

Head 412- State Ministry of Foreign Employment Promotion and Market Diversification

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the State Ministry of Foreign Employment Promotion and Market Diversification 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 including my comments and observations on the financial statements of the State Ministry of Foreign Employment Promotion and Market Diversification was issued to the Accounting Officer on 12 May 2022 in terms of Sub-section 11 (1) of the National Audit Act No. 19 of 2018. The Detailed Annual Management Audit Report relevant to the State Ministry in terms of Section 11 (2) of the National Audit Act was issued to the Accounting Officer on 05 August 2022. 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 State Ministry of Foreign Employment Promotion and Market Diversification as at 31 December 2021, and of 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 responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. 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 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 such internal control as the Accounting Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-section 16(1) of the National Audit Act No. 19 of 2018, the State Ministry is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

As per Sub-section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that effective internal control system for the financial control of the State Ministry exists 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 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, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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.
- Obtain an understanding of internal control relevant to the audit 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, 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.

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 accordance with Section 6 (1) (d) of 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 in the paragraph 1.6.1 (a) had not been implemented.

1.6 Comments on Financial Statements

1.6.1 Reconciliation Statement on Advance Account of Government Officials

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>-----</p> <p>The balance of Advance B Account was shown as Rs. 65,014,795 in the financial statements as per the Treasury printouts at the end of the year under review, after adjusting an unrecognized credit balance of Rs. 128,028 in the individual balance classification summary of Advance B Account.</p>	<p>-----</p> <p>Attention has been paid to take necessary action complying with the Financial Regulations in the year 2022 with regard to this unreconciled balance.</p>	<p>-----</p> <p>According to the balance of the Treasury printouts, the reason for this difference in the ministry accounts should be checked and necessary adjustments should be made.</p>

1.6.2 Non-financial Assets

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>-----</p> <p>Although the balance as per Statement of Non-Financial Assets (ACA 6) was Rs. 308,366,697 as on 31 December 2020, it had been brought forward as Rs. 308,479,016 by the report on Accumulated Non-Financial Assets of the Treasury (SA 82). The reason for this difference had not been disclosed in the notes to the financial statements</p>	<p>-----</p> <p>The actual balance of non-financial assets in the report submitted in the year 2020 (ACA 6) was Rs. 308,479,016 as on 31 December 2020. Accordingly, the non-financial asset balances stated in the year 2021 were correct.</p>	<p>-----</p> <p>If there was any difference in the brought forwarded balances of the previous year's financial statements, the reason for that difference should be disclosed in the financial statements.</p>

1.6.3 Certification of Chief Accounting Officer

As per the provisions of Section 38 of the National Audit Act No. 19 of 2018, the Chief Accounting Officer is required to certify in the following matters, it had not been acted accordingly.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) The Chief Accounting Officer and the Accounting Officer shall ensure that an effective internal control system for the financial control exists 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 and the reviews should have been in writing and copies of the same shall be made available to the Auditor-General, but no statement had been submitted to the Audit that such reviews had been made.	The existing internal control system of the Ministry is being implemented in a systematic way. Special attention is paid in the meetings of staff officers held by me and necessary actions is being taken in this regard.	To comply with the recommendations of the National Audit Act.
(b) Although the Chief Accounts Officer should ensure that there is an effective system for the proper execution of internal audit functions, as per the observations mentioned in paragraph 4.1 of the report, that requirement was not fulfilled.	Although efforts have been made in several times to appoint a permanent internal auditor for the Ministry, so far it has not been possible. Accordingly, it has not been possible to carry out the internal audit functions as required.	An internal audit unit should be Established and maintained the unit more effectively.

