

Head 412- State Ministry of Foreign Employment Promotion and Market Diversification

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the State Ministry of Foreign Employment Promotion and Market Diversification for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 the State Ministry of Foreign Employment Promotion and Market Diversification was issued to the Accounting Officer on 07 May 2021 in terms of Sub-section 11 (1) of the National Audit Act No. 19 of 2018. The Detailed Annual Management Audit Report relevant to the State Ministry in terms of Section 11 (2) of the National Audit Act was issued to the Accounting Officer on 30 September 2021. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution 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 State Ministry of Foreign Employment Promotion and Market Diversification as at 31 December 2020, and of 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 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 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 such internal control as the Accounting Officer determine 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 Sub-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 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 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, 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 skepticism 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 Commission'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 (1) (d) of National Audit Act, No. 19 of 2018.

As it was a new State Ministry established during the year under review, there was no need to prepare financial statements for the previous year.

1.6 Comments on Financial Statements

1.6.1 Statement of financial performance

Recurrent Expenditure

Audit Observation	Comments of the Accounting Officer	Recommendation
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Although personal emoluments and operational expenses and subsidies and transfer expenses according to the Financial Performance Statement were Rs.102,567,947 and Rs. 545,723 respectively, those balances in the cash flow statement stated as Rs. 99,717,555 and Rs. 541,791 respectively. Accordingly, a total difference between the balances of Rs. 2,854,324 was observed.	It will be revised and resubmitted.	Action should be taken to prepare cash flow statements correctly.

1.6.2 Statement of Financial Position

Audit Observation	Comments of the Accounting Officer	Recommendation
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The balance of the statement of non-financial assets presented with the financial statements as at 31 December of the year under review was Rs.	It was difficult to identify the assets separately due to various changes in the Ministry's Expenditure Head during the year under	Action should be taken to correctly identify the asset items belonging to the Ministry and include those assets in the fixed asset register.

306,529,798 but balance as per the Treasury computer printouts, and statement of financial position was Rs. 308,475,016. Also, according to the Trial Balance of the Ministry, that balance was Rs. 1,679,199.

review. Therefore, item by item values in the BOS report of the CIGAS program was not included. Therefore, noted to make correction in the BOS report through the CIGAS SUMMARY of April 2021. Rs. 1,697,199 was that the assets purchased during the period 01.09.2020 to 31.12.2020.

1.6.3 Cash Flow Statement

----- Audit Observation -----	----- Comments of the Accounting Officer -----	----- Recommendation -----
Even though the advance payment under the investment activities in the cash flow statement was stated as Rs. 2,774,886, according to the advance control account of public officials, payments made in cash were Rs. 2,807,661. Accordingly, there was a difference of Rs.32,775.	Will be revised and resubmitted.	The cash flow statement should be correctly prepared and submitted accordingly.

1.6.4 Reconciliation Statement of Advance Accounts to Public Officers

----- Audit Observation -----	----- Comments of the Accounting Officer -----	----- Recommendation -----
According to the Advance B Account of Public Officers submitted with the financial statement, the debits and credits during the year were Rs.70,693,549 and Rs. 6,723,898 respectively but according to the advance control account the value was Rs. 13,162,216 and Rs. 16,548,156 respectively.	Will be revised and resubmitted.	The annual financial statements should be prepared by entering the correct information related to the advance B account of the public officers.

Also, according to the individual balance classification summary, an unidentified credit balance of Rs. 26,470 had been adjusted and the balance taken as Rs. 63,969,651 in the advance account as at end of the year under review.

1.6.5 Imprest Balance

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) In accordance with Public Finance Circular No. 02/2020 and as per Guideline 06 issued by the Department of State Accounts, action had not been taken to reconcile the difference between the balance in the performance statement amounted to Rs. 488,174,336 and the balance of the cash book amounted to Rs. 4,111 though an imprest reconcile account and submitted thereon.</p>	<p>Arrangement will be taken to reconcile and submit the balance in the performance statement and the balance in the cash book though an imprest reconcile account for the year 2021.</p>	<p>The financial statement should be prepared in accordance with the instructions of the Public Finance Department.</p>
<p>(b) According to the financial statements, a difference of Rs. 265,913 was observed between the Treasury imprest balance and the Ministry imprest balance.</p>	<p>Will be revised and resubmitted.</p>	<p>Action should be taken to submit the financial statements of the Ministry correctly after reconcile the imprest balance with the Treasury print outs.</p>

1.6.6 Non-maintenance of Registers and Books

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>The Ministry had not maintained a vehicle register as per the Financial Regulation 1647 (e) and accurate data on vehicles owned by the Ministry had not been included in the physically and computerize records maintained thereon.</p>	<p>Noted to take necessary action to keep the Ministry Vehicle Register updated from now on.</p>	<p>The vehicle register should be maintained in accordance with Financial Regulations.</p>

