

Head 193 Ministry of Labour and Foreign Employment

1. Financial Statements

1.1 Qualified Opinion

Head -193 The audit of the financial statements of the Ministry of Labour and Foreign Employment for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 Ministry was issued to the Chief Accounting Officer on 31st May 2023 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Ministry was issued to the Chief Accounting Officer on 13th June 2023 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 Ministry of Labour and Foreign Employment as at 31 December 2022 , 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 are 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 Chief Accounting Officer are 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 Ministry 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 Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Ministry 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 Ministry'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 Chief 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 of Financial Statements with Circular Provisions

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) According to Section 3.1 of the State Accounts Guidelines Circular No. 05/2022 dated on 13 December 2022, the trial balance check generated by the CIGAS desktop application should be used without any modification to prepare the financial statements, but it was observed that the Ministry has prepared the financial statements against to that section.	Can't agree with the observation.	Accounts should be prepared as per State Accounts Guidelines.
(b) According to paragraph 6 of the State Accounts Guidelines No. 2022/05 (ACA-C) dated on 13 December 2022, both cash and cross notes should be considered in preparing the cash flow statement. However, it was observed that cash flow statement was prepared using only cash notes.	The value of Rs.67,603,030 is the sum of the Labour Division, Compensation Commissioner, Productivity and Foreign Employment Divisions.	Accounts should be prepared as per State Accounts Guidelines.

1.6.2 Accounting Deficiencies

(a) Property, Plant and Equipment

The following deficiencies were observed in accounting for Property, Plant and Equipment.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
As on 31 December 2021, the balance of transport equipment and machinery and equipment in the statement of financial position is Rs. 416,645,328 and Rs. 216,603,735 and on 01 January 2022, it was taken as Rs.624,941,134 and Rs.253,022,479 respectively. The reason for this change was not disclosed by any accounting notes.	The value of the non-current assets as on 01.01.2022 of the foreign employment sector taken over in the year 2022 has been included in the opening balance of the ACA-6 format included in the financial statements of the year 2022.	Changes in the accounts should be disclosed through notes.

(b) Balances of the Advance Accounts

The following deficiencies were observed in accounting for balances of the advance accounts as at the end of the year.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) According to the financial performance statement, the advance recoveries and payments were Rs.45,546,282 and Rs.46,125,155 respectively and according to the treasury printed notes reports it was shown as Rs.46,120,398 and Rs.111,714,067 respectively.	In addition to the debits and credits of the period made by 193-11 and 12, the value of the treasury printed notes has been built up including the balances that existed during the transfer of the Foreign Employment Division, Foreign Employment Promotion and Market Diversification State Ministry to this Ministry.	Accounts should be prepared as per State Accounts Guidelines.

(c) Imprest Balance

The following deficiencies were observed in accounting for imprest balances.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) The statement of imprest reconciliation was not prepared in accordance with Guideline 7.10 of State Accounts Guidelines Circular No. 2022/05 dated on 13 December 2022. There were instances of inconsistencies between the data included in statement of imprest reconciliation with the Treasury printed publications.	The balances shown according to the statements of Treasury Accounting include the transactions made by the Labour Division, the Office of the Productivity Secretariat and the Compensation Commissioner's Office operating under the Ministry of Labour and Foreign Employment throughout the year and the foreign employment division's transactions only for the period from September to December, and the statement of imprest reconciliation ACA-7 shows the transactions made by all the above institutions throughout the year.	Accounts should be prepared as per State Accounts Guidelines.
(ii) In the trial balance submitted to the audit by the Ministry of Labour, Rs.951,492,000 received from the treasury during the year was not included and a difference of Rs.951,592,000 was observed between receipts and payments in the imprest account number 249/22.	The amount of Rs.951,492,000 received from the Treasury (ACA-3) and the amount of Rs.100,000 transferred during the transfer of the Foreign Employment Division to this Ministry will be presumed to have formed the value of Rs.951,592,000 which is said to be a difference.	Accounts should be prepared as per State Accounts Guidelines.

