

Head 182 - Report of the Auditor General on the Ministry of Foreign Employment-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 Foreign Employment. 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 Ministry of Foreign Employment – Head 182 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 15 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 an audit coverage as possible within the limitations of staff, other resources and time available to me.

1.4 Audit Observations

The audit observations of the Ministry of Foreign Employment for the year ended 31 December 2017 revealed in audit appear in Management Audit Report in detail, mentioned in paragraph 1.3 above. The material and significant audit observations out of the audit observations appear in paragraph 2.1 to 2.11 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 of the Financial Regulation 127 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

Provision in Financial Regulation 127	Non-compliance with that Provision by the Chief Accounting Officer	Reference to the Paragraph of the report which included the Observation
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Financial Regulations		

127(1)(a) That all financial work is planned with correctness and financial propriety	1. The Action Plan had not been prepared accurately.	2.1.1
	2. Procurement process had not been planned adequately.	2.2.1
127(1)(b) That a system which provides adequate control over expenditure and the collection of revenues,	1. Irregular Transactions	2.4
	2. Management Deficiencies	2.7
	3. Unresolved Audit paragraphs	2.6
	4. Deficiencies in Human Resources Management	2.16
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	1. Failure to perform functions	2.1.2
	2. Failure to	2.1.3

	the Ministry from the points of view of economy and efficiency,	accomplish the performance of Foreign Funded Projects	2.2.2
		3. Deficiencies in carrying out procurement process	
127(3)	That all cases of doubt or difficulty are referred to him so that he may bring his own administrative experience and Judgement to bear on them,	Deficiencies in the Asset Management	2.3
127(5)	That important variations between Estimates and expenditure receive critical examination at the Ministry,	Non-utilization of provision made.	2.8
127(6)	That the collection of Revenue or other Government dues for which Accounting Officers are responsible is closely watched and examined by the Ministry	Deficiencies in the Advances to Public Officers Account	2.9
127(7)	That the procedure laid 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.	1. Losses and Damage 2. Failure to obtain security from officers responsible for the custody of public money.	2.5 2.11

2. Material and Significant Audit Observations

2.1 Performance

2.1.1 Planning

The Ministry had not prepared long term plans in a manner to achieve the objectives and goals thereof and it was observed that even though the Key Performance Indices (KPI's) mentioned in Annual Action Plans are suitable to evaluate the short term output, those are not appropriate to evaluate the effectiveness of achieving the institutional objectives. As such, it was observed that the existing planning methodology does not perform a significant role in directing the Ministry towards the long term vision.

2.1.2 Failure to perform the Functions

The following observations are made.

- (a) Even though the promotion of foreign market had been mentioned as a Thrust Area of the Ministry, the number of workers migrated for foreign employment in the year 2016 stood at 242,930 it had dropped to 212,162 or by 12.67 per cent in the year 2017.
- (b) Twenty Memorandums of Understanding on migrated employees signed with various countries by the Ministry were **in effect** by the year 2017. Matters revealed in the audit test check carried out on 12 Memorandums of Understanding.
 - (I) The said Agreements had not been updated and **followed up** in a timely manner.
 - (i) Even though the Embassy of Sri Lanka in Jordan had been informed on 12 July 2016 through the Ministry of Foreign Affairs to re-review the Agreement signed with Jordan, necessary action had not been taken even by 28 August 2018.
 - (ii) Even though a letter had been sent through the Ministry of Foreign Affairs to the Embassy of Sri Lanka in State of Bahrain on 25 October 2016 for the re-review of Agreement signed with Bahrain, no response in this regard had been received as at 28 August 2018.
 - (II) **Joint Committee Meetings had not been duly held with contractual countries.**
 - (i) Four, three and two Joint Committee Meetings only had been held with Qatar, Oman and Saudi Arabia respectively out of the 12 contractual countries from the year 2009 to the year 2018. Information on the conduct of Joint Committee Meetings relating to other Agreements had not been made available to audit.

- (ii) Even though Joint Committee Meetings should be held with States of Bahrain and Kuwait annually in terms of the Agreements, no meetings had been held since the year 2009.

2.1.3 Foreign Funded Projects

The Government of Sri Lanka had implemented a programme named “Safety and Wellbeing of Migrant Workers and their families in Sri Lanka” in collaboration with the Government of Switzerland with a view to contributing to the safety and wellbeing of migrant workers of Sri Lanka and their families. The Government of Switzerland had agreed to provide an aid of USD 3,875,000 for the said programme.

The following matters were observed in this connection.

- (a) According to the relevant Cabinet Decision, it had been decided to obtain the relevant aid through the Department of External Resources. The Secretary to the Ministry of Foreign Employment Promotion and Welfare had informed the institution which represents the Government of Switzerland to include the relevant directive in the Memorandum of Understanding. Nevertheless, such directive had not been included in the Memorandum of Understanding. Further, these funds had not been obtained by the Head of Expenditure of the Ministry and information on the audit of project had also not been included in the Memorandum of Understanding.
- (b) Even though the duration of project should have been ended on 28 February 2016 as per the Agreements, it had been extended up to the year 2020 in the year 2015. Nevertheless, the Master Plan which includes the particulars relating to the new programme, had not been made available to Audit. Even though the Master Plan of the first programme had been presented to Audit, the elements such as scope, activities, age analysis, cost classification, human resources, planning of materials and other equipment, fixing responsibilities, communication plans, reporting etc. of the project had not been included therein.
- (c) The Action Plan presented to Audit relating to the said programme did not include the Thrust areas to be paid the attention in performing the function of the Ministry, the outputs, outcomes and the Key Performance Indices (KPIs) