

Head 54 - Ministry of Labour and Trade Union Relations

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the Ministry of Labour and Trade Union Relations for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and statement of financial performance and cash flow statements 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. In terms of section 11(1) of the National Audit Act, No.19 of 2018, the summary report including my comments and observations on the financial statements of the Ministry, was issued to the Chief Accounting Officer on 06 July 2020. In terms of section 11(2) of the Audit Act, the Annual Detailed Management Audit Report relating to the Ministry was issued on 31 December 2020 to the Chief Accounting Officer. This report is submitted to Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka 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 prepared in terms of provisions of the State Accounts Circular No.271/2019 of 03 December 2019, give a true and fair view of the financial position of the Ministry of Labour and Trade Union Relations as at 31 December 2019, and its financial performance and 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 Responsibility of the Chief Accounting Officer for the Financial Statements

The Chief 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 in terms of Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Chief 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 section 16(1) of the National Audit Act, No. 19 of 2018, the Ministry 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 of the Ministry.

In terms of Sub-section 38(1) (c) of the National Audit Act, the Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Ministry and carry out periodic reviews to monitor the effectiveness of such system and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibility for 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, 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, 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 Ministry'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 Chief 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

As required by Sub-section 6(1) (d) and Section 38 of the National Audit Act, No.19 of 2018, I state the followings:

- (a) that the financial statements are consistent with the preceding year,
- (b) that the recommendations made by me on financial statements of the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Position

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) A difference of Rs.202,241,262 was observed between non-financial assets of the Ministry indicated in the statement of financial position and according to Treasury Notes.	Financial statements should be prepared as accurately as possible in compliance with provisions of state accounts circulars and with Treasury accounts.	Values of old disposals of the Ministry and values of assets taken over to the Department of Labour were eliminated from books in shifting the Ministry to the Mehewara Piyasa Building in the year 2019 and values of assets of the new building had been entered into the CIGAS Programme. Values of assets indicated in the financial statement are correct and future action will be taken to rectify them.
(b) According to Treasury statements, cash and cash equivalents of Rs. 218,772 had not been indicated under assets of the statement of financial position. Further, the value of net assets of the	-Do-	The unsettled sub-imprest balance amounting to Rs.218,773 has been indicated in imprest accounts as per the Format ACA – 3. The said amount is the sub-imprest granted

Ministry had been understated by Rs.218,772 as at 31 December 2019.

to the Election Commission. As such, it has been shown as a liability in the statement of financial position.

1.6.2 Cash Flow Statement

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
----- The Cash Flow Statement had not been prepared accurately so as to represent the value of unsettled imprest balance amounting to Rs.218,772 as at 31 December 2019.	----- Financial statements should be prepared as accurately as possible in compliance with provisions of state accounts circulars and with Treasury accounts.	----- The cheque for the unsettled imprest balance of Rs.218,773 relating to payments made for election duties has been received to the Ministry on 23.01.2020. As such, it is pointed out that there is no possibility of representing as the imprest balance unsettled as at 31 December 2019.

1.6.3 Advance Accounts Balances

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
----- It was observed that the Advance B Account bearing No.05401 prepared for the year 2019 by the Ministry is not tallied with figures indicated in the final computer printout issued by the Treasury. Accordingly, expenditure (11) incurred by cash under debit notes had been understated by Rs.3,000,173 than the Treasury while payments (12) made under cross entries had been overstated by	----- Financial statements should be prepared as accurately as possible in compliance with provisions of state accounts circulars and with Treasury accounts.	----- Even though it has been mentioned that the Advance B Account bearing No.05401 for the year 2019 had not been prepared based on the final computer printout issued by the Treasury, it has been pointed out that computer printouts had been prepared relating to 12 months alone for Accounts bearing Nos. 19301 and 05401 existed as at first half and last half of the year 2019. Further, transferring of payments by cash to the Head 193 and receipts to the Head 54

Rs.3,210,242. Moreover, value received as cash relating to receipts under credit notes had been understated by Rs.960,156 than the Treasury while receipts (12) through cross entries had been overstated by Rs.1,170,256. Reasons for these differences had not been revealed.

through cross entries (12) instead of through debit notes (11) by the Treasury had been the reason therefor.

