

## **Head 328 -Department of Manpower and Employment**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

Head 328- The audit of the financial statements of the Department of Manpower and Employment for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 was issued to the Accounting Officer on 10 May 2024 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 09 May 2024 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 2023, 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 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) and Section 38 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 Accounting Deficiencies

#### (a) Property, Plant and Equipment

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

| <b>Audit Observation</b>  | <b>Comment of the Accounting Officer</b>   | <b>Recommendation</b>                       |
|---|--|---|
| According to section 8.2 of the series of instructions bearing 05/2023 of Department of State Accounts of General Treasury regarding the accounting of non-financial assets, if there are non-financial assets, they should be properly identified and accounted for at cost or in cases where cost cannot be identified, at the estimated value, the minivan registered in the name of the department in the year 2023 The value of the vehicle was not identified and only Rs.1,500,000 spent for registration was recorded in the CIGAS program. | That our department does not have the purchase value of the minivan and, we will work to assess its value and include it as an asset in the Cigas program in the future. | Asset costs should be accounted accurately. |

## 2. Financial Review

### 2.1 Management of Expenditure

| <b>Audit Observation</b>   | <b>Comments of the Accounting Officer</b>  | <b>Recommendation</b>  |
|--|--|--|
| <p>A camera and accessories were purchased at a cost of Rs.548,435 on 28 December 2023, and a laptop computer was purchased at a cost of Rs.352,000 using the remaining provisions of 3 capital expenditure codes, and these procurements were not included in the annual procurement plan for the year 2023. No amendment in the approved plan regarding the procurement requirement.</p> | <p>From the end of the year 2022, the laptops given to the officers in 2015 and 2016 are being received to the head office for repair or due to becoming inactive.</p> <p>The laptop computer and the camera and accessories belong its were not part of the approved procurement plan and since this purchase was necessary and due to department was engaged in settlement of accounts, it was not possible to update the procurement plan. The relevant officials were warned not to make such omissions in the future.</p> | <p>Should prepare a procurement plan and act according to that plan.</p> |

### 2.2 Incurring of Liabilities and Commitments

| <b>Audit Observation</b>  | <b>Comments of the Accounting Officer</b>  | <b>Recommendation</b>   |
|---|--|---|
| <p>According to paragraph 01 of the State Accounts Circular bearing 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. Even though a liability of Rs.5,829,089 was reached beyond the provision under the expenditure code 328-1-1-0-1404.</p> | <p>As per paragraph 01 of the State Accounts Circular bearing No. 255/2017 dated on 27 April 2017, although it should not incur obligations and liabilities beyond the provision limit, The amount of provision given in the annual budget estimate for the expenditure code 328-1-1-0-1404 was not sufficient to pay the building rent. Since this is a necessary expenditure, due to the limited provision from the treasury, we had to reach for liabilities beyond the provisions.</p> | <p>Should not incur liabilities beyond the approved limits.</p> |

### 2.3 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.

| <b>Audit Observation</b>  | <b>Comment of the Accounting Officer</b>   | <b>Recommendation</b>   |
|---|--|---|
| (a) The Accounting Officer shall ensure that the department develops and maintains an effective system of internal control for financial control and the effectiveness of the system should be reviewed from time to time and necessary changes should be 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 General, but statements that such reviews were done were not submitted to the audit. | Although an internal control system has been developed and maintained to maintain financial control effectively, the review of the effectiveness of that system has been carried out and changes necessary to carry out the system effectively have been made accordingly and a copy of that unable to present to the Auditor General and in the future, it will be corrected by submitting a copy to the Auditor General.   | Should ensure that the internal control system is maintained effectively. |
| (b) Although the accounting officer should ensure that there is an effective system for the proper execution of the internal audit functions, as per the observations mentioned in paragraph 4.1 of the report, that requirement was not fulfilled.   | The Ministry of Public Administration, Home Affairs, Provincial and Local Government has been continuously informed that there are vacancies for the post of Internal Audit in the Department, and since there are nearly 500 vacancies in the Accountancy Service, this request has not been prioritized. Therefore, requests have been made from the officers of the accounting service of the premises to carry out the necessary activities to work in that position or to cover the duties. | Internal audit should be done properly.                                   |

