

## Report of the Auditor General on Head 193 – Ministry of Labour and Trade Union Relation – Year 2015

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 Relation for the year ended 31 December 2015 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 22 June 2016. 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

The total net provision made for the Ministry amounted to Rs.260.75 million out of which a sum of Rs.237.07 million had been utilized as at the end of the year under review. Accordingly, the provision of Rs.23.68 million or 9.09 percent of the total net provisions had been saved. Particulars are given below.

Expenditure	As at 31 December 2015			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs.Millions	Rs.Millions	Rs.Millions	%
Recurrent	215.56	202.63	12.93	6.00
Capital	45.19	34.44	10.75	23.79
<b>Total</b>	<b>260.75</b>	<b>237.07</b>	<b>23.68</b>	<b>9.09</b>

## 2.2 Advance Account

### 2.2.1 Advances to Public Officers Account

#### Limits Authorised by Parliament

Limits authorised by Parliament in respect of Advances to Public Officers Account under the Item No.19301 relating to the Ministry and actual values are as follows.

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
2.00	1.26	0.20	0.63	35.00	15.36

## 2.3 Imprest Account

The balances of the imprest account as at 31 December 2015 under the Ministry amounted to Rs.12,593 and it had not been settled even by 01 February 2016.

## 2.4 General Deposits Accounts

The credit balances of 4 General Deposit Accounts under the Ministry as at 31 December 2015 totalled Rs.19.36 million and the credit balance amounted to Rs.19.36 million and the debit balance amounted to Rs.4.99 million. Particulars are as follows.

Deposit Account Number	Balance as at 31 December 2015
	Rs.Millions
6000/0000/00/0012/0080/000	(4.99)
6000/0000/00/0016/0095/000	0.11
6000/0000/00/0017/0026/000	19.24
6000/0000/00/0018/0098/000	0.01
Total	14.37

## 2.5 Audit Observation

The Appropriation Account and the Reconciliation Statements for the year ended 31 December 2015 of the Ministry of Labour and Trade Union Relations had been satisfactorily prepared, subject to the audit observations appearing in the management Audit Report referred to in Paragraph 1.1 above. The material and significant audit observations included in the Management Audit Report appear in Paragraph 3.

### 3. Material and Significant Audit Observations

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Audit test check observed that the Ministry had not maintained the following registers.

<b>Type of Registers</b>	<b>Relevant Regulation</b>
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(i) Register of Fixed Assets for Computers, accessories and software	Treasury Circular No. IAI/2002/02 of 28 and November 2002.
(b) Security Register	Financial Regulation 891 (1)

### 3.2 Appropriation Account

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The following observations are made.

- (a) The entire net provision of Rs.1 million made for 03 Objects had been saved.
- (b) As the over provision had been made for 76 Objects, savings of those Objects after being utilized ranged from 5 per cent to 100 per cent of net provisions made for those Objects.

### 3.3 General Deposit Account

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The following observations are made.

- (a) A sum of Rs.19 million given to the office of the Commissioner for Workmen's Compensation by the clients for the payment of compensations to the distressed persons had been retained in the General Deposit Account for about 5 years.
- (b) The Ministry of Labour and Trade Union Relations had been established as a new Ministry on the provision made under the Ministry of Justice. An advance of Rs.5 million had been given to meet the expenditure of the Ministry of Labour and Trade Union Relations at the beginning of the year under review on 21 April 2015 from the contingencies Fund. This advance had not been accounted by the Ministry in terms of Financial Regulation 487. However the expenditure incurred by the Ministry during that period had been credited to the deposit account, contrary to Financial Regulation 206. As such, a debit balance of Rs.4.99 million had existed in the deposit account as at 31 December 2015.

### 3.4 Reconciliation Statement of the Advances to Public Officers Account

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Audit test checks carried out in respect of the reconciliation statement as at 31 December 2015 relating to the Advances to Public Officers Account under the Item No.19301, it was observed that the Ministry had failed to recover the outstanding balance of Rs.177,274, recoverable from

officers who had gone on transfer, deceased and retired remained for a period ranging from 2 to 3 years and the outstanding balance of Rs.138,501 recoverable from officers who had vacated their posts remained for a period ranging from 3 to 4 years, even up to 31 December 2015.

### 3.5 Assets Management

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Audit test checks carried out in respect of assets of the Ministry, the following weaknesses were observed.

#### (a) Conduct of Annual Board of Survey

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The following observations are made.

- (i) In terms of Public Finance Circular No.02/2014 dated 17 October 2014, the Board of Survey for the year 2015 should be conducted and the relevant reports should be submitted to the Auditor General before 17 March 2016. Nevertheless, a survey in respects of motor vehicles of the Ministry had not been conducted.
- (ii) Action in terms of Paragraph 3.4 of the above circular had not been taken in respect of excesses, shortages and other recommendations made by the Board of Survey reports relating to the year 2015.