2. Financial Review

2.1 Management of Expenditure

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) A 100 percent saving was observed as no expenditure was incurred during the year under review from the budget allocations of Rs.6,240,000 made in relation to 26 expenditure codes.	Provision of project 193-1-1 was given to the Minister of State for recurrent expenses, As expected expenses did not arise, provision remained on expense management.	Provisions should be spent efficiently.
(b) By the end of the year under review, only Rs. 22,717,543 had been utilized out of the provision of Rs. 62,600,000 made in relation to 20 expenditure codes. The saving percentage of these expenditure codes was in the range of 50 percent to 94 percent.	The merger of the two Ministries, the delay in allocating internal rooms to the Mehewara piyasa, was saved due to cost management.	Provisions should be properly managed.
(c) In the year under review, as per supplementary and financial regulation 66 the estimated value for 04 expenditure codes was increased from Rs.1,900,000 to Rs.7,409,750 it is from 152 percent to 548 percent.	According to the new ministries amendment, Allocation of provisions on cancellation, Savings occurred due to the Minister of State had to make provision for paying salaries.	Provisions should be properly managed.

2.2 Issuance and Settlement of Advances

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(i) The amount of Rs.709,239 due from an officer of the Ministry of Labour and 06 officers of the Foreign Employment Division, who had left the service for more than 5 years, remained uncollected even by 31 December 2022.	Action is taking to recover the debt.	Actions should be taken to recover the money due.

3. Operating Review

3.1 Vision and Mission

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) According to the following facts, it was observed that the task of following up and evaluating the implementation of policies and programs related to the subjects of the institutions under the Ministry of Labour, as well as the administration of the Employees' Provident Fund, which was stated as the main task of the Ministry, has not been formally accomplished.		
(i) As at 31 December 2022, Rs.282,726,669 was not credited to the individual accounts of the Employees' Provident Fund and Rs.57,174 was in the Labour Commissioner's contribution account were held in the deposit accounts of the sub offices of Department of Labour.	Necessary actions are being taken to refer the legal documents in large numbers in the work related to settlement to the owner's account. These funds are long-standing balances and it may take some time to clear. After making the corrections, the officers have been informed to take necessary steps to credit the money to the individual accounts.	Contributions should be credited to individual accounts.
(ii) Even by the year 2022, there was no proper monitoring of private provident funds.	Due to the fact that most of the institutions that currently run private employees' provident funds are institutions that existed before the commencement of the Employees' Provident Fund Act, it has been recognized that the relevant sections of the Act should be amended to strengthen the supervision mechanism of the private employees' provident fund.	Action should be taken to monitor the Private provident funds.

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| (iii) A National Policy on Regulation for Employment and a National Manpower and employment Policy were not implemented by the end of 2022. | Since it has been 5 years that this policy was formulated and approved, requests have been made from the relevant institutions including the Ministry of Public Administration and the Sri Lanka National Council for Human Resource Development (NHRDC) to revise and implement it again, but no good responses have been received so far. | Manpower and employment policy should be prepared. |
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3.2 Foreign Aid Projects

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) In the absence of provision in the annual estimates, when it is necessary to use foreign aid, provision must be made through a supplementary estimate or the Weeramong procedure, but in connection with the aid amount of US\$ 30,712 given by the Asian Productivity Organization in the year 2022, as per the financial regulations published by the State Accounts Circular No. 30/94 dated on 20 April 1994 621(2) had not functioned properly.	In the year 2022, no estimated provision was made for the foreign aid given by the Asian Productivity Organization, and so far an estimated provision of 20 million rupees has been allocated for the foreign aid received from the Asian Productivity Organization for the year 2023.	Should be acted as per treasury instructions and financial regulations.
(b) At the time of preparing the estimates, the approval of the Director General of Budget should be obtained regarding the unexpected foreign aid, but the approval was not obtained in terms of Finance Regulation 621(6).	In my No. NPS/FMD/03/20 and the letter dated 22.08.2022, I sought instructions from the Secretary, Ministry of Finance and Economic Policy in this regard, and an estimated provision of 20 million rupees has been allocated for	Do

foreign aid from the Asian Productivity Organization for the year 2023.

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| (c) | According to finance Regulation 625(3) and State Accounts Circular 30/94, the remittance received directly should be deposited in the Treasury, and estimates should be made to utilize the grants, but the total amount of aid Rs.3,975,914 received from the Asian Productivity Organization on two occasions had been deposited in the general deposit account and incurred expenses. | In future foreign aid will be remitted to the Treasury, and I would like to mention that the project cost will be accounted for under the above budget allocation. | Do |
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3.3 Assets Management

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) The Toyota Land Crusher Jeep owned by the Ministry worth Rs.18,000,000 had not been used from October 2018 to the date of this report, and the motorcycle in the Foreign Employment Department had not been used at the time of the audit.	As the technical officers state that the repair of the Toyota Land Crusher Jeep owned by the Ministry is fruitless and disposal is appropriate, it is expected that a committee will be appointed to dispose of this jeep in the near future. It will be further decided Whether it is appropriate to call the prices of the motor bike in the foreign employment sector in the year 2023 and repair it according to the said prices.	Assets should be managed efficiently and effectively.

