

Report of the Auditor General on Head 193 – Ministry of Labour and Trade Union Relations – Year 2016

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 193 – Ministry of Labour and Trade Union Relations for the year ended 31 December 2016 was carried out in pursuance of provisions in Article 154 (1) of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Secretary to the Ministry on 11 August 2017. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the Accounts and Reconciliation Statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

1.2 Responsibility of the Chief Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statements in accordance with the provisions in Articles 148,149,150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and Public Finance and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliations Statements that are free from material misstatements whether due to fraud or error.

2. Accounts

2.1 Appropriation Account

Total Provision and Expenditure

The total net provision made for the Ministry amounted to Rs.295.52 million out of which a sum of Rs.283.96 million had been utilized as at the end of the year under review. Accordingly, the provision of Rs.11.56 million or 3.91 per cent of the total net provisions had been saved. Particulars are given below.

Expenditure	<u>As at 31 December 2016</u>			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs.Millions	Rs.Millions	Rs.Millions	
Recurrent	243.60	233.75	9.85	4.04
Capital	51.92	50.21	1.71	3.29
Total	295.52	283.96	11.56	3.91

2.2 Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account under Item No.19301 of the Ministry and the actual amounts are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs.Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
5.50	5.44	2.50	3.72	20.00	13.64

2.3 General Deposit Accounts

The balances of General Deposit Accounts under the Ministry as at 31 December 2016 totalled Rs.14.46 million. Details appear below.

Deposit Account Number	Balance as at 31 December 2016
	Rs. Millions
6000/0000/00/0016/0095/000	0.09
6000/0000/00/0017/0026/000	14.32
6000/0000/00/0018/0098/000	0.05
Total	14.46

2.4 Audit Observation

The Appropriation Account and the Reconciliation Statements of the Ministry of Labour and Trade Union Relations for the year ended 31 December 2016, had been prepared satisfactorily subject to the Audit Observations, appearing in the Management Audit Report referred to in Paragraph 1.1 above. The material and significant Audit Observations out of the Audit Observations included in the Management Audit Report appear in paragraph 3.

3. Material and Significant Audit Observations

3.1 Non-maintenance of Registers and Books

The Register of Fixed Assets on Computers, Accessories and Software had not been maintained in terms of Treasury Circular No. IAI/2002/02 of 28 November 2002.

3.2 Lack of Evidence for Audit

Even though 4,344 copies of the employees' magazine valued at Rs.868,800 had been issued to 12 divisions under the Ministry, confirmations of acknowledgments from that divisions had not been received.

3.3 Appropriation Account

Budgetary Variance

The following observations are made.

- (a) The entire net provision amounting to Rs. 685,000 made for 04 capital and recurrent Objects had been saved without being utilized.
- (b) Excess provisions had been made for 6 capital Objects and 6 recurrent Objects and as such the savings, after the utilization of provisions, ranged from 21 per cent to 99 per cent of the net provisions.

3.4 General Deposit Account

A sum of Rs.14,324,578 given to the office of the Commissioner for Compensation by the clients for the payment of compensations to the distressed persons had been retained in the General Deposit Account for 6 years without being paid.

3.5 Advances to Public Officers Account

According to the Reconciliation Statement presented to Audit, the balances that remained outstanding as at 31 December 2016 totalled Rs. 290,715. Even though those outstanding balances remained over periods ranging from 03 year to 05 years, the Ministry had failed to recover those outstanding balances even by the end of the year under review.

3.6 Assets Management

The following weaknesses were revealed during the audit test check carried out on the assets of the Ministry.

(a) Conduct of Annual Board of Survey

Action in terms of Paragraph 3.1.4 of the Public Finance Circular No.05/2016 of 31 March 2016 had not been taken in respect of excesses, shortages and other recommendations made by the Board of Survey reports relating to the year 2016.

(b) Physical Verification of Employees' Magazines

The physical verification of employees' magazines in the year 2016 had revealed a shortage of 358 magazines valued at Rs.49,200 relating to the period from the year 2011 up to 2016 and excess of 56 magazines valued at Rs.5,600 in the years 2009 and 2013.

(c) Irregular use of Assets belonging to other Institutions

Three motor vehicles belonging to two Departments were in the custody of the Ministry without being properly transferred to the Ministry. Out of that, a motor vehicle belonging to one Department remained idle without being run during the year under review.

3.7 Non-compliance

Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with the provisions in laws, rules and regulations observed at audit test checks are analyzed below.

Reference to Laws, Rules and Regulations	Value Rs.	Non-compliance
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(a) Statutory Provisions		
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(i) National Minimum Wage of Workers Act, No.3 of 2016	-	Action in terms of this Act had not been taken to pay the minimum wages for the security officers deployed in the ministry premises.
(ii) Budgetary Relief Allowance Act, No.4 of 2016	-	Action in terms of this Act had not been taken to pay the Budgetary Relief Allowance for the security officers deployed in the ministry premises.
(iii) Workmen's Compensation(Amendment) Act,No.10 of 2005	110,000	The compensation granted by an order or a judgement after an inquiry was held on the evidences summoned for an application by the Commissioner of Compensation, should be paid to the relevant disabled worker or the Commissioner or deposited within 30 days from the date of that order or the judgement. Nevertheless, action had not been taken accordingly in 02 instances.
(iv) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		
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Financial Regulation 1646	-	Daily running charts and monthly performance summaries in respect of pool vehicles of the Ministry were not made available to the Auditor General.