2. Financial Review

2.1 Imprest Management

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>Although the Ministry had planned to get an imprest of Rs. 169.97 million for the expenses of the Ministry during the year under review, the aggregated amount of the requested imprests in the year was Rs. 193.65 million. The Ministry had received only 77 percent and 68 percent of the planned imprest and the requested imprest respectively. This situation had hampered the completion of the programs planned to be implemented based on the annual estimate allocations within the stipulated time.</p>	<p>The imprest request will be done considering the expected expenses of each month. Due to non-receipt of required imprest from the treasury as scheduled, the next month will have to apply again for those expenses. Accordingly, imprest request is numerically greater than imprest limits.</p>	<p>The imprest management should be properly done for the on time completion of the planned programs implemented during the year.</p>

2.2 Expenditure Management

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>(a) In addition to the provision made for 08 expenditure subjects in the year under review a provision of Rs. 6,530,500 had been transferred from the provision allocated for other purposes under Financial Regulation 66, contrary to the recommendations given in Paragraph 02 of Budget Circular No. 07/2015 dated 29</p>	<p>Provisions has been transferred through the existing savings in other expenditure subjects for essential expenses due to receiving insufficient provisions from the treasury.</p>	<p>Prepare budget estimates accurately and manage expenses within the limits of the allocations made.</p>

December 2015 and Financial Regulation 05. The percentage of such transfer among the subjects had taken a range between 23 percent and 92 percent.

- (b) Out of the net allocation of Rs. 32,770,000 in 09 recurrent expenditure subjects, an amount of Rs. 12,270,173 or 37 percent and out of the net allocation of Rs. 10,500,000 in 05 capital expenditure subjects an amount of Rs. 7,610,316 or 72 percent were saved.
- As per the Cabinet decision taken regarding spending of capital expenditure in the year 2021, spending of capital expenditure had been limited.
- Pre-plans should be prepared by identifying the requirement properly, and the provisions should be spent with better management.

2.3 Obligation in Liabilities and Commitments

Audit Observation	Comment of the Accounting Officer	Recommendation
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The liabilities and obligations total amounted to Rs. 98,442 for the year under review had not been recorded in the financial statements of the Ministry.	The preparation of financial statements for the year 2021 was completed by 12 February 2022. Liabilities related to the payments received after that date could not be entered to the liability register.	The financial statements should be prepared by entering correct information about expenses related to the year.

2.4 Irregular Transactions

Audit Observation	Comments of the Accounting Officer	Recommendation
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08 file cabinets which had not complied with the technical specifications had been procured at a cost of Rs. 759,687 in the year 2019 for the use of the ministry. Those items which could have been rejected were used without proper	These cupboards were put in to use on the certification of the Technical Officer of the Ministry of Sports, and payment was not made due to lack of financial allocation during the year.	Necessary action should be taken as per Financial Regulations regarding acceptance of goods without checking technical specifications.

inspection and for the changes in their length and width of Rs. 58,438 were deducted from the cost and payments were made in the year 2021 on the recommendations of the accountant of the ministry.

The said cupboards have been re-inspected and the payment was made under the approval of the Secretary of the Ministry.

2.5 Issuance and settlement of advances

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) Although sub imprest should not be taken for non-specific and non-essential functions even by the Accounting Officer in terms of Financial Regulation 371(4) as amended by Public Finance Circular No. 01/2020 dated 28 August 2020, a total advance of Rs. 57,896 were taken by the Secretary of the Ministry in 05 occasions in the year 2021 and had been kept in hand idle for a period between 03 days and 54 days and settled back.	Necessary action had been taken to comply with the circular provisions regarding the settlement of advances.	Issuance and settlement of sub imprest should be done as per circular instructions.
(b) Although the sub imprest should be settled with the relevant bills within 10 days after the completion of the work in accordance with the Financial Regulation 371(5) as amended by the Public Finance Circular No. 1/2020 dated 28 August 2020, a total sub imprest amounted to Rs. 140,917 given in 10 occasions were settled after a delay of 14 days to 58 days after the completion of the relevant works.	Necessary action had been taken to comply with the circular provisions regarding the settlement of advances	Financial Regulations should be complied.