#### (b) Assets given to External Parties

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Action had not been taken to get back 2 motor vehicles released to the Ministry of Justice by the Ministry even by the end of the year 2015.

### 3.6 Non-compliance

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#### Non-compliance with Laws, Rules and Regulations

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Non-compliance with the provisions laws, rules and regulations observed at audit test checks are analysed below.

Reference to Laws, Rules and Regulations	Value	Non-compliance
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	Rs.	
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		
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(i) Financial Regulation 138	1,387,556	Fifty six payment vouchers had not been certified.

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|--|---------|--|
| (ii) Financial Regulation 137  | 151,880 | An Engineering certificate had not been obtained after vehicle repairs, ensuring that the repair had been correctly done.  |
| (iii) Financial Regulation 1646  |         | - Daily running charts and monthly performance summaries in respect of pool vehicles of the Ministry were not made available for audit.  |
| (b) Public Administration Circulars:<br>-----<br>Paragraph 4 of the Circular<br>No.13/2008 dated 26 June 2008. |         | - Eventhough the fuel allowance had been paid for the assigned vehicle, the Commissioner for Workmen's Compensation had taken mileage in respect of duties performed outside the office. |
| (c) <b>Government Procurement<br/>Guidelines</b><br>-----<br>Guideline 2.8 (a), 5.6.1 (b)                      |         | - Two computers had been purchased without the approval of the Technical Evaluation Committee and proper specification.  |

### 3.7 Performance

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Observations on the progress of the Ministry as per the Action Plan for the Year 2015 are given below.

#### (a) Key Functions not Adequately Fulfilled

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Key Functions not adequately achieved as observed at audit test check are given below.

- (i) Out of the activities planned to be implemented under 4 parts for the development of productivity of the Ministry such activities had been achieved in the range of 20 per cent to 45 per cent.
- (ii) Out of the 6 activities planned under the implementation of electronic government policy, 20 per cent had been achieved by the end of the year and only one program had achieved 70 per cent of the target.
- (iii) The preparation of the declaration on understanding the Labour Law out of the Planning activities under the research, surveys and publications had been achieved only 55 per cent.

- (iv) Out of the functions planned under the Labour and Overseas Relations, 2 had not been fully implemented and 2 items had been achieved by 50 per cent to 70 per cent respectively.

### **3.8 Losses and Damages**

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Action in terms of Financial Regulation 104 had not been taken in respect of a damage caused to a motor vehicle belonging to the Ministry met with an accident in the year 2013. This losses had not been entered in the register of losses and damages in terms of Financial Regulation 110.

### **3.9 Management Weaknesses**

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Audit test checks observed the following management weaknesses.

- (a) The office of the Workmen's Compensation Commissioner had been set up with the vision of making employees satisfaction by paying compensation without delay through employers when an employee had become disastrons or deceased. Nevertheless, the payments of such compensations which had been recovered by that office amounting to Rs.55,886,848 to the beneficiaries had delayed the periods ranging from 14 days to 1,634 days.
- (b) Employers had deposited money to pay compensations to the beneficiaries by 30 September 2015. Compensation money amounting to Rs.15,192,313 received from employers within the periods from 3 months to 6 years had not been paid to the relevant beneficiaries.
- (c) Saving pass books relating to the 531 beneficiaries valued at Rs.24,071,183 who had completed the age limits during the year under review had remained in the office of the Workmen's Compensation Commissioner and the period of delay for releasing this money ranged from 1 year to 20 years.
- (d) As a high cost had to be incurred to repair a motor vehicle belonged to the Ministry older than 12 years after the accident, action had not been taken to get the insurance indemnity agreed to pay by the Insurance Company amounting to Rs.1,200,000 even by 31 December 2015.
- (e) Eventhough the functions performed by the "Rekiya Piyasa" (Jobs net) operated as a government private company had been performed by the Department of and Manpower Employment, action had not been taken to close down the "Rekiya Piyasa" (Jobs net) and to wind up the company even by 31 December 2015.

### 3.10 Human Resource Management

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(a) Cadre Position as at 31 December 2015 is given below.

	<b>Category of Employees</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Number of Vacancies</b>
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(i)	Senior Level	14	12	02
(ii)	Secondary Level	71	54	17
(iii)	Tertiary Level	05	04	01
(iv)	Primary Level	31	26	05
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	Total	121	96	25
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(b) Human Resources Improperly Released to other Parties

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The Ministry had spent a sum of Rs.2,310,339 for 5 employees released to the other parties during the year under review by the Ministry.