

Head 193 - Report of the Auditor General on the Ministry of Labour, Trade Union Relations and Sabaragamuwa Development – Year 2017

The Appropriation Account and the Reconciliation Statement under Head and Item Number stated in the First Schedule and Third Schedule of the Appropriation Act, No. 24 of 2016 as amended by the Appropriation (Amendment) Act, No.32 of 2017 were presented to Audit by the Ministry of Labour, Trade Union Relations and Sabaragamuwa Development. The financial and physical performance reflected by those accounts and the reconciliation statements were audited in terms of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

1.2 Responsibility of the Chief Accounting Officer for the Financial Management and Accountability

The Minister of Finance is charged with the raising of Revenue and the collection of other Government monies as well as with the general oversight of all the financial operations of Government in terms of Financial Regulation 124 of the Democratic Socialist Republic of Sri Lanka. The Chief Accounting Officers have been appointed by the Minister of Finance to discharge the above responsibility in terms of Financial Regulation 124(2). The Head of the Department will be the Accounting Officer in respect of all the financial transactions of his Department in terms of Financial Regulation 125(1) (a) and the Revenue Accounting Officer has been appointed by the Treasury. This responsibility includes designing, implementing and maintaining internal controls relevant to the maintenance, preparation and fair presentation of Accounts and Reconciliation Statements presented within the limitations imposed by Parliament 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, Government Financial Regulations and Administrative Regulations

1.3 Scope of Audit

The audit of the Ministry of Labour, Trade Union Relations and Sabaragamuwa Development – Head 193 for the year ended 31 December 2017 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka in respect of designing of financial and physical performance, Government expenditure, Government revenue, management of human and physical resources, apply of internal control systems, compliance with laws, rules and regulations and maintenance of books, registers, records and reconciliation statements in an updated manner, preparation and presentation of accounts in timely manner, issuance of performance reports to respective parties based on the performance indicators. The Management Audit Report for the year under review was issued to the Secretary of the Ministry on 19 October 2018. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the plans, accounts, reconciliation statements and performance reports 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 audit coverage as possible within the limitations of staff, other resources and time available to me.

1.4 Audit Observation

The material and significant audit observations out of the audit observations revealed in audit conducted in the Ministry of Labour, Trade Union Relations and Sabaragamuwa Development for the year ended 31 December 2017 appear in paragraphs 2.1 to 2.10 of this report. It was observed that the accountability as the Chief Accounting Officer had been satisfactorily executed, to ensure the adequacy of the financial administration subjected to the following summarized audit observations revealed in the execution of the provisions specified in the Financial Regulation 127 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

| Accountability of the Accounting Officer in terms of Financial Regulation 127 | Non-compliance of the Accounting Officer to the Provision | Reference to the Paragraph of the report Containing Observations | |
|--|--|---|-------------|
| ----- | ----- | ----- | |
| Financial Regulations ----- | | | |
| 127 (1)(a) | has planned the financial work of his department so that the business is transacted with correctness and financial propriety | 1. Not planning of the Procurement Activities adequately. 2. Non preparation of the budget estimates realistically | 2.3 2.7 |
| 127(1)(b) | has evolved a system which provides adequate controls over expenditure and the collection of revenues; | 1. Weaknesses in the Management 2. Deficiencies in the Human resources Management | 2.6 2.10 |
| 127(2) | that existing items of expenditure, as well as proposals for new or Increased expenditure in the departments under his control, are closely examined in the Ministry from the points of view of economy and efficiency | 1. Not obtaining the anticipated level of output 2. Non accomplishment of the foreign funded projects | 2.1 2.2 |

| | | | |
|--------|--|--|-----|
| 127(4) | <p>that Appropriation Accounts are duly rendered by each of his Accounting Officers, and examined at the Ministry before he signs them; and that important differences in the Estimates and the actual expenditure are critically investigated by him.</p> | <p>Incurring liabilities exceeding the annual limit of budget</p> | 2.4 |
| 127(6) | <p>that the collection of Revenue or other Government dues for which Accounting Officers are responsible is closely watched and examined by the Ministry.</p> | <p>Deficiencies stated in the Advances to Public officers' Account</p> | 2.8 |
| 127(7) | <p>That the procedure funded down in Financial Regulations 103 to 108 is followed by the Accounting Officers, in case of losses caused to government by the delays, negligence, fault or fraud on the part of officers/employees and surcharges are imposed on the officers/employees responsible for such losses, in terms of F.R.156 (1). It is also a duty of the Chief Accounting Officer to appear before the Committee on Public Accounts and to assist it along with his Accounting Officer in explaining and justifying the accounts of the departments for which he is responsible.</p> | <p>Losses and damages</p> | 2.5 |

2. Material and Significant Audit Observations

2.1 Performance

In terms of the Public Finance Circular No. 01/2014 of 17 February 2014, the Action Plan for the Year 2017 had been prepared. Accordingly, there were 13 key functions to be accomplished by the Ministry during the year under review and the following deficiencies were observed on the Action Plan prepared for obtaining anticipated results from 02 statutory institutions, 02 departments and 01 fund.