2. Financial Review

2.1 Imprest Management

Audit Observation	Comments of the Accounting Officer	Recommendation
Although the Ministry had planned to get an imprest of Rs. 200,167,000 for the expenses of it during the year under review, an imprest of Rs. 211,836,000 had been requested from the General Treasury and, accordingly, an imprest of Rs. 11,669,000 had been requested exceeding the planned imprest. The Ministry had received only 66 percent and 62 percent from the planned imprest and requested imprest respectively.	If the requested imprest amount was not received during the month, that imprest amount will be included to the next month request. Then the applied imprest can be exceeded the planned imprest.	The Ministry should take the necessary action to properly plan and apply the required imprest on time in accordance with the annual action plan and the approved estimate provisions.

2.2 Expenditure Management

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Out of a net allocation amounted to Rs. 27,450,000 related to 18 subjects, Rs. 9,893,789 or 28 percent was saved and that savings ranged from 23 percent to 100 percent for each subject. In addition, out of net allocation amounted to Rs. 4,750,000 related to 08 capital subjects, Rs. 3,831,966 or 80 percent was saved and that savings ranged from 37 percent to 100 percent on each subject.	Although provision was made for the payment to the office partitioning company of the Ministry, various reasons such as delays in payments due to the findings by the audit have affected to the savings of provision. It was noted that over-estimates should not be included in the preparation of future budget estimates.	Need properly forecast the requirement and prepare annual budget estimates.

- (b) A total sum of Rs. 4,325,000 had been transferred under Financial Regulations 66 for 06 subjects from other subjects during the year under review. Also, out of these transfers, a total provision of Rs. 213,705 had saved.
- Although the Ministry of Public Administration, Provincial Councils and Local Government had approved the subsistence allowances for staff level officers 15 days a month, applications were not received for payment and the savings of other subjects were less than 5 percent.
- Action should be taken to transfer the provisions through the Financial Regulation 66 only for the essential expenses after identifying the requirement of the provisions.
- (c) Due to non-preparation of complete expenditure estimates accurately in accordance with the Financial Regulations 50, out of the total allocation for 05 subjects amounted to Rs. 2,300,000, a total sum of Rs. 1,875,000 or 81.5 percent had been transferred to other subjects.
- Due to the provisions were made through 04 supplementary accounts for the year 2020, the provision were transferred to the under provision subjects. From now on, more accurate cost estimates will be prepared.
- The requirement should be identified correctly and the provisions should be made and the expenditure from the annual budget should be managed systematically.

2.3 Obligation in Liabilities and Commitments

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>The liabilities and obligations total amounted to Rs. 712,481 for the year under review had not been recorded in the financial statements and were committed in to obligations exceeding the savings of provisions in 03 subjects amounted to Rs. 1,305,428.</p>	<p>It will be revised and resubmitted.</p>	<p>Attention should be paid to the relevant financial regulatory provisions when committing liabilities.</p>

2.4 Certifications of Chief Accounting Officer

According to the provisions in Section 38 of the National Audit Act No. 19 of 2018, the Chief Accounting Officer is required to certify in the following matters, it had not been acted accordingly.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) The Chief Accounting Officer and the Accounting Officer should ensure that an effective internal control system for the financial control 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 and those reviews should have been made in writing and a copy submitted to the Auditor General, but no statement had been submitted to the Audit that such reviews had been made.</p>	<p>Restrictions on office work due to the Covid-19 epidemic hampered the implementation of these programs as planned. It is noted that such activities will be carried out properly in the future.</p>	<p>Action should be taken in terms of provisions in Section 38 of the National Audit Act, No.19 of 2018.</p>
<p>(b) The Chief Accounting Officer and the Accounting Officer should ensure that an effective mechanism exists to conduct an internal audit. However, the said requirements had not been fulfilled as per the observations made in the para 04 in the report.</p>	<p>Restrictions on office work due to the Covid epidemic have hampered the conduct of internal audit programs as planned.</p>	<p>-do-</p>

2.5 Non-compliance with Laws, Rules, and Regulations.

The following observations are made.

Reference to Laws, Rules, and Regulations	Non-compliance	Comments of the Management	Recommendation
<p>(a) Paragraph 02 iv of the Ministry of Public Administration and Home Affairs Circular No. 09/2009 of 16 April 2009.</p>	<p>According to the test check conducted during the three months of the year under review, a sum of Rs. 306,855 had been paid as overtime and holiday pay allowances for 20 officers without having proof of attendance by fingerprint machines.</p>	<p>The use of fingerprint machines was not implemented from March 2020 to 22 March 2021 as one of the measures taken to ensure the safety of health of the staff in the wake of the Covid 19 epidemic. The attendance register was the basis for the payment of overtime pay and holiday pay during that period.</p>	<p>Should comply with circulars.</p>

