

Head 328 – Department of Manpower and Employment

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of Manpower and Employment for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 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 Department of Manpower and Employment was issued to the Accounting Officer on 04 June 2019 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. As per Section 11 (2) of the Audit Act, the Detailed Annual Management Audit Report related to the Department of Fiscal Policy was issued to the Accounting Officer on 29 May 2019. 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 accompanying financial statements give a true and fair view of the financial position of the Department of Manpower and Employment as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

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 qualified opinion.

1.3 Responsibilities of Chief Accounting Officer and Accounting Officer for the Financial Statements

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 Accounting Officer determines 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 Department 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 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 Department 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 Responsibility 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 the summary report of the Auditor General 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 scepticism 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 Department's 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 (d) and Section 38 of National Audit Act, No. 19 of 2018.

Since there was no need to prepare financial statements for the preceding year, the financial statements presented for the year under review cannot be compared with that of in the preceding year. Further, owing to this reason, recommendations on the financial statements for the preceding year had not been presented in this report.

1.6 Comments on the Financial Statements

1.6.1 Noncompliance of Financial Statements with Provisions stipulated in Circulars

Even though financial statements have to be prepared in terms of the State Accounts Circular No. 267/2018 of 21 November 2018, instances of non-compliance to the Circular are mentioned below.

Audit Observation	Recommendation	Comments of Accounting Officer
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(a) A difference of Rs. 24,318,095 was observed in the annual expenditure when the information on the financial statements under this Head of Expenditure is reconciled with the final accounts of the General Treasury.	Action should be taken to prepare financial statements in terms of the State Accounts Circular.	In the preparation of the Statement of Financial Performance, only the expenditure incurred by this Department had been taken in to consideration in the year 2018. Information was obtained as per the instructions issued for the preparation of the statements of financial performance in the presentation of financial statements in accordance with the State Accounts Circular No. 267/2018 of 21 November.
(b) Provisions of Rs.3,733,000 allocated for Head No. 193 which was not	-Do-	I accept that the expenditures in Head of Expenditures, 328-

belong to the Head of Expenditure of the Department and a sum of Rs. 2,878,052, which was the expenditure in the year related to that Head of Expenditure had been included in the financial statements presented. Therefore, the accurate expenditure related to the Head had not been indicated by the Financial Statements. Further, the expenditure of Rs.661,445 incurred by the other ministries and departments under FR 20 8 had not been included in the financial statements.

1-1-2509 indicated in column No. 6 of the Format ACA 2 (ii) of the financial statement had not been accurately indicated in the column No. 6. In the preparation of financial statements, books had been made accurate to enable them to be examined again in every month.

1.6.2 Statement of Cash Flow

 The following observations are made.

Audit Observation	Recommendation	Comments of Accounting Officer
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Money incurred had been under stated by Rs. 11,761,187 in the statement of cash flow presented by the Department.	Action should be taken to prepare financial statements in terms of State Accounts Circulars.	The expenditure incurred by cross entries amounting to Rs. 13,067,702 out of the recurrent expenditure was deducted. It so deducted and included in the statement of cash flow as the expenditure had not been incurred in cash. Only the actual expenditure amounting to Rs. 22,703,625 incurred by this Department in cash had been included in the statement of cash flow as the capital expenditure. The expenditure incurred for the other Departments was Rs.3,275,910. This is the incurring of expenditure on provisions made by the Ministry of Labour and Trade Union Relations for “Sunisi Mehewara”. The said difference of Rs. 107,671 was an amount credited to the Government Officers’ Advance “B” Account by the Department of Pensions. This had not been included in the statement of cash fow as this is not a cash flow.

1.6.3 Responsibilities of Accounting Officer

Even though the Accounting Officer should be responsible for the following matter as per provisions of Section 38 of the National Audit Act, No. 19 of 2018, action had not been taken accordingly.

Audit Observation	Recommendation	Comments of Accounting Officer
<p>Ensure that an effective internal control system for the financial control exists in each such entity 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. Even though a review had to be carried out in writing and a copy of the same had to be made available to the Auditor-General, declarations that such a review had been carried out had not been presented to the audit.</p>	<p>Action should be taken in terms of provisions of Section 38 of the National Audit Act, No. 19 of 2018.</p>	<p>In terms of provisions in paragraph (c) of Section 38 of the National Audit Act, No. 19 of 2018, the task of preparing an internal controlling system had been assigned to the Internal Audit Division of the Department. It is scheduled to issue it in the future and action had been made to present a copy thereof to the Auditor General.</p>

2. Financial Review

2.1 Incurring of Liabilities and Commitments

The following observations are made.