2.6 Non-compliance with Laws, Rules, and Regulations

	Reference to Laws, Rules, and Regulations	Non-compliance	Comments of the Management	Recommendation
(a)	Financial Regulation 105 as amended by Public Finance Circular No. 01/2020 dated 28 August 2020	A vehicle owned by the Ministry was met an accident during the year under review and out of the amount incurred for repairs, a sum of Rs. 40,842 was not covered by the insurance and action had not been taken for recovery of loss to the government, as per the Financial Regulations.	Prompt action will be taken in this regard.	The loss to the government due to the carelessness of the officials should be recovered from the responsible officers.
(b)	Paragraph 02 of Budget Circular No. 04/2019 dated 17 June 2019 and Circular No. 07/2009 of the Ministry of Finance, Economy and Policy Development dated 04 December 2019	A sum of Rs. 186,144 had been spent for additional fuel and highway tolls fee in addition to driver's overtime and subsistence allowances for travelling for programs which could have been traveled with group transportation facilities of 05 officials including the Secretary of the Ministry in 10 occasions in the year 2021, contrary to the provisions of this circular.	It was not practical for all the officers to travel in one vehicle while considering the epidemic situation in the country at that time, the locations of the officers' residences and the places where the meetings were held.	To comply with the circular provisions.

- (c) Paragraph 02 iv of the Ministry of Public Administration and Home Affairs Circular No. 09/2009 of 06 April 2009. It was observed in the test check, a total sum of Rs. 79,837 had been paid as overtime and holiday pay allowances in 03 months in the year for 03 officers including the Secretary of the ministry without having proof of attendance by fingerprint machines 2021, contrary to the provision of the circular. The use of fingerprint machines was avoided due to in the wake of Covid 19 epidemic in the year 2021 and an attendance register was used instead. Based on that the overtime and holiday payment was made during that period. The management should pay special attention regarding not paying attention to this matter even the audit reports of previous years have also mentioned in this regard.

3. Operational Review

3.1.1 Planning

Audit Observation	Comment of the Accounting Officer	Recommendation
Four programs at a total cost of Rs. 900,000 were planned to be implemented during the year under review could not be implemented and the completion progress of 05 more programs was less than 50 percent.	As the activities included in these programs were matters to be done in the field, it was not possible to implement them under the existed Covid epidemic situation and the limitations of capital allocation were also one of the reasons.	Programs should be planned and implemented with an understanding of the existing economic and political environment.

3.1.2 Not Receiving the Expected Outcome

Audit Observation	Comment of the Accounting Officer	Recommendation
The Ministry had procured and distributed 277 computers for the Divisional Secretariats in	Designing and developing a data system is a complex process that takes some time.	The purpose of starting the program, the objective and the

the years 2016 and 2017 at a cost of Rs. 35,500,959 to computerize the information related to the family profiles of migrant workers and maintain a database and send the updated information to the Sri Lanka Foreign Employment Bureau through an online computer system. But it was unable to maintain the database and transmit the necessary information as expected to the Sri Lanka Foreign Employment Bureau by the date of audit even by 05 April 2022.

The existing problems are being identified and related measures are being taken and the expected benefits can be obtained only after the system is implemented properly.

practical situation of the ability to achieve the results should be taken into consideration before implementation. Further, the management should focus on the efficient use of the purchased computers.

3.1.3 Annual performance Report

Audit Observation	Comment of the Accounting Officer	Recommendation
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As per the performance report which should have been prepared in accordance with paragraph 10.2 of the Public Finance Circular No. 2/2020 dated 28 August 2020, in the organizational structure of the Bureau included in the chapter regarding the Sri Lanka Foreign Employment Bureau, an officer had been recruited for a Director Administrative position without formal appointment which was not included in its approved cadre.	The Ministry had informed in writing on several occasions to correct the appointment related to the Director Administrative post of Sri Lanka Foreign Employment Bureau. The Foreign Employment Bureau was informed to correct the post in the presenting of the performance report.	The attention of the management should be focused that the active intervention of the ministry in charge is necessary to maintain the administrative formality of the Sri Lanka Foreign Employment Bureau.

3.2 Security of Public Officers

Audit Observation	Comment of the Accounting Officer	Recommendation
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As per the Financial Regulation 880 amended by paragraph 9 of the Public Finance Circular No. 01/2020 dated 28 August 2020, the Accounting officer is responsible for the custody and security of government money etc. and he should ensure that the securities are kept by the relevant officers in terms of F.R 315. But the officials holding positions such as Accountants, Cashiers, Storekeepers, etc. who should deposit the security had not deposited the relevant security.	The Chief Accountant had already deposited the security.	Action should be taken to deposit security by the officers who are supposed to be kept security as per the provisions of the Financial Regulations.