## 2.4 Non-compliance with Laws, Rules and Regulations

|      | Reference to Laws, Rules and Regulations                                | Observation |   | Comments of the Accounting Officer   | Recommendation  |
|------|---|-------------|---|--|---|
|      |   | Value Rs.   | Non-compliance  |  |   |
| (a)  | Financial Regulations of the Democratic Socialist Republic of Sri Lanka |             |   |  |   |
| (i)  | F.R.104(i)  |             | As soon as a loss or damage occurs, investigations should be started to ascertain its extent and causes, and to determine those responsible, although two vehicles belonging to the department have been involved in accidents in the year under review, but the relevant regulations were not followed.  | Necessary actions are being taken currently to appoint an investigation committee in this regard, and further work is being done accordingly.  | Should be acted in accordance with finance regulations.                 |
| (ii) | F.R.880   |             | Officials who are administratively responsible for receiving or being in charge of government money, revenue or belongings, or distributing government money or issuing stamps or belongings, or who have been assigned the same tasks under the delegation of authority, certifying vouchers related to the government account, signing cheques, according | Since the officials of this department have not made a bail so far, the decision about it can be made by a Secretary of Ministry according to the State Finance Circular 07/2019, so the current Director General was given written instructions to ask from the Secretary of Ministry in this regard. | Should be dealt in accordance to the finance regulations and circulars. |

to the Government Officers' Bail Ordinance, which is the 612th authority to ensure that they perform their duties honestly, no such bail was observed by the officers of the department.

### 3. Operating Review

#### 3.1 Vision and Mission

##### **Audit Observation**

According to the Extraordinary Gazette No. 1640/31 of the Democratic Socialist Republic of Sri Lanka, one of the objectives of the establishment of the Department of Manpower and Employment is to prepare and implement the National Manpower Policy, but the said objectives were not able to achieve even by the year 2023. Since more than 05 years have passed since the policy framework prepared in the year 2015, no policy was observed to revise and implement it again.

##### **Comments of the Accounting Officer**

Currently, the National Human Resource Development Council (NHRDC) is working on the National Human Resource and Security Policy. The letter of inquiry relevant to that from the National Human Resources Development Council has been submitted.

##### **Recommendation**

Actions must be directed to achieve objectives.

#### 3.2 Non- performance of Functions

##### **Audit Observation**

Although Rs. 859,935 had been spent for the creation of 13 promotional video programs and 6 promotional video clips for career guidance programs under the expenditure code of creating a human resource with appropriate skills that are most suitable for the labour market, the work was not completed.

##### **Comments of the Accounting Officer**

06 promotional videos (that is 03 Sinhala media and 03 Tamil media translations) were prepared under the expenditure head 328-2-2-4-2509. Here, 03 Sinhala videos were received to the department and it was observed that some editing should be done in those Sinhala videos. As the amendments are

##### **Recommendation**

Actions should be taken to fulfill the roles efficiently.

currently being made, the Tamil language media videos will be edited after it is completed.

### 3.3 Non-achievement of expected Outcome

| <b>Audit Observation</b>  | <b>Comments of the Accounting Officer</b>  | <b>Recommendation</b>   |
|---|--|---|
| <p>As per the agreement made with a private company in the year 2021 to create an internal management information system in order to perform the functions of the department more efficiently and effectively, Rs.2,060,615 had been paid for the first phase. Although this system was supposed to carry out program planning, preparation of industrial market information, preparation of leave documents, training activities and transfer management, only the personal file information of the employees was in the system and other expected information was not confirmed to go through the operating system.</p> | <p>In the first phase of this information system, program planning, preparation of industrial market information, preparation of leave documents, training activities and transfer management were included, and cost management and vehicle management were not included in the first phase of this system.</p> | <p>While deploying funds, attention should be focus on getting desired returns.</p> |