3.4 Losses and Damage

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) According to the goods survey report of the year 2021, there were 2 fingerprint machines owned by the Ministry of Foreign Employment and according to the survey reports of the year 2022, there was a shortage of one machine. The misplaced machine should have been dealt with in accordance with Financial Regulations 103 to 109, but it was not done, and it was not disclosed in the financial statements regarding this.	Investigations have already started regarding the deficiency of one machine. After the completion of the said investigations, I will proceed according to the financial regulations and make notes in the financial statements.	Should be acted in accordance with financial regulations.

3.5 Uneconomic Transactions

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) A payment of Rs.4,512,123 had been made for 685 award trophies to be awarded to the winners of the National Productivity Awards 2020 and the awards had been handed over to the warehouse on 15 June 2022. A month after receiving the awards, a report was called to see whether these were according to the correct specifications, and as per letter NPS/PR/06/001 dated on 21 September 2022, except for 33 award units, the rest were reported to be defective. In spite of this, the award trophies had been presented to the winners.	Considering the difficulty of correcting the existing situation, even if there is a slight deviation, the awards will be used, so a penalty of 1 percent was charged and the National Productivity Awards ceremony was conducted.	Transactions should be done in a more efficient and effective manner.

3.6 Management Weaknesses

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) In the year 2015, the initial beginning cost was Rs.1,465,200, maintenance costs were Rs.1,700,000, monthly it was Rs.25,000 and other costs were Rs.133,800. By 31 December 2022, the total cost of the e-breeze project was Rs.4,299,000. However, the other expected functions of event management and study management were not used for the administrative work of the officers.	Instead of maintaining this system without further use, it was decided to back up all the previous data of the system and install the system as a new version in order to use it properly. Accordingly, I would like to further inform that the e-breeze system is expected to be used for the maximum duty efficiency of the National Productivity Secretariat through a more accurate use without the existing underutilization situation.	Action should be taken to use the system efficiently and effectively.
(b) As at 31 December 2022, 639 Productivity Development Officers attached to the Productivity Secretariat had not been properly assigned roles or properly supervised by Head Office.	A computerized presentation of the work performed is checked before giving increments. Monthly progress reports are reviewed. Necessary arrangements are being made for a staff review programme.	Officers should be supervised and delegated work.

4. Human Resource Management

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation												
(a) The details of the approved and actual carder of the Ministry of Labour in the year 2022 are as follows.	The work that can be done to the Ministry in relation to filling up the vacancies, it is notification to the concerned institutions to fill up the vacancies has been done. Accordingly, sufficient number of graduate trainees recruited under the Graduate	Action should be taken to resolve administrative problems.												
<table border="1"> <thead> <tr> <th data-bbox="230 1667 358 1740">Employee category</th> <th data-bbox="444 1667 573 1780">Approved number of employees</th> <th data-bbox="591 1667 703 1780">Actual number of employees</th> <th data-bbox="721 1667 862 1740">Number of Vacancies</th> </tr> <tr> <th data-bbox="230 1793 358 1806">-----</th> <th data-bbox="444 1793 573 1806">-----</th> <th data-bbox="591 1793 703 1806">-----</th> <th data-bbox="721 1793 862 1806">-----</th> </tr> </thead> <tbody> <tr> <td data-bbox="230 1822 358 1892">(i) Senior Level</td> <td data-bbox="483 1822 534 1856">449</td> <td data-bbox="623 1822 673 1856">298</td> <td data-bbox="764 1822 815 1856">151</td> </tr> </tbody> </table>	Employee category	Approved number of employees	Actual number of employees	Number of Vacancies	-----	-----	-----	-----	(i) Senior Level	449	298	151		
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(i) Senior Level	449	298	151											

(ii) Tertiary level	908	665	243	Recruitment Program have been provided to this Ministry to fill the secondary level vacancies. As per the circular issued by the Presidential Secretariat regarding recruitment, as the filling of vacancies has been suspended, employees have been brought in from the Multipurpose Development Task Force.
(iii) Secondary level	5,049	4,800	249	
(iv) Primary level	858	704	154	
Total	7,264	6,467	797	
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