

Head 328 -Department of Manpower and Employment

1. Financial Statements

1.1 Opinion

Head-328 The audit of the financial statements of the Department of Manpower and 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 Department of Manpower and Employment was issued to the Accounting Officer on 02 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 Department was issued to the Accounting Officer on 28 April 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.

The financial statements give a true and fair view of the financial position of the Department of Manpower and 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 Opinion

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 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.

2. Financial Review

2.1 Incurring of Liabilities and Commitments

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) According to paragraph 01 of the State Accounts Circular No. 255/2017 dated on 27 April 2017, the provision provided by the Annual Appropriation Act from the year 2017 should be utilized at the optimum level and obligations and liabilities should not exceed the approved provision limits. In relation to 4 expenditure subjects, commitments had been reached beyond the provision of Rs.1,204,997.	The officials have been instructed to take action in future so that the actual expenditure does not exceed the provision limit annually.	Action should be taken to comply with the circular terms of provisions.

2.2 Certification of Accounting Officer

Accounting Officer should certify the following matters in terms of provisions set out in Section 38 of the National Audit Act, No. 19 of 2018. However, it had not been so done

Audit Observation	Comment of the Accounting Officer	Recommendation
That the Chief Counting Officer and Counting Officer shall ensure that the Department develops and maintains an effective internal control system for financial control and that the effectiveness of that system be reviewed from time to time and any necessary changes made accordingly to make the system effective, Those reviews should have been done in writing and a copy of the same should have been submitted to the Auditor	No comments	Should act in accordance with the provisions of Section 38 of the National Audit Act No. 19 of 2018.

General, but statements that such reviews were done were not submitted to the audit.

3. Operating Review

3.1 Non- performance of Functions

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) According to the special gazette No. 1640/31 of the Democratic Socialist Republic of Sri Lanka, the Department of Manpower and Employment under the Ministry of Labour Relations and Manpower was established on 01 January 2010, it was unable to obtain its primary objective of "preparing and implementing a manpower and security policy" by the year 2022.	Programs are implemented annually and it has been more than 5 years since the policy was formulated and no responses have been received for the amendments.	Action should be taken to obtain the main object of establishing the Department.
(b) According to the action plan of the department, in order to create an information system (one system software) to carry out the labour market information collection process, in the year 2022, a total of Rs. 672,900 has been spent for the department's website and server system out of the allocated amount of Rs. 1,700,000. It was unable to finish the task of creating the desired information system.	Only the Smart Sri Lanka project has not been implemented.	Action should be taken to carry out the planned actions.
(c) The Ministry of Defense and Labour of the Republic of Korea under the Employment Market Program, the project related to the Korea-Sri Lanka policy advisory program, notes that enable employment policies and labour	The technical support needed to implement the project has been provided by the Sri Lanka Information Technology Agency.	Arrangements should be made to obtain progress reports related to the implementation of projects.

market, in the areas of organizing public employment services, sharing effective methods of structure and programs since 2017 had been implemented. It had been proposed to obtain a progress report through the University of Moratuwa regarding the suitability of this project, but no progress report has been submitted as at the date of this report.

3.2 Non-achievement of expected Output Level

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>Based on the collection of labour market information and referred to the Department by the President's Office for the progress of the project (Smart Sri Lanka Project) for the establishment of a youth human resources data bank, according to the observations included in the inspection report made by the University of Moratuwa, the system cannot achieve the desired objectives of installing the software. The objectives had not been achieved. As at the year under review, the department had spent Rs.84,082,617 in the years 2021 and 2022 for these projects and had spent Rs.83,582,617 under the above projects for the purchase of computer accessories, household appliances and furniture.</p>	<p>Due to the various crises in the country, the general publics as well as the government institutions were affected.</p>	<p>Action should be taken to achieve the desired output level.</p>

3.3 Non-achievement of expected Outcome

Audit Observation	Comments of the Accounting Officer	Recommendation
A financial cost of Rs.11,372,667 was incurred for the period 2018-2022 on collecting information about job candidates and employment, but the employment rate of job candidates was in the range of 10-16 percent. It was observed that there is no system to check the engagement in those employments.	Due to the various crises in the country, the general public as well as the government institutions were affected.	Information about job candidates should be collected and employed.

3.4 Foreign Aid Projects

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The International Labour Organization (ILO) had given an amount of Rs.6,066,000 to the Department of Manpower and Employment for the project to strengthen the Public Employment Service by supporting migrant workers in Sri Lanka. The progress of the programs carried out by the National Youth Corps and Divisional Secretariats to strengthen the public employment service by spending these funds. Progress of these programs were not submitted to the audit.	The Youth Corps and the Department had acted as a partner with the grant given to strengthen the Employment Service by supporting migrant workers in Sri Lanka.	Progress in program implementation should be monitored.

3.5 Procurements

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>The following points were observed regarding the procurement of Rs.4,933,440 for an information technology system with the aim of providing services more efficiently.</p>	<p>In 2022, it was delayed due to the disruption of office work due to the Covid and crisis situation in the country.</p>	<p>Action should be taken to establish and implement the Information Technology system .</p>
<p>(i) Calling for quotations while selecting the institution, not completing the relevant documents while opening the quotations, information about the manner and basis of selection of the institution was not submitted to the audit.</p>		
<p>(ii) As at December 2021, payments had been made in two stages and this system will be used to prepare plans, prepare industrial market information, prepare leave documents, prepare personal files, training activities, expense management, vehicle management and transfer management. However, by the date of the release of this report, the desired information could not be obtained through the system.</p>		
<p>(iii) It was observed that the agreement reached with the selected bidder did not specify the date for the completion of the IT system and the lack of a specific time frame delayed the realization of the expected benefits.</p>		

3.6 Assets Management

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) In the distribution of non-financial assets owned by the department, the receipt orders for the assets worth Rs. 4,457,864 which had been given by issue orders to the relevant divisional secretariats and district secretariats since January 2019 had not been received even by February 2023.	Informed to follow up on receiving orders.	Receipt orders should be obtained and ownership of assets should be settled.
(b) The Nissan type mini van received to the department on 29 January 2021 had spent an amount of Rs. 497,791 for repair and maintenance, but it was not in used due to the inability to complete the registration process.	Due to non-availability of funds, registrations have not been completed.	Action should be taken to Asset acquisition and management.

3.7 Internal Audit

Audit Observation	Comments of the Accounting Officer	Recommendation
In terms of Section 38 (1)(F) of the National Audit Act No. 19 of 2018, it should be ensured that there is an effective system for the proper execution of internal audit tasks under the responsibilities of a Chief Counting Officer and a Counting Officer, but the position of the internal officer of the department has been vacant for several years. It was questionable whether the tasks had been done properly.	Vacancies have been requested but priority was not given.	Actions should be taken to strengthen internal audit.