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| (b) | Public Administration Circular No. 26/92 (2) dated 03 August 1992 | Vehicles other than those reserved for officers should bear the State Logo and the name of the Ministry but this had not been done with regard to 15 vehicles belonging to the Ministry. | Noted to act in accordance with the circulars in the future. | Should comply with the circular. |
| (c) | Circular of the Secretary to the President No. CA / 1/1/16/1 of 09 July 2010 | As per circular instructions, reports for the official visits to 04 countries made in the first 02 months of the year 2020 by 03 officials including the Secretary to the Ministry had not been submitted. | Measures have been taken to make all sections aware of how the report should be submitted and the limit to be submitted. | Action should be taken in accordance with circular instructions regarding foreign travel. |

2.6 Irregular Transactions

----- Audit Observation -----	Comments of the Accounting Officer	Recommendation -----
Although the Asian Development Bank (ADB) was to pay accommodation and subsistence allowances to the official who attended the program on behalf of the Ministry in Bangkok, Thailand on February 6 and 7 of the year under review, casual allowances of USD 120, approved by the Secretary to the Ministry, had been paid. In addition, USD 105 had been paid without formal approval.	The officer has been informed by letter dated 18.08.2021 to recover the amount of overpaid USD 105.	Arrangements should be made to pay only approved allowances to officers going abroad for official visits and action should be taken to recover the overpaid amount.

3. Operational Review

3.1 Planning

Audit Observation	Comment of the Accounting Officer	Recommendation
The Ministry had not prepared a detailed procurement plan for the year under review in accordance with the approved format in terms of Procurement Guidelines 4.2.1.	The procurement plan has been prepared based on the purchases made for the first four months only. The procurement plan has not been prepared due to lack of confirmation of purchases for other months.	The procurement plan should be prepared in accordance with the Procurement Guidelines and manage the procurements accordingly.

3.2 Assets Management

Audit Observation	Comment of the Accounting Officer	Recommendation
A refrigerator and a voice recorder purchased during the year under review at a total cost of Rs. 82,650 had not been included in the fixed assets register and fixed assets were not analyzed and presented in the ACA-6 format in the financial statements, so it was not possible to confirm that the above assets were included in that format.	The refrigerator and voice recorder worth Rs. 82,650 purchased during the year under review had been included in the asset register and noted to include in BOS report in CIGAS program in April 2021.	Action should be taken to rectify the deficiencies in the asset recording as soon as possible.

3.3 Security of Public Officers

Audit Observation	Comment of the Accounting Officer	Recommendation
The Accounting Officer had not paid attention to ensure that the officials responsible for the custody and security of the government money were keeping security and the relevant Ministry officials who were supposed to deposit the security had not deposited the relevant security money in accordance with Financial	According to the Financial Regulation 880, the Ministry officials who are required to keep securities are being studied and has been noted that action will be taken to obtain securities in the future.	Action should be taken to obtain security without delay as per the provisions of the Financial Regulations.

Regulations 315 and 880.
 This was also addressed in paragraph 9 of the Public Finance Circular No. 01/2020 dated 28 August 2020.

3.4 Management Inefficiencies

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
There was no program in place in the Ministry to formulate policies or programs for the promotion of the foreign employment sector or to follow up on the implementation of the decisions taken by those programs, using the contents of the reports submitted by the officers going abroad on official visits after their visits.	Action have been taken to inform the Heads of Departments that the relevant divisions should take action to formulate necessary policy programs for the promotion of the sector and to implement a follow-up program to implement the decisions taken from those programs.	The Ministry should formulate a mechanism to be able to receive benefits commensurate with the amount spent on official foreign tours.

4. Good Governance

4.1 Internal Audit

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
Three officers including an internal auditor were recruited on contract basis and a sum of Rs. 2,085,245 was spent as salaries and allowances of the Internal Audit Unit of the Ministry during the year under review. Out of the 15 audit programs planned to be implemented by the unit during the year, 09 programs had not been implemented and an adequate audit had not been carried out during the year under review.	Internal audit reports have been issued on 06 audit programs planned to be implemented during the year by recruiting an internal auditor on an acting basis. That the Covid epidemic had hampered the conduct of internal audit programs as planned.	A qualified auditor and staff on a permanent basis should be recruited to maintain a strong internal audit unit, so that the internal control system of the Ministry can be continuously evaluated.

5. Human Resources Management

Audit Observation

The approved cadre and actual cadre of the Ministry were 1069 and 997 respectively and there were 72 vacancies at the end of the year under review. Out of 11 executive level posts, 03 were vacant.

Comments of the Accounting Officer

Arrangement is being taken to fill the vacancies at the executive level and the vacancies for Secondary Level Development Officers are also being filled.

Recommendation

Necessary action should be taken to fill the vacancies in the essential posts of the approved cadre of the Ministry.