(a) Projects without progress despite the release of money

- (i) Provisions of Rs. 01 million had been allocated for the implementation of the Productivity Promotion Project for the year 2017 under the “Sunisi Mehewara” Programme. Nevertheless, only an amount of Rs. 41,115 had been incurred out of that and an amount of Rs 958,885 had been saved. This had been 96 per cent out of the provisions.
- (ii) A net provision of Rs. 3,245,000 had been allocated for the Ministry for the implementation of the National Policy on Safety, Health and Environment at Work Place under “Sunisi Mehewara” Programme. The Ministry had allocated Rs. 1 million for the promotion of Productivity and Rs. 1 million for the improvement of the Information Technology and Rs. 1.245 million for planning, research and developmental activities out of the net provision in accordance with the Action Plan of the Ministry. Nevertheless, the Ministry had only utilized an amount of Rs. 558,600 even by the end of the year under review. Ninety six (96) per cent out of the provisions allocated for the Productivity promotion and 100 per cent out of the provisions allocated for the Information Technology and 58 percent out of the provisions allocated for the planning, research and developmental activities had been saved.

(b) Not achieving the anticipated level of outcome

- (i) It had been informed in the Annual Reports pertaining to the years 2014, 2015 and 2016 issued by the Ministry that action would be taken in relation to the establishment of Maternity Insurance Scheme, Employment Injury Insurance Scheme, Social Protection Floor for Informal Sector of the Economy in collaboration with the International Labour Organization. However, action had not been taken to enforce 13 agreements issued by the International Labour Organization that might be applicable in that respect and to amend the Labour Laws in Sri Lanka to make such Agreements appropriate to Sri Lanka.

- (ii) Seventeen recommendations including the formulation of a National Policy on the periodical inspections by the Labour officers for regularization of labour administration and inspection in Sri Lanka, comprehensive planning of labour investigations, preparation of a Programme for the formal regulation of the results obtained from those labour inspections, taking measures to minimize employment injury and expedite ratification of the Agreement No. 129 and Agreement No. 150 of the International Labour Organization have been stated in Section 2 of the Technical Memorandum issued by the International Labour Organization in the year 2012 on the theme of Sri Lanka Labour Administration and Inspection Need Assessment. The progress of the Ministry in the implementation of those recommendations was in a very low level.

2.2 Foreign Funded Projects that had been implemented

The following observations are made.

- (a) A Foreign funded Project of Rs. 2.3 million had been implemented by the National Institute of Occupational Safety and Health operated under the purview of the Ministry in collaboration with the International Labour Organization. In terms of the Paragraph 3.4 of the project agreement, particulars on the expenses incurred for the programme had to be sent to the International Labour Organization through Format “D”. The Ministry had informed the International Labour Organization that an amount of Rs. 2,299,389 had been incurred for the Programme. Nevertheless, an amount of Rs. 1,375,326 had been actually incurred for the Programme. Arrangements had been made to identify an amount of Rs. 924,063 as an income of the institution even though Rs. 924,063 had to be returned to the International Labour Organization as per the paragraph 4.6 of the Agreement.
- (b) Research Project had to be implemented on the employment of women from 1 April 2016 up to 31 December 2017 in terms of the Agreement entered in to with the National Institute of Labour Studies operated under the Ministry and The United Nations Entity for Gender Equality and the Empowerment of Women (UN Women) and an amount of Rs. 1,808,282 had been provided for that purpose. However, 72 per cent of the project money had been utilized. Nevertheless, the fundamental survey activities had not been finalized even by the end of the year under review. UN Women had requested to return an amount of Rs. 558,263 due to the failure of the National Institute of Labour Studies to follow the Financial Rules of the aforementioned International Institution and only 21 per cent of the advance amount granted by the institution had been utilized by the National Institute of Labour Studies owing to its inefficiency in the utilization of money and the institution had to pay back the amount of money on 04 September 2017 to the UN Women.

2.3 Obtaining Supplies and Services through the Procurement Process

Planning Procurements

Provisions of Rs. 35.38 million had been made to the Ministry in the year under review for the accomplishment of supplies and services through the Procurement process and an amount of Rs. 18.90 million had been utilized. The observations pertaining to the Procurement Plans that should be prepared in relation to the provision made are mentioned below.

