

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 2021 comprising the statement of financial position as at 31 December 2021 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 31 May 2022 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 30 June 2022 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 2021, 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 Non-compliance with circular provisions of the financial statements

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) Although the final treasury trial balance prepared in form SA 21 obtained from the CIGAS web application system should be submitted as per paragraph 3.1 of the Public Accounts Guidelines Circular No. 2021/03 dated 26 November 2021, the trial balance for the month of December 2021 had been submitted to the financial statements.	I kindly inform that the year-end trial balance obtained through CIGAS desktop application is attached to the financial statements.	Financial statements should be submitted as per the Public Accounts Circular No. 2021/03.
(b) Paragraph 7.2 of Guideline No. 2021/03 states that the income collected by the reporting institution on behalf of other income accounting officers should be adjusted in the imprest reconciliation statement and also the previous year comparative figures should be indicated accordingly. But, although Rs. 21,482,750 for the other income heads of the imprest reconciliation statement presented by the Department of Manpower and Employment was stated as the collected income of the Department of Manpower and Employment, comparative figures of the preceding year was not mentioned.	The collected income of Rs. 21,482,750 by our department on behalf of other income accounting officers was not included in the Statement of financial performance as per the paragraph 7.2 of Guideline No. 2021/03 and it is further informed that it is included under deductions in the imprest reconciliation statement. Also, kindly inform that the comparative figures for the year 2020 have been adjusted and included in the restated column of the Statement of financial performance of 2020.	Action should be taken to submit financial statements as per the Public Accounts Circular No. 2021/03.

1.6.2 Statement of Financial Position

1.6.2.1 Non-Financial Assets

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
The cab belonging to the Labour Department valued at Rs. 4,700,000, which was accounted as an asset of the Manpower Department, should be indicated as the deduction from the financial assets when released back to the Department of Labour, but it was stated as the disposal.	There were no comments.	Assets should be properly accounted.

2. Financial Review

2.1 Expenditure Management

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
Due to over- provisioning for 06 capital expenditure subjects and 04 recurrent expenditure subjects, there was a savings amounting to Rs. 32,850,307 after utilization of the allocation ranged from 25 percent to 100 percent of the net allocation for those expenditure subjects.	The expenditure of the institution was limited as per the internal circular 07/2021. Accordingly, although the provisions have been allocated under due approval, the programmes, purchases, improvements, subsidies, allowance payments etc., which have not been started at that time, have been temporarily suspended. Therefore, we have confirmed to the treasury that we will save the provisions of the above mentioned expenditure items. Also, due to the Covid-19 epidemic in the country, there were no expenses as expected.	Estimates should be prepared correctly as per the financial regulations.

2.2 Incurring of Liabilities and Commitments

Audit Observation	Comments of the Accounting Officer	Recommendation
According to Public Accounts Guidelines No. 2021/02 and paragraph 3.5 of the circular dated 26 October 2021, It has been mentioned if any department has received goods and services from another government or private institution in the year 2021, the related bills should be settled and accounted on or before 31 December 2021, but it was observed that the liabilities of Rs. 4,563,252 incurred on 28 cases as at 31 December 2021 had not been accounted as per the relevant circular instructions.	Although the bills related to the goods and services received in the year 2021 should be accounted and settled as per the Public Accounts Guidelines No. 2021/02 and paragraph 3.5 of the circular dated 26/10/2021, the payment of bills related to the year was made in the coming year due to insufficient provisions and insufficient imprests.	Should be act in accordance with financial regulations and circulars while approaching to liabilities.

2.3 Issuing and settling Advances

Audit Observation	Comments of the Accounting Officer	Recommendation
Although the interim imprest received should be settled immediately after the completion of the work as per the Financial Regulations 371(5), it was observed that the settlement of imprest money given to four officials in 13 cases was settled with a delay of 17 days to 165 days.	The subject officer was informed to take steps to avoid such delays in future.	Should be complied with financial regulations.

3. Operational Review

3.1 Non-achievement of expected output level

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The project related to Korea-Sri Lanka policy advisory programme by the Ministry of Defense and Labour of the Republic of Korea under the “Rekiya Piyasa” programme has been implemented since the year 2017 under the fields of employment policies and labour market activation programmes, organization of public employment services, effective method exchange on structure and programmes. Accordingly, the approval of the Department of National Planning was obtained on 18 November 2020 to indicate the project concept paper related to the development of information and communication technology infrastructure for the promotion of the public employment service in Sri Lanka on 23 June 2020. No activity related to this project had done in the year 2021 due to the corona epidemic and so it was observed that no progress had been achieved in relation to this project.	No activity related to this project conducted in the year 2021. A discussion was held with the Korean government under the chairmanship of the Director General of the Department of Manpower and Defense through the online system on 23/02/2022 and the Korean government agreed to present future plans and we discussed those plans. The current status and future plans of this project were further discussed with the ministry and it was proposed to obtain a report through the University of Moratuwa regarding the suitability of the project and the Korean government agreed to provide further information.	Projects should be planned and executed according to achieve the desired objectives and maximize the performance.
(b) It was observed that only procurement activities had been commenced to select a software company on 31 December 2021 regarding the installation of a management information system for labour market information and no progress had been achieved in that project.	Belvantage (Pvt) Ltd was selected through procurement to build this management information system and an amount of Rs. 1,980,000.00 was given to Belvantage (Pvt) Ltd for the implementation of its	Projects should be planned and executed according to achieve the desired objectives and maximize the performance.

first phase. Its second phase is successfully completed now.

4. Human Resources Management

Audit Observation

Comments of the Accounting Officer

Recommendation

The department had a total of 40 vacancies including 04 senior level vacancies, 05 tertiary level vacancies, 26 secondary level vacancies and 05 primary level vacancies as at 31 December 2021. The department had failed to complete the total staff shortages including 04 Director posts, one post of Internal Auditor, Information and Communication Technology Officer and a translator, 15 Development Officer posts and 11 Management Service Officers.

16 out of 20 senior level posts in this department have been filled yet now. It has not been possible to complete the vacancies for the 05 posts at the tertiary level.

Immediate action should be taken to fill the vacancies with considering the performance of the department.