

Head 328 - Department of Manpower and Employment

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of Manpower and Employment for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance and cash flow statement for the year then ended 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 provisions of the National Audit Act, No.19 of 2018. The summary report containing my comments and observations on the financial statements of the Department of Manpower and Employment was issued to the Accounting Officer on 18 October 2021 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Department was issued to the Accounting Officer on 22 September 2021 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Department of Manpower and Employment as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements is further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

The Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Section 16(1) of the National Audit Act, No.19 of 2018, the Department is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable the preparation of annual and periodic financial statements.

In terms of Sub-section 38(1)(c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's summary report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.
- Evaluate the structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5. Report on Other Legal Requirements

I express the following matters in terms of Section 6 (1) (d) of the National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year,
- (b) The recommendations made by me on the financial statements of the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Capital Expenditures

Audit Observation	Comments of the Accounting Officer	Recommendation
Although the total net provision of capital expenditure in the statement of expenditure should have been Rs. 37,779,000; its total was stated as Rs. 36,397,000 according to the programmes of the financial statements of the department for the year 2020. Accordingly, it was observed that the total capital expenditure was stated less than Rs. 1,382,000 in the financial statements.	It was noted by mistake and will be corrected.	Financial statements should be prepared in accurately.

1.6.2 Reconciliation Statements on Advances to public Officers

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) There was a difference of Rs. 18,462 between the balances in the balance list and the balances shown in the member credit register for the balance due from 03 officers employed in Advance B account.	Those delays have been corrected now and it was advised to note correctly in future.	Financial statements should be prepared in accurately.
(b) The balance of Rs. 133,870 due from an officer of the department as outstanding balance as at 31 December 2020 was not mentioned in the member credit register.	By mistake, not recorded in the credit ledger and it was recorded and corrected.	-Do-

- (c) According to the credit balance mentioned in the member credit register, it was observed that the debt balance of one officer was more than Rs. 166,000 and the debt balance of another officer was less than Rs. 3,750 in the Advance B account. Action will be taken to rectify it. -Do-

2. Financial Review

2.1 Expenditure Management

Audit Observation	Comments of the Accounting Officer	Recommendation
Due to over- provisioning for 05 capital expenditure subjects and 03 recurrent expenditure subjects, there was a savings amounting to Rs. 1,333,944 after utilization of the allocation ranged from 11 percent to 74 percent of the net allocation for those expenditure subjects.	The expenses were not expense as expected due to the Corona epidemic in the country.	Should be submitted accurately predicted expense estimates.

2.2 Incurring of Liabilities and Commitments

Audit Observation	Comments of the Accounting Officer	Recommendation
Although any unreported liability in the year 2020 should not be settled in the year 2021 as per paragraph 3.4 of the Guideline No. 06 of the Public Finance Circular No. 02/2020, non-compliance with the total receipts of goods and services in the year 2020 amounted to Rs. 2,726,637 were paid in 2021, but those expenses were not included as liabilities in the financial statements for the year under review.	I accept that the values of the vouchers issued after the preparation of the financial statements are not included and some of the values are not included due to delays.	Should be accounted in accordance with the circular provisions on liabilities.

2.3 Certification of Chief Accounting Officer / Accounting Officer

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>The Accounting Officer should ensure that an effective internal control system is set up and maintained for the control of the Department in accordance with the provisions of section 38 of National Audit Act No. 19 of 2018 and review the effectiveness of the system in periodically and make the necessary changes to keep the system running efficiently. Reviews in this regard should have been made in writing and a copy should have been submitted to the Auditor General, but no statement had been made to the audit stating that such reviews had been made.</p>	<p>An effective internal control system is developed and maintained and submitted in writing to the Internal Audit Division of the Department for its quarterly Audit and Management Committee meetings. I noted to submit a copy of it to the auditor General.</p>	<p>Action should be taken to act in accordance with the provisions of the Act.</p>

2.4 Issuing and settling Advances

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>The balance of Rs. 15,835 due from an officer who has left the service as per the Advance "B" control account has not been fully recovered yet and there is no record of that in the debtor time analysis. It was further observed that loan installments amounting to Rs. 16,958 for 02 months had not been recovered from the 03 officers currently in service.</p>	<p>The balance due from the retiring officer is already recovered in installments from his guarantors and the other loan installments have been already recovered.</p>	<p>Should be recovered the installments in appropriately.</p>

3. Operational Review

3.1 Assets Management

Audit Observation	Comments of the Accounting Officer	Recommendation
The car valued at Rs. 7,500,000 provided to the department by the Ministry of Youth and Sports during the year 2020 was not mentioned as transfers from other institutions in the statement of non-financial assets included in the financial statements of the year under review. Further, no action had been taken to transfer the ownership of this car to the department.	As this vehicle is temporary assigned, it is not mentioned in the statement of non-financial assets. Although that car was requested to assigned, it was informed that it could not be done.	Should be settled the ownership of assets and accounted properly.

4. Achievement of Sustainable Development Goals

Audit Observation	Comments of the Accounting Officer	Recommendation
It was observed that the progress of the achievement indicators for the Sustainable Development Goals of the department was between 19 percent and 66 percent as at 31 December 2020.	There was a decline in achieving the above goals due to the reasons as the country was closed and restrictions were imposed from time to time, schools continued to be closed due to the Covid 19 epidemic situation and job promotion programmes were not allowed during the election period. However, as these programmes need to be continued, it is hoped that progarmmes involving school children are expected to be implemented as a virtual programme through zoom technology.	Action should be taken to achieve the required targets in order to make the necessary progress to achieve the Sustainable development Goals.

5. Human Resources Management

Audit Observation	Comments of the Accounting Officer	Recommendation
The department had a total of 95 vacancies including 07 senior level vacancies, 04 tertiary level vacancies, 80 secondary level vacancies and 04 primary level vacancies as at 31 December 2020.	Requests have been made to the Secretary of Public Administration and the Director General of combined Services to fill the vacancies at the senior and tertiary level. Although there are 56 vacancies for career guidance posts, they will not be re-recruited as the promotion procedure for field officers sent for approval has been approved by the existing officers as personally and subject to subsequent abolition. The Director General of Combined Services has been informed about the vacancies for Development Officers and at present 18 persons has been recruited.	Filling the staff vacancies in the department as required.