3.3 Un-economical Transactions

Audit Observation	Comment of the Accounting Officer	Recommendation
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A total rent of Rs.95,628,000 had been paid in two occasions from January 2016 to October 2019 for the renting of buildings for the Ministry's office and a sum of Rs. 15,417,121 had also been spent in two occasions for the partitioning works in the rented buildings and transporting of goods. Further, it has been decided to establish the office again in the "Mehewara Piyasa" building in Narahenpita from the year 2019 and a down payment of Rs. 2,000,000 had been paid in the year 2021 for the partitioning of rooms on the	The necessary action had been taken presently to establish the Ministry in the Mehawara Piyasa building at Narahenpita by May 2022.	Necessary arrangements should be made to maintain the Ministry office in a permanent government building since it was an issue that the Ministry continues to rent external buildings for its office and spend government money ineffectively for their improvements and partitioning works.

estimate of Rs. 34,614,934 submitted by the Building Department. As the ministry building was not maintained at a permanent location, additional money had to be spent for room allocation and transportation.

3.4 Management Inefficiencies

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
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(a) According to the paragraph 03 of the Memorandum of Understanding signed between the Ministry of Foreign Employment and the Korean Government on 29 November 2017 for a period of 02 years in relation to sending of Sri Lankan workers for employment in Korea, the agreement can be suspended or terminated if a period of 06 months expires after the expiry of the agreement to renew the agreement without reasonable cause. Although the validity period of that agreement had exceeded two and half years, it had not been updated by the date of audit, 25 May 2022.	The draft of the Memorandum of Understanding including the amendments and approvals of the relevant parties had been forwarded to the Ministry of Foreign Affairs on 09 May 2022 to get the concurrence of the Korean government.	The management should focus on updating and increasing the opportunity for Sri Lankan workers to apply for foreign jobs at low cost for the most and high advantageous job opportunities through this agreement between the two states.

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| (b) | Two vehicles owned by the Ministry of Industrial Export and Investment Promotion and the Ministry of Labour were deployed for the use of the Ministry without formally takeover from August 2020 to 05 May 2022, even by the date of audit. | The necessary arrangements are being made to take over those vehicles. | Assets belonging to other institutions should be formally taken over and used. |
| (c) | The Secretary to the Ministry had appointed 03 investigation officers to conduct preliminary inquiries related to 07 incidents of irregularities which had occurred in the Sri Lanka Foreign Employment Bureau in the period from 2015 to 2019 and obtained the relevant reports. But action had not been taken to conduct formal disciplinary inquiries or any other action based on those reports. | As the preliminary inquiry reports were incomplete, the relevant payments were not made and further action was not taken in relation to the inquiries. | The reason for stop the payments had not been stated by specifying the deficiencies in the preliminary inquiry reports. The management should focus on taking further action regarding the related incidents. |

4. Good Governance

4.1 Internal Audit

Audit Observation	Comment of the Accounting Officer	Recommendation
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An officer was appointed on a contract basis from December 2019 for the post of Internal Auditor of the Ministry, which had been vacant for a long time, and after the completion of the contract period on 01 December	Efforts had been made to appoint a permanent internal auditor for the Ministry on several occasions, but so far it has not been possible. Accordingly, it had not been possible to implement the	A strong internal audit unit should be established and maintained for the proper evaluation of the financial and administrative activities.

2020, the officer continued in that position without formal appointment until 19 September 2021 and then left the service. Thereafter no internal audit was carried out on the activities of the Ministry from that date to April 2022, which was the date of the audit.

internal audit functions as scheduled.

4.2. **Audit and Management Committee**

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>-----</p> <p>According to paragraph 5.3 of the Audit and Management Circular No. DMA/01 – 2019 dated 12 January 2019, the Audit and Management Committee meeting should be held at least once a quarter, i.e. 4 times a year, covering the Ministry and all the institutions under it. But the Ministry had held only one Audit and Management committee meeting in the year 2021.</p>	<p>-----</p> <p>Necessary arrangements are being taken to streamline these activities by assigning a permanent internal auditor to the Ministry.</p>	<p>-----</p> <p>The circular provisions should be followed and necessary measures should be taken to maintain the financial and administrative activities of the Ministry and the institutions under it in a formal manner.</p>