- (a) Four Desktop Computers and 06 laptop computers that worth Rs. 1,060,820 had been purchased for the Ministry in the year under review and quotations had been called in two instances on 13 February 2017 and 05 June 2017. Quotations had to be called again as the specifications made in the first instance had not prepared in compliance with the requirements of the Ministry. Technical Evaluation Committee had to carry out procurement activities by reviewing and approving the specifications as per the Guideline 2.6 of the Government Procurement Guidelines. Nevertheless, quotations had to be called twice for the same good due to non-conduct of the procurement activities in compliance with the Government Procurement Guidelines. Further, these laptop computers had been given to the Ministry on 15 August 2017. Nevertheless, the required software had been provided to the Ministry on 06 November 2017 and the computers remained idle for 04 months as the institution selected to provide software failed to provide software until the lapse of 04 months subsequent to the submission of the purchasing order.

2.4 Commitments and Liabilities

Commitments amounting to Rs. 16,619,144 had been made by exceeding the Provisions of Rs. 34,401,000 made for 05 capital Objects and 10 recurrent Objects by Rs. 6,117,813 in contrary to the Paragraph 02 (a) of the State Accounts Circular No. 255/2017 of 27 April 2017.

2.5 Losses and Damages

Observations on the losses and damages revealed at the audit test checks are mentioned below.

- (a) Losses and damages totaling to Rs. 403,632 had been incurred by accidents occurred to 06 vehicles of the Ministry. Preliminary Test and the full report in terms of the FR 104 (3) and 104 (4) pertaining to those losses and damages had not been submitted even by 19 October 2018.
- (b) Any entry had not been included in books of the Ministry in relation to the accident occurred on 29 April 2017 to the vehicle of the Ministry reserved for duties of the General Manager of the “Shrama Wasana” Fund.

2.6 Management Weaknesses

The following observations are made.

- (a) Money deposited as compensation had to be utilized for the administrative functions as required provisions for the administrative functions of the Office of the Commissioner for Workmen's Compensation had not been duly received from the General Treasury. It had been notified that Compensation money that is with the Commissioner for Workmen's Compensation as per the Gazette Extraordinary No.754/3 of 15 February 1993 as an amendment to Section 35 of Part v of the Workmen's Compensation Ordinance (No.19 of 1934) can be deposited in the National Savings Bank in a way that benefits can be derived by the dependents of labourer. The amount of Rs. 23,092,217 deposited by the employers as compensations had been used for the expenses of the Institution at the end of the year and depositing the compensation money in a bank account had disintitiled the beneficiaries of the interest income receivable to the beneficiaries. Payment of compensation to the beneficiaries was delayed due to the utilization of compensation money for incurring the expenses of the Institution and therefore, money had to be requested from the Ministry for the payment of compensation and subsequently compensation had been funded.
- (b) In terms of Section 13 (1) of Part iv of the Workmen's Compensation (Amendment) Act No. 10 of 2005, action should be taken to distribute money among persons (determined by an Order or a verdict declared subsequent to calling evidences and inquiring) who are entitled to get such compensation deposited in favour of the Commissioner for Workmen's Compensation. Nevertheless, action had not been taken to provide compensation money of Rs. 7,758,225 to appropriate beneficiaries. The present value of money get depreciated with the lapse of a longer period to provide compensation money to beneficiaries and it could be observed that the beneficiaries do not get relief when travelling expenses, fees of lawyers and the other related expenses are compared with the maximum compensation of Rs. 550,000 that they are entitled to receive as compensation amount. The delayed period of releasing compensation money was in the range of more than 1 year to 05 years.
- (c) There had been instances where the purposes of the Workmen's Compensation (Amendment) Act No. 10 of 2005 were not accomplished due to not getting the benefits that should be received by the relevant minors within a prescribed period of time as a methodology for updating information on the minors at the Office of the Commissioner for Workmen's Compensation that is operated under the Ministry of Labour, Trade Union Relations and Sabaragamuwa Development. The Office of the Commissioner for Workmen's Compensation had maintained 44 accounts in which an amount of Rs. 845,656 had been deposited due to non-availability of any information to substantiate the maturity and the residence.
- (d) In terms of Section 41 (2) of Part VII of the Workmen's Compensation Ordinance (No.19 of 1934), it is possible to pay compensation money to a certain employee, in an instance where employers default the payment of compensation to an

employee in an accident occurred to him, by the seizure of immovable and movable property of the employer and selling such property in Public auction and getting money. Forty seven legal case files with the compensation value of Rs. 11,918,793 had been pending as at 31 December 2017 as warrants issued for the recovery of the compensation money were not properly enforced. The period of delay for those beneficiaries to receive compensation money was from 03 years to 22 years. Therefore, it could be observed that benefits for the dependents that were entitled to the compensation money had not received benefits properly.

- (e) The Office of the Commissioner for Workmen's Compensation performs functions such as depositing money in fixed deposits for the compensation provided to the minors of the employees who died due to fatal accidents occurred while they were on duty and providing such benefits with the maturity of. Three hundred and twenty nine accounts had been maintained without releasing benefits though maturity had attained and the value of the compensation was Rs. 10,484,809. Likely, the period of delay for releasing the compensation money was in the range of 1 year to 25 years.