### 3.4 Procurements

| <b>Audit Observation</b>  | <b>Comments of the Accounting Officer</b>   | <b>Recommendation</b>  |
|---|---|--|
| <p>On 11 May 2023, a jeep belonging to the department was sent to a garage in Thalawathugoda for repair due to the explosion of the upper bar part of the radiator on the highway. An estimate of Rs.1,551,000 had been submitted for the repair by the relevant garage on 25 May 2023, and it has being taken three months of delay for the mechanical engineer's recommendation that the related prices and repairs were suitable to be done by that company. The</p> | <p>The concerned vehicle has been forwarded to a motor company on the recommendation given by the Transport officer to get a price estimate with carrier on the notification of the driver (via telephone) regarding the fault condition of the jeep on the expressway dated 11.05.2023. Letters are attached that containing the recommendations of the then Transport Engineer and Mechanical</p> | <p>Motor vehicles repairs should be done with proper inspection and supervision.</p> |

damage caused by the explosion of the radiator top bar was reported, and the repair was carried out using all the spare parts for the work that was not reported by damage.

Engineer regarding the repair of the vehicle. After this incident, the new Director General, who was transferred to this department in May 2023, has decided to carry out the repair of this vehicle with the approval of the procurement committee due to the high value of the relevant price estimate. The new Director General has appointed a new mechanical engineer for the departmental vehicle maintenance. After obtaining the recommendation of the new Mechanical Engineer for the above referred price estimate dated 22.08.2023, the said price estimate has been forwarded to the Procurement Committee and the relevant repairs have been carried out.

### 3.5 Assets Management

The following observations are made.

| Audit Observation   | Comments of the Accounting Officer   | Recommendation   |
|---|--|--|
| <p>A camera and accessories were purchased at a cost of Rs. 548,435 for the implementation of the job fair and career fair programs conducted by the Public Employment Services Division of the department, for the preparation of related videos, posting on the website, and posting on the Facebook page. In the year 2022, 30 cameras were purchased at a cost of Rs. 5,228,193 for these needs, but Rs. 859,935 were paid to external organizations in the year 2023 for video production.</p> | <p>This camera was purchased at the request of the Public Employment Services Department and purchased following the procurement process using the provisions from the Furniture and Office Equipment expenditure subject 328-1-1-0-2102 for the camera and Machinery and equipment (improvement) expenditure subject 328-1-1-0-2002 for its accessories.</p> <p>The cameras purchased in 2022 are not equipped with the above-mentioned facilities, and the</p> | <p>Assets should be procured based on need and utilized with maximum efficiency.</p> |

cameras (specialized for video) are mainly acquired for the officers working in the field and since those cameras are given to the districts, a new camera was acquired based on the above-mentioned special need.

### 3.6 Uneconomic Transactions

#### Audit Observation

The Urban Development and Investment Private Company has to pay a monthly lease installment of Rs.3,548,342 and an annual cost of Rs.42,580,104 for the building maintained by the head office of the department, and for dealing with the ministry and for administrative convenience, in a premise that is not used in the mission or labor secretariat building. Necessary steps to establish had not been taken.

#### Comments of the Accounting Officer

The Ministry of Labor and Foreign Employment has proposed to move this department to the General Secretary's office premises or the Mission Square building in order to reduce the cost incurred due to the maintenance of this department in the Setsiripaya second floor premises, but since no formal notification has been made in this regard, until then this Since a premises is required to run the department, the department will continue to be run in this premises until a formal decision is taken.

#### Recommendation

The cost of maintaining the department in a more efficient manner should be borne.

## 4. Good Governance

### 4.1 Internal Audit

#### Audit Observation

- (a) According to section 38 (i) (e) of the National Audit Act No. 19 of 2018, under the responsibility of a chief accounting officer and an accounting officer, it must be ensured that there is an effective system for the proper execution of internal audit work and tasks, but the position of internal audit officer in the department for several

#### Comments of the Accounting Officer

The Ministry of Public Administration, Home Affairs, Provincial and Local Government has been continuously informed that there are vacancies for the post of Internal Audit in the Department, and since there are nearly 500 vacancies in the Accountancy Service, this request has not been

#### Recommendation

A suitable internal auditor should be appointed.

years Since the vacancy existed for a long time, those tasks were not fulfilled properly.

prioritized. Therefore, requests have also been made from the officers of the accounting service of the premises to carry out the necessary activities to work in that position or to cover the duties. That a letter dated 27-09-2023 has been addressed to the Secretary of Ministry.