Audit Observation	Recommendation	Comments of Accounting Officer
<p>(a) Even though commitments shall be incurred only if financial provision exists therefore in the Annual Estimates in terms of FR 94 (1), the Department had incurred commitments amounting to Rs. 4,631,438 exceeding the provisions</p>	<p>Should be careful to check whether adequate provisions are available before incurring commitments in terms of the Financial</p>	<p>Even though provisions are submitted according to the requirement in the preparation of draft estimates, the Department had to incur commitments in this manner as adequate provisions are not made in the approval of the</p>

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| for the year. | Regulations. | estimates. |
| (b) Even though commitments of Rs.5,492,676 had been settled for the year 2017 under Object bearing No. 328-1-1404 in the year 2018, a sum of Rs.2,746,338 had only been indicated as commitments under the Object in the Appropriation Account in the previous year. | Action should be taken to accurately identify the commitments and to account such commitments. | A sum of Rs. 5,492,676 had been indicated as commitments in the year 2018 since it had to be indicated as commitments on the inability to provide imprest of the General Treasury at the end of the year 2018. Payments had been made in January and February 2019. |

3. Operational Review

3.1 Non-accomplishment of Roles

The following observations are made.

Audit Observation	Recommendation	Comments of Accounting Officer
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(a) In terms of the Chapter 371 of the National Human Resources and Employment Policy, a combined action plan had to be prepared for the year 2018 by obtaining action plans from the relevant ministries as per the mechanism of implementing this policy. However, such a plan had not been made even by 31 December 2018. Likely, only 08 ministries had presented action plans and details on the progress of such action plans had been presented only by two	Since the responsibility of implementing the National Human Resources and Employment Policy has been assigned to the Department on behalf of the Government and action should be taken to execute the policy by adopting proper and relevant methodologies.	Subsequent to approving the revised policy in the year 2017, plans related to the medium term framework for the period 2017-2019 had been prepared and letters for the implementation of action plans had been sent in the year 2017. Further, the Secretary of the Ministry of Labour had notified in the year 2018 to update action plans of the relevant Ministries for the period of 2018 to 2020. The progress in this regard had been submitted only by 02 Ministries. It was proposed to assign the task of directing the National Human Resources and Employment policy to the Ministry of National Policies and Economic Affairs in the year 2018 and to name the National Human Resources Development Council under the purview of the Ministry as the National Operating Committee related to the implementation of this policy. However, a response had not been received from the relevant Ministry in this regard. Therefore, a problematic situation had created on the

ministries.

(b) The Programme on the coordination of the Ministries on the Human Resources and Employment Policy had been completed by January 2018. Even though various Ministries had submitted letters by informing that it is required to get clarifications on the forward actions on the implementation of this policy, it could not be confirmed that such clarifications were made. Therefore, it was observed that the Ministries that had been identified for the implementation of the policy had not been clearly made aware on this regard.

(c) Even though Provisions of Rs. 5 million had been allocated for the establishment of the Management Information System in the year 2018, a process analysis had not been carried though such analysis had to be done in compliance with the Action Plan prior to the development of the system. Instead, 47 computers had been purchased at a sum of Rs. 4,925,000 and distributed among field

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The provisions for the establishment of the system should be effectively utilized according to a plan.

implementation of this policy in the year 2019.

Implementation of the policy in the Ministries should be assigned to the officers and it is essential to notify our Department on the assignment of duties to the successors when the officers are changing. This situation had created due to non-accomplishment of this task by the related Ministries. The updating of the information should be done in the applicable ministerial level and institutional level and such ministries should inform our Department on that regard as per office procedures.

Action had been taken under the full guidance of the ICTA for the selection of an institution to conduct a process analysis (BA Study) for the entire Department in accordance with the procurement process of the department in the year 2018. Process analysis had not taken place at that occasion since the quotations submitted were several multiplications of the money allocated. Further, a system had been developed using the software application called Google.doc from the middle half of the year 2018 up to this moment and monthly progress summaries of 10 Districts are being received by the Head office in the pilot level. An amount of Rs. 117.74 million had been estimated for this entire MIS project. In the meantime, a sum of Rs. 97.5 million had been allocated for the provision of the office

officers and 70 laptop computers had been purchased by incurring an expenditure of Rs. 6,971,300 for the field officers during the year 2017 too.

equipment such as information technology / computers for Divisional Secretariats and District Secretariats. Accordingly, 70 laptops and 47 computers had been provided to the field officers of this Department for the implementation of this project in pilot level using the amount of Rs. 15 million provided in the years 2017 and 2018 by the General Treasury.

3.2 Non-accomplishment of the Expected Level of Outcome

 The following observations are made.

Audit Observation	Recommendation	Comments of Accounting Officer
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<p>It had been informed to the audit that the human resources and employment policy could not be implemented due to the change in the Ministries at the end of the year 2018. It was not possible to carry out activities such as the improvement of the information technology system worth Rs. 1,750,000, the physical development of the Monitoring Unit, which had been assigned with the task of the supervision of the policy and reporting the progress of the policy (Quarterly / Annual) and conducting a conference for the Secretaries of the Ministries on the implementation of the policy.</p>	<p>Action should be taken to implement the Policy on human resources and employment by considering its national significance.</p>	<p>Provisions had been allocated under the “Sunisi Mehewara” for the proper establishment of the computer server that had been procured for the computer system related to the coordination of the implementation of this Policy. The financial patronage of the World Labour organization had been granted for this function. Further, it was not possible to conduct the relevant Conference due to unpredictable reasons as mentioned by the audit itself and the provisions saved by that had been used for other functions. Since the area of activity of the Ministries and the assignment of duties had been problematic on the situation prevailed in the Government Machinery during the last few months of the year, it was not possible to accomplish the scheduled functions.</p>

3.3 Procurements

The following observations are made.