2.7 Utilization of Provisions made by Parliament for the Performance of Functions

Information regarding the provisions made to the Ministry within the period of 05 years ended 31 December 2017 and utilization and savings thereof is mentioned below.

| Year | Category of Expenditure | Net Provisions | Utilization | Saving | Savings as a percentage of the net provisions |
|------|-------------------------|----------------|--------------|-------------|---|
| | | Rs. million | Rs. million | Rs. million | |
| 2013 | Recurrent | 166.9 | 152 | 14.9 | 8.9 |
| | Capital | 62.7 | 51.2 | 11.5 | 18.3 |
| | Total | 229.6 | 203.2 | 26.4 | 11.5 |
| 2014 | Recurrent | 183 | 171.9 | 11.1 | 6.0 |
| | Capital | 81.8 | 73.8 | 8 | 9.7 |
| | Total | 264.8 | 245.7 | 19.1 | 7.2 |
| 2015 | Recurrent | 215.6 | 202.6 | 12.9 | 5.9 |
| | Capital | 45.2 | 34.4 | 10.8 | 23.8 |
| | Total | 260.8 | 237 | 23.7 | 9.1 |
| 2016 | Recurrent | 243.6 | 233.8 | 9.8 | 4.0 |
| | Capital | 51.9 | 50.2 | 1.7 | 3.2 |
| | Total | 295.5 | 284 | 11.5 | 3.9 |
| 2017 | Recurrent | 235.2 | 222.6 | 12.5 | 5.3 |
| | Capital | 56.2 | 34.7 | 21.6 | 38.4 |
| | Total | 291.4 | 257.3 | 34.1 | 11.7 |

The following observations are made.

- (a) Provisions of Rs. 6,045,387 had been saved from the net provisions as anticipated expenses had not arisen at the end of the year under review due to the non-preparation of the Budget estimate realistically by the Ministry.
- (b) The entire net provisions of Rs. 12.4 million made for 17 recurrent Objects had been saved without being utilized.
- (c) Excess provision totalling Rs.31,604,234 had been made for 43 Objects and after the utilization of provisions totalling Rs. 23,137,466 only, the savings were in the range of 20 per cent to 100 per cent of the net provisions relating to the respective Objects.

2.8 Advances to Public Officers Account

The limits authorized by Parliament and actual values of the Advances to Public Officers Account under the Item No.19301 related to the Ministry are mentioned below.

| Expenses | | Receipts | | Debit balance | |
|----------------------|---------------|----------------------|---------------|----------------------|---------------|
| Maximum Limit | Actual | Minimum Limit | Actual | Maximum Limit | Actual |
| ----- | ----- | ----- | ----- | ----- | ----- |
| Rs. million | Rs. million | Rs. million | Rs. million | Rs. million | Rs. million |
| 8.5 | 8.4 | 3.9 | 3.9 | 26 | 15.8 |

The following observations are made.

Non recovery of outstanding loan balances

According to the reconciliation statement made available to Audit, the total of the loan balances in arrears as at 31 December 2017 amounted to Rs. 290,715 excluding the loan balances of the officers transferred out. The outstanding loan balances have been remained as arrears for a period of 4 years to 5 years.

2.9 Non-compliance with Laws, Rules and Regulations

The amounts that should be charged for personal tours made in the official vehicles reserved for an Officer in the Ministry in terms of F.R. 1640 (iv) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka had not been charged.

2.10 Human Resources Management

Approved Cadre, Actual Cadre and Expenditure on Personal Emoluments

The particulars regarding the approved, actual and vacant staff as at 31 December 2017 are mentioned below. An amount of Rs. 96.06 million had been incurred for the category of personal emoluments by the Ministry within the year under review.

| Category of Employee | Approved Cadre | Actual Cadre | Number of vacancies |
|-----------------------------|----------------|--------------|---------------------|
| (i) Senior Level | 19 | 12 | 07 |
| (ii) Tertiary Level | 04 | 03 | 01 |
| (iii) Secondary Level | 77 | 53 | 24 |
| (iv) Primary Level | 37 | 28 | 09 |
| (v) Casual / Contract Basis | 01 | 01 | - |
| (vi) Ministerial Staff | 15 | 15 | - |
| | 153 | 112 | 41 |

The following observations are made in this regard.

- (a) Eight Officers in the Combined service attached to the Ministry of Labour as at 31 December 2017 had not yet been transferred and their period of service was in the range of 05 years to 17 years.
- (b) The number of officers out of the total number of employees in the Ministry who had received a training for 08 hours or less than that was 24 and the number of officers who had not obtained any type of training was 50.