, the Department had not implemented programmes specific to alleviate female unemployment in the year 2017.

- d) A target of 5063 employment opportunities had been given to Public Employment Service (PES) Centers established in 13 districts though, those Centers had provided only 2065 employment opportunities indicating 40 per cent. Considering those Centers on individual basis, the percentage of failing to provide employment opportunities ranged from 25 per cent to 58 per cent.

2.2 Obtaining Supplies and Services through Procurement Procedure

2.2.1 Procurement Planning

The Department had been provided with provision totalling Rs. 2.3 million to obtain services and supplies through the procurement procedure for the year under review, and Rs. 2.3 million thereof had been utilized. Observations on the Procurement Plan that should have been prepared with respect to the provision made, are as follows.

- a) A Procurement Plan and Procurement timetable had not been prepared for the year 2017 in terms of Guideline 4.2 of the Government Procurement Guidelines.
- b) A diploma course on career guidance had been conducted at the Sri Lanka Foundation Institute in the year 2014 for 34 officers of the Department spending a sum of Rs. 1.8 million. A sum of Rs. 846,000 further payable for that course had been paid on 17 March 2017. The course had been conducted without being ascertained that provision would be made for the procurement in terms of Guideline 2.5.1 (a) of the Procurement Guidelines.
- c) The procurement of 100 Laptops had been planned in accordance with the budget proposal on the development of a system for the management of monthly progress at the field. As the institution to which the procurement had been awarded, was not capable enough to supply the said quantity, only 70 of the 100 Laptops had been purchased, and hence, a sum of Rs. 2,987,700 had been saved.

2.3 Assets Management

The labor market information unit had printed 3600 handbooks relating to the fields of financial, fishery, state, and employment in the year under review incurring an expenditure of Rs. 845,785. However, 1576 of those handbooks had not been distributed among the Development Officers and Career Guidance Officers even up to the end of the year 2017.

2.4 Commitments and Liabilities

The following observations are made in that connection.

- a) The provision of Rs. 178.5 million made for 14 Items of Expenditure had been exceeded by Rs. 2.3 million contrary to Section 02 (a) of the Public Accounts Circular, No. 255/2017, dated 27 April 2017 thereby incurring commitments worth Rs. 4.9 million.
- b) Liabilities worth Rs. 226,383 incurred in the year under review, had not been disclosed in the Appropriation Account.

2.5 Losses and Damages

As for the theft of Laptop worth Rs. 118,000, action had not been taken to present a detailed report on the recommendations and recovery of the loss by identifying the officers involved in the theft directly or indirectly in terms of Financial Regulation 104(4).

2.6 Management Inefficiencies

A provision of Rs. 10 million had been made in the wake of a budget proposal presented to the Treasury in the year 2017 for establishing a system for the management of monthly field progress, granting Laptops to the officers attached to the Department, and training the officers. But, the Management Information System could not be established by the end of the year under review, and the Laptops had been purchased & distributed to the Field Officers. As the Laptops had been purchased and distributed among the Field Officers without establishing a Management Information System, the objectives of purchasing Laptops could not be achieved.

2.7 Utilization of Provision Made by Parliament for the Execution of Activities

Details on provisions made for the Department during a period of 05 years ended 31 December 2017, utilization & savings and audit observations thereon appear below.

Year	Type of Expenditure	Net Provision	Utilization	Savings	Savings as a Percentage of Net Provisions
		Rs. Millions	Rs, Millions	Rs, Millions	
2013	Recurrent	244.00	196.39	47.61	19.51
	Capital	43.20	33.45	9.75	22.57
	Total	287.20	229.84	57.36	19.97
2014	Recurrent	249.37	249.27	0.10	0.04
	Capital	24.60	23.48	1.12	4.56
	Total	273.97	272.75	1.22	0.45
2015	Recurrent	312.30	310.14	2.16	0.69
	Capital	40.50	36.43	4.07	10.04
	Total	352.80	346.57	6.23	1.76
2016	Recurrent	330.45	328.83	1.62	0.49
	Capital	33.70	31.74	1.96	5.82
	Total	364.15	360.57	3.58	0.98
2017	Recurrent	356.20	350.06	6.14	1.72
	Capital	44.80	38.71	6.09	13.59
	Total	401.00	388.77	12.23	3.05

The following observations are made in respect of the year under review.

- a) Of the provision amounting to Rs. 200,000 made on buildings and constructions for the year under review, a sum of Rs. 146,559 had been saved. It was observed by the Audit that no plan whatsoever had been maintained in respect of the activities to be carried out by utilizing those monies.

- b) Overprovisioning

As overprovision amounting to Rs. 9.98 million had been made on 10 Items of Expenditure, a sum totalling Rs. 74.27 million had been utilized therefrom, and hence, the saving ranged between 6 per cent and 73 per cent of the net provision made.

2.8 Advances to Public Officers Account

The actuals and limits authorized by Parliament on the Advances to Public Officers Account under Item Code 32801 relating to the Department, are as follows.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million
18.00	9.67	11.00	11.25	55.00	36.00

The following observations are made.

- According to the computer printout of the reconciliation statement prepared in terms of Financial Regulation 427 (1), a difference of Rs. 381,500 had existed in the debits whilst a difference of Rs. 286,430 had existed in the credits of the year under review.
- A difference of Rs. 249,551 was observed in the comparison between the value shown as being receivable from the employed officers in the Advance "B" Account, and the loan balances pertaining to 15 officers shown in the employee loan register being maintained by the Department.

2.9 Non-compliances

2.9.1 Non-compliances with Laws, Rules, and Regulations

Reference to Laws, Rules, and Regulations	Value (Rs.)	Non-compliance
a) Financial Regulation of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 392	34,975	A Cheque in lieu had been issued without obtaining an indemnity bond following the misplacement of Cheque No. 324600.
b) Public Administration Circulars. Section 4.3 of Public Administration Circular, No. 30/2016.	-	A report should have been obtained from a mechanical engineer qualified in the Government sector relating to the reasonability of the prices of the institute carrying out repairs on vehicles. However, it had not been so done.

c) Procurement Guidelines

Guideline 2.4.8 235,120 Handbooks had been printed in accordance with the Action Plan for the year 2017 for the two programmes on parents awareness, and meeting the career challenges. Nevertheless, Technical Evaluation Committees and Procurement Committees had not been appointed in terms of Government Procurement Guidelines.

2.10 Human Resource Management

2.10.1 Attached Cadre, Actual Cadre, and Expenditure on Personnel Emoluments

Information relating to the approved and actual cadre, and the number of vacancies as at 31 December 2017 are as follows. A sum of Rs. 277.78 million had been spent by the Department on the category of personnel emoluments in the year under review.

Category of Employee	Approved Cadre	Actual Cadre	No. of Vacancies
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(i.) Senior Level	15	9	6
(ii.) Tertiary Level	4	0	4
(iii.) Secondary Level	673	566	107
(iv.) Primary Level	15	13	2
Total	<u>707</u>	<u>588</u>	<u>119</u>

The following observation is made in this connection.

The 43 vacancies of the Human Resource Development Officers, and 53 vacancies of the Career Guidance Officers existed among 107 vacancies in the secondary level that had directly been involved in achieving the objectives of the Department. Hence, the performance of the Department had directly been affected.