Audit Observation	Recommendation	Comments of Accounting Officer
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Servicing of all the vehicles throughout the year under review had been done for a sum of Rs.492,934 only by one institution without selecting suppliers in terms of Paragraph 3.4.3 of the Procurement Guidelines of the Government for servicing the vehicles owned by the Department.	The Department should make arrangements to do procurement activities in compliance with the instructions and guidelines specified in the Procurement Guidelines of the Government.	A sum of Rs. 492,934 had been incurred for servicing all the vehicles of the Department throughout the year. In the future, action will be taken to service the vehicles through vehicles selected as per the Procurement Guidelines.

3.4 Asset Management

The following observations are made.

Audit Observation	Recommendation	Comments of Accounting Officer
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Computer hardware and software worth Rs. 8,335,000 purchased in the year 2015 for implementing the human resources policy had been remained idle without utilizing.	Action should be taken to utilize assets owned by the Department without keeping them idly.	Even though computer hardware transferred to this Department by the Office of the Senior Minister had been reserved for the functions of the relevant operating unit, the approval of the Department of Management Services had not been received for the staff required to that unit. Therefore, the relevant items of equipment were underutilized. However, the required quantity of computer equipment to this Unit had been retained out of the relevant equipment and the additional equipment had been provided to be used in the other Units and of the Department and in District Offices.

4. Good Governance

4.1 Non-rendering of Services to the General Public

Audit Observation	Recommendation	Comments of Accounting Officer
<p>(a) Job Designing and Promotional Unit and Career Guidance Division had been established for the functions such as directing the labour force towards the proper professions, designing of new employment opportunities and promotion of jobs to befit the personal capabilities and skills. This Division had conducted 773 programmes incurring a sum of Rs. 3,471,406 in the year under review and 23,365 persons had participated in those Programmes. However, the number of persons who started self-employments out of these persons were 2,753 in all 25 Districts and it was 11.78 per cent. Thirty one (31) Programmes out of the Programmes were conducted in Colombo District and 1,478 persons participated for the programmes. Only 15 persons had started self-employments.</p>	<p>An accurate as well as practical programme should be implemented to perform services of this Department to the General Public efficiently and productively.</p>	<p>Beneficiaries are basically made aware of the manner of commencing a business and the manner of successful conduct of the existing business using these programmes and we had been capable of producing a considerable number of self-employees. It is 11.78 per cent and it is further informed that this percentage can be considered as an achievement of higher level of success under the existing economic condition.</p>
<p>(b) Public Employment Service Centres are implemented in all the 25 Districts in the Island. The major functions of the institution are registering job seekers, register the institutions with vacancies and employment of job seekers in such institutions. Even though 121,016 job seekers had been</p>	<p>-Do-</p>	<p>According to the updated information, the number of job seekers registered through these Centres in the year 2018 was 131,631 and the persons employed were 13,471. A methodology of employing the job seekers in the year 2019 through various Programmes including giving high priority for the Job fairs programmes organized for job</p>

registered through these Centres in the year 2018, the total number of employment was 12.807. It was only 10 per cent out of the total persons registered with such Centres.

seekers, to motivate such job seekers for specified fields of employment through the provision of career guidance services for those job seekers and organizing awareness programmes on the labour market for job seekers for whom employment had been delayed.

5. Human Resources Management

The following observation is made.

Audit Observation	Recommendation	Comments of Accounting Officer
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<p>In terms of Paragraphs 2 and 3 of the public Administration Circular No. 02/2018 of 24 January 2018, a human resources development plan had not been prepared and skills requirements of the Staff had not been identified as per Paragraph 3 of the Circular.</p>	<p>Action should be taken in terms of the Public Administration Circulars.</p>	<p>We have to face a problematic situation in relation to the officers who are absorbed to the Combined Service after employing in this Department in the process of preparing the Human Resources Development Plan related to the Public Administration Circular No. 02/2018. (As the proposed Scheme of Recruitment for this officers has not yet been approved). Likely, We had to collect relevant information in relation to each Service Category as well as Division basis of the Department. Majority of the employees of our Department are field officers (548 out of the total cadre are field officers.) and they have been attached to District and Divisional Secretariats. Therefore, information related to training programmes required by them have to be delivered from the District and Divisional Secretaries. We needed some time to collect such information.</p> <p>Accordingly, it is kindly informed that we are collecting the relevant information and the relevant human resources development plan is being designed by us.</p>