

Head 328 - Department of Manpower and Employment - 2024

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 2024 comprising the statement of financial position as at 31 December 2024 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 30 May 2025 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 May 2025 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 2024, and its financial performance and cash flows for the year then ended In accordance with the basis of preparation of the financial statements set out in Note 1 to the financial statements.

1.2 Basis for the qualified opinion

My opinion is 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 Emphasis of Matter - Basis of Preparation of Financial Statements

I draw attention to Note 1 to the financial statements, which describes the basis of preparation of these financial statements. The financial statements have been prepared for the use of the Department of Manpower and Employment, the Treasury and the Parliament in accordance with Government Financial Regulations 150 and 151 and State Accounts Guidelines No. 06/2024 dated 16 December 2024, as amended on 21 February 2025. Accordingly, these financial statements may not be suitable for other purposes. My report is intended only for the use of the Department of Manpower and Employment, the Treasury and the Parliament of Sri Lanka. My opinion on this matter is not modified.

1.4 Responsibility 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 Government Financial Regulations 150 and 151 and state Accounts Guideline No. 06/2024 dated 16 December 2024 as amended on 21 February 2025 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.

1.5 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.

1.6 Commenting on financial statements

1.6.1 Accounting deficiencies

(a) Receipt of Revenue

Audit Observation	Comments of the Accounting Officer	Recommendation
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Although the total revenue as per the Department's balance sheet was Rs.33,183,020, the revenue collected by the reporting entity under other revenue heads in the cash flow statement was recorded as Rs.33,182,246.	it has been incorrectly recorded in the cash flow statement for the year ended 31 December due to an error in calculating the total of the trial balance for the year 2024,.	Actions should be taken to record the balances accurately in the financial statements.
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(b) Capital expenditure

Audit Observation	Comments of the Accounting Officer	Recommendation
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| (i) A change of Rs.847,150 and Rs.5,356,230 was observed in the balance of office equipment and computer equipment as of 31 December 2023 and 01 January 2024, respectively, in the annual financial statements. | Assets purchased during the year 2024 have been added to the balance as of 1 January 2024 and recorded as the opening balance. | Actions should be taken to prepare the Financial statements accurately. |
| (ii) Although in accordance with Sections 8.1 and 8.2 of the Public Accounts Department of the Treasury's Instructions No. 06/2024 on accounting Non-Financial Assets, if there are non-financial assets, they should be | Actions have been taken to account the purchases as assets by the head office. Since the remaining provisions have been given to the Divisional Secretariat and purchases have been made there, they have not | -Do- |

properly identified and accounted at cost or, in cases where cost cannot be identified, at assessed value, Furniture and office equipment worth Rs.1,937,680 and machinery and equipment worth Rs.5,967,280 that the department had acquired in the year 2024 had not been reported. The values of 24 items of machinery and equipment auctioned in the year 2024 had also not been recorded as disposals.

been accounted as assets of the department.

Actions have been taken to instruct the subject officer to remove the values of the 24 items auctioned in 2024 related to the Board of Survey 2023 through the Cigas program during this month.

(c) Non maintenance of records and books

Audit Observation	Comments of the Accounting Officer	Recommendation
It was observed during sample audits that the Department had not maintained proper and up-to-date warehouse records in accordance with Financial Regulations 755 (1) of the Democratic Socialist Republic of Sri Lanka.	The subject officer has been instructed to record the receipts and issues of goods accurately in the books from 1 January 2025 and the necessary instructions have been given to closely supervise it.	Actions should be taken to maintain documents properly.

2. 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 the preceding year,
- (b) The recommendations made by me on the financial statements of the preceding year had been implemented.

3. Financial Review

3.1 Non-compliance with rules and regulations

	Reference to laws, rules and regulations	Observation Value Rs. Non-compliance	Comments of the Chief Accounting Officer/Accounting Officer	Recommendation
(a)	Financial Regulations 446 (2) of the Democratic Socialist Republic of Sri Lanka	Although records of all receipts and payments should be maintained systematically and on a daily basis, two types of payments had been made using vouchers with the same department number.	It was found that due to an oversight, the same number had been used twice for the voucher and 02 numbers had been used for those vouchers in the CigaS program. This has now been corrected and instructions have been given to avoid such oversights in the future.	Actions should be taken to act in accordance with the Financial Regulations.
(b)	Section 214 of Chapter XV of the Rules of Procedure of the Public Service Commission	Although the notice of resignation of an officer should be sent to the relevant officer immediately by registered post, the relevant letters had been sent after a delay of 2 months to 3 years after the officers left the service and salary payments of Rs.388,730 had been made during the relevant period.	Actions will be taken to correct these in the future.	Actions should be taken to act in accordance with procedural rules.