1.6.4 Responsibilities of the Chief Accounting Officer

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
<p>In terms of provisions in Section 38 of the National Audit Act, No.19 of 2018, the Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists, in the Ministry of Labour and Trade Union Relations 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. The said reviews shall be in writing and copies of the same shall be made available to the Auditor General. However, statements that such a review was carried out, had not been made available to Audit.</p>	<p>Action should be taken in terms of provisions in Section 38 of the National Audit Act, No.19 of 2018.</p>	<p>Action will be taken in terms of Section 38 of the National Audit Act, No.19 of 2018, to prepare an effective internal control system for the financial control of the Ministry and to carry out periodic reviews in writing, to monitor the effectiveness of such systems and to make them available to the Auditor General.</p>

2. Financial Review

2.1 Management of Imprests

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
In terms of Financial Regulation 371(5), all sub-imprests should be settled as at 31 December of the relevant year. However, according to the Treasury statement, the imprest balance unsettled as at 31 December 2019 had been Rs.218,773.	Action should be taken in terms of Financial Regulations to settle sub-imprests prior to the end of the year.	The said imprest balance is the balance which should be settled through the Election Commission.

2.2 Expenditure Management

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
Savings out of provision of Rs.28,250,000 allocated for 12 Capital Objects amounted to Rs.22,445,260 and ranged from 49 per cent to 100 per cent. Further, savings out of the provision of Rs.24,301,955 made for 11 Recurrent Objects amounted to Rs.8,196,821 and ranged from 31 per cent to 89 per cent.	The Ministry should take action in terms of Financial Regulation 50 to prepare the estimates of expenditure as rationally and accurately as possible.	Making savings according to National Budget Circular Nos. 03/2019 of 08.04.2019 and 05/2019 of 29 September 2019 is the reason for savings of provision made to Capital Objects. In addition to that, non-receipt of imprest from the Treasury and management of expenditure of certain Objects have been the reason for the above savings.

2.3 Incurring of Commitments and Liabilities

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer									
<p>(a) In terms of paragraph 3.4 of State Accounts Circular No.271/2019 of 03 December 2019, any commitment or liability which had not been reported by the Statement of Liabilities and Commitments, should not be settled in the year 2020 as a previous year expenditure. The value of liabilities of Rs.258,627 relating to 2 instances, not mentioned in the financial statement and Treasury notes, was observed at the Audit.</p>	<p>The correct value of liabilities to be settled at the end of every financial year should be indicated in the financial statements by the Ministry.</p>	<p>Except for following liabilities, all other liabilities have been indicated clearly in the Register of Liabilities and as well as in the financial statement and Treasury notes.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Object</th> <th style="text-align: left;">Name of Institution</th> <th style="text-align: right;">Value (Rs.)</th> </tr> </thead> <tbody> <tr> <td>054-1-2-1001</td> <td>Chairman, National Housing Development Authority</td> <td style="text-align: right;">224,910.76</td> </tr> <tr> <td>054-1-2-1003</td> <td>Chairman, National Housing Development Authority</td> <td style="text-align: right;">33,716.12</td> </tr> </tbody> </table>	Object	Name of Institution	Value (Rs.)	054-1-2-1001	Chairman, National Housing Development Authority	224,910.76	054-1-2-1003	Chairman, National Housing Development Authority	33,716.12
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<p>(b) The value of liabilities relating to 7 instances, indicated under commitments and liabilities of the financial statement but not recorded in the Register of Liabilities, had been Rs.651,648.</p>	<p style="text-align: center;">-Do-</p>	<p>The said amount has been paid to Mrs. J.C.H. Jayasinghe by the National Housing Development Authority in the year 2019. Only the reimbursement of the said money is carried out by our Ministry. Reimbursement to the National Housing Development Authority has been made later due to inadequate imprests granted to the Ministry from the Treasury from time to time.</p> <p>The sum of Rs.651,648 relating to 7 instances is related to the Ministry of Finance and even though it had been delayed to record the said instances in the Register of Liabilities, action has been taken to account accurately.</p>									