3.8 Implementation of Projects under Domestic Financing

The following observations are made in this connection.

(a) Projects with improper Constructions

The Ministry had commenced the construction work of a circuit bungalow in a land belonging to the Ampara Sanctuary or the Sanctuary at Galoya Nimna East since the year

2015, in accordance with the notification published in the Gazette Extraordinary No.10640 of 12 February 1954. A written approval of the Director General of the Department of Wildlife Conservation under the Chapter 469 of the Fauna and Flora Protection Ordinance had not been obtained in this connection. Further, the Ministry had not carried out the initial environmental examination, environmental impact assessment and the social impact assessment which should be done before the procurement activities in terms of Guideline 2.3.(i)(a) of the Government Procurement Guidelines. Similarly, the building plan of that construction had not been approved by the Urban Development Authority even by 31 July 2017. Even though a Memorandum of Understanding on the ownership of that land had been signed between the Ministry and the Department of Wildlife Conservation on 23 March 2017, according to the agreement, the land was fully owned by the Department of Wildlife Conservation. As such, the Ministry had spent a sum of Rs.16.3 million by the end of May 2017 for these constructions in a land belonging to a reserve for which the Ministry has no legal ownership.

(b) Projects abandoned without commencing

Provisions amounting to Rs.8,000,000 had been made by the Annual Budget Estimate for the “Sunisi Mehewara” Programme and out of that provisions, a sum of Rs.2,000,000 had been granted to the Department of Labour for the implementation of the Project on Elimination of Child Labour in Sri Lanka. It had been decided to advertise in 8 compartments of trains under this project. Subsequently, this project had been abandoned after making a decision that the implementation of this project was uneconomic due to the reasons such as failure to carry out a proper feasibility study in the planning stage and failure to prepare plans with a proper cost benefit analysis.

3.9 Performance

Key Functions not executed adequately

The key functions of the Ministry had not been executed adequately and several instances so revealed are given below.

- (a) In terms of the Circular No.SB/5/1/2/1 of 30 November 2014 issued by the Secretary to the President, a web site had been created for the Ministry with a view to using the information technology ensuring an effective, efficient and people friendly better public service especially an e- public service. Even though email addresses for officers had been created, action had not been taken to carry out 20 key functions stated in the plan.
- (b) The Ministry together with the Department of Labour and the Institute of Vocational Security and Health had taken action to implement a national policy for vocational security in Sri Lanka. Even though passing a new Act on the vocational security and health had been stated

as a strategy for the implementation of national policy for vocational security, it had not been achieved even as at the end of the year under review.

3.10 Transactions of Fraudulent Nature

Names of 16 officers had been erroneously entered in the Attendance Register of the security officers submitted for the payments monthly in terms of the agreement on providing security services to the Ministry of Labour, Department of Labour and the Employees Trust Fund functioned in the premises of Labour Secretariat. As such, a sum of Rs.4,838,000 had been obtained by the institution which provided the security service without providing any service to the aforesaid three institutions.

3.11 Management Weaknesses

The following observations are made.

- (a) Out of the court cases filed within 15 jurisdictions before the year 2016, 153 cases of fatal accidents and 380 cases of non-fatal accidents were pending for a period ranging from 08 months to 20 years. The amount of the compensation entitled to the complainants has become less worth at present due to the delay in legal proceedings and the actual benefit of compensation was a contentious matter due to the increase of legal and other charges.
- (b) The payment of compensation to the distressed employees had been made in terms of Schedule iv of the Workmen's Compensation (Amendment) Act, No.10 of 2005. Even though more than 11 years had lapsed by the end of the year under review since the amendments made, attention of the Office of the Commissioner of Compensations had not been paid to the revision of the amount of compensation considering the salary scales and prices at present.
- (c) Even though the savings pass books valued at Rs.8,059,437 pertaining to 427 beneficiaries who had completed the age limits during the year under review had remained in the office of the Commissioner of Compensations, the period of delay in releasing this money ranged from 1 year to 30 years. Further, the relevant savings pass books were not presented to add interest thereto and as such, the interest thereon had been deprived of.
- (d) A motor vehicle belonging to the Ministry had met with an accident and as a large amount had to be spent on the repairs to the motor vehicle which is older than 12 years, action had not been taken even by the end of the year under review to obtain the indemnity of Rs.1,200,000 agreed to pay by the Insurance Company.

3.12 Human Resources Management

(a) Approved Cadre and Actual Cadre

The position of the Cadre as at 31 December 2016 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i) Senior Level	15	13	2
(ii) Tertiary Level	5	5	-
(iii) Secondary Level	71	52	19
(iv) Primary Level	31	29	2
Total	122	99	23

(b) Irregular release of Human Resources to other Parties

The Ministry had released 04 officers to other parties since the year 2013 contrary to Section 2.5.1 of Chapter V of the Establishments Code. Further, a sum of Rs.660,808 had been spent as salaries and allowances for these human resources released in the year under review.