4. Operational review

4.1 Vision and Mission

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>Although the Department of Manpower and Employment Protection under the Ministry of Labour Relations and Manpower was established on 01 January 2010 in accordance with the Extraordinary Gazette No. 1640/31 of the Democratic Socialist Republic of Sri Lanka and information meetings and awareness campaigns had been held since that date, up to the audited date of 25 March 2024, the primary objective of “Preparing and implementing a national Manpower and Employment Protection Policy” had not been achieved.</p>	<p>The National Human Resources Development Council (NHRDC) is currently taking actions on the National Human Resources and Employment Policy and a letter of inquiry has been submitted to the National Human Resources Development Council in this regard.</p>	<p>Necessary steps should be taken to formulate national policies.</p>

4.2 Planning

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>It was observed during the examination of the Annual Action Plan and Physical Progress for the year 2024 that there was an unusual variation in the decrease in financial progress compared to the increase in physical progress in the expenditure item 2509. Accordingly, the physical progress of the provisions allocated for providing career guidance services to Grade 9 students, providing career guidance services to school leavers and providing career guidance services to unemployed persons was 116, 118 and 142 percent respectively, while the</p>	<p>Actions have been taken to incur expenditures for 03 programs.</p>	<p>Projects should be implemented with proper planning.</p>

financial progress was 31, 71 and 94 percent respectively. the over-allocation and under-targeting of these programs had been planned and the remaining allocations were allocated to other programs and expenses incurred were unacceptable in the audit. Also, only Rs.165,000 of the Rs.450,000 allocated for conducting individual research and publishing reports was spent, leaving a total financial ratio of 37 percent.

4.3 Non- performance of Functions

Audit Observation	Comments of the Accounting Officer	Recommendation
Although provisions of Rs.500,000 had been allocated for the production of promotional videos under the expenditure item 2509, the said task had not been carried out. These provisions had been inadvertently allocated when the department had 03 videos and the district offices had 13 videos in the previous year.	According to the 2024 Action Plan, although a provision of Rs.500,000 had been allocated for the development of promotional videos under expenditure item 2509, the Department was in possession of 03 videos regarding the functions of the Department as well as 13 videos prepared at the district level in 13 districts by the middle of last year, and those videos were mainly used for displaying at job fairs and since the existing videos for that purpose were sufficient, those provisions were not used with the aim of minimizing unnecessary waste of money.	Actions should be taken to plan properly and allocate resources carefully.

4.4 Abandoning projects without completing them

Audit Observation	Comments of the Accounting Officer	Recommendation
Discussions and awareness had been held with associations and representatives representing the informal sector for the program	The State Policy Statement, "A Rich Country - A Beautiful Life", also mentions the importance of ensuring the dignity of workers in the informal	Projects should be implemented properly.

initiated by the Department of Manpower and Employment Protection in 2023 with the aim of establishing Dignity of Labour for those working in the informal sector. However, it was not observed that only awareness and registration were conducted at the district level through 25 programs in parallel with the Glocal Fair program in 2024 and a future plan was prepared to fulfill the expected future role. In the year 2024, Rs.717,547 was spent on awareness programs and provisions of Rs.1.25 million were spent in the year 2024.

4.5 Assets Management

	Audit Observation	Comments of the Accounting Officer	Recommendation
(a)	10 laptops worth Rs.3,212,904 purchased on 28 December 2024 remained undistributed, while 79 used laptops remained during a physical inspection of the department's warehouse on 04 April 2025.	Arrangements will be made to distribute these items in the future.	Actions should be taken to utilize the assets with maximum efficiency.
(b)	Three underwater action cameras worth Rs.522,819 purchased on 30 November 2021 were also unused and actions had not been taken to keep them idle and dispose of.	Actions have been taken to identify for disposal.	Assets should be purchased after identifying the need and steps should be taken to utilize the purchased assets.
(c)	There were 14 keyboards, 10 monitors, 12 CPUs, 27 WiFi devices, 9 routers, and 9 intercom phones in the warehouse that were not being used.	Actions have been taken to identify for disposal.	Assets in usable condition should be utilized.

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| (d) | 9 souvenirs and 90 mugs bearing the inscription "Lak Rakiya Harasara" prepared in 2019 remained undistributed. | Actions are taken to dispose of them properly. | Actions should be taken into use appropriately. |
| (e) | 10 Awareness CD Boxes and 10 Game Boards which were donated by the ILO had been also stored. | Instructions have been given in that regard. | Actions should be taken to identify the need and distribute. |
| (f) | The furniture, computers, tablets, etc. issued to the district offices were handed over to the Divisional Secretariats running the relevant district offices for survey purposes during the annual Boards of survey. It was not observed that a comparison was made with the relevant survey reports and the books and records of the head office. | Actions are taken to compare and prepare survey reports. | Actions should be taken to verify the existence of assets properly. |