2.4 Deposit Balances

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) A sum of Rs.8,451,277 out of compensation recovered by the Office of the Commissioner for Workmen's Compensation from employers due to fatal and non-fatal accidents occurred to employees in the course of their employment, had remained unsettled by 31 October 2019. The said compensation could not be paid due to reasons such as lack of correct information on employees and their dependants, shortcomings in documents relating to payment of compensation of beneficiaries and failure in submitting those documents to the Office and the period of delay thereof had ranged from 02 months to 03 years.	Action should be taken in a manner in which dependants of employees who are injured or deceased as a result of accidents, receive compensation expeditiously.	In the event of workmen's death, compensation entitled, is credited to dependants' bank accounts by summoning their bank details in accordance with provisions of the Workmen's Compensation Ordinance and after receiving court orders for distribution of compensation among relevant dependants.
(b) Warrants had been issued for 51 lawsuits relating to 11 courts due to failure to pay compensation as at 31 December 2019. Even though a period ranging from 11 to 21 years had lapsed after reporting the accident, the amount not recovered had been Rs.2,326,741.	-Do-	In case of failure in making payment of compensation within 30 days in terms of the judgment of the Workmen's Compensation Tribunal, a warrant is issued to the Registrar of the Magistrate Court belonging to the area of residence of employer for the recovery of the said money by banning and auctioning movable property of the

employer.

According to powers of the Civil Court, the responsibility of executing the said warrant lies with employees and even though they were briefed in this connection whenever possible, they did not appear and as such, the said warrants could not be executed.

(c) Even though compensation had been deposited with the Office of the Commissioner for Workmen's Compensation, 06 accounts had been operated separately in the name of Commissioner for Workmen's Compensation in National Savings Bank without distributing compensation due to failure to find out due dependants. The amount deposited therein as at 31 December 2019 had been Rs.1,892,127.

-Do-

As recipients had not obtained their compensation over a long period, those moneys are deposited in a Savings Account in the name of Commissioner for Workmen's Compensation with a view to granting benefits and action is taken to repay with interest thereon for recipients.

(d) Compensation entitled to minors of employees deceased due to fatal accidents in the course of their employment, should be granted to them after completion of age. However, compensation remained in 392 accounts by which benefits were not released to minors even after completion of age, had been Rs.10,388,836.

-Do-

Benefits could not be released due to reasons such as 40 to 50 years had lapsed after opening of accounts, addresses were changed, account holders were abroad and some account holders had deceased.

2.5 Reconciliation Statement on Advances to Public officers Account

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
(a) The Ministry had not taken action in terms of Section 4.4.1 of Chapter XXIV of the Establishments Code to recover a sum of Rs.138,501 recoverable from a Management Assistant, despite having lapsed over a period of 5 years after leaving the service as at 31 December 2019.	Taking action without delay to recover current loan balances and taking all necessary measures to recover old loan balances.	The letter No.ML/AD/02/06/III dated 12.02.2020 has been forwarded in reply for the letter No. C/DC/111/2018(LS) dated 31.01.2020 forwarded by the Attorney General's Department.
(b) Action had not been taken even by 30 June 2020 for the recovery of Rs.114,575 recoverable from an officer who had transferred out.	-Do-	The Divisional Secretariat, Ratmalana has notified that it is deemed that the said officer has vacated his post.

3. Operating Review

3.1 Assets Management

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
Nine motor vehicles of the list of vehicles registered in the name of Secretary to the Ministry of Labour, obtained from the Department of Motor Traffic, were not available with the Ministry.	Information on physical existence and current usage of motor vehicles registered in the name of the Ministry should be maintained in an updated manner.	Those matters are being examined at present by finding old files on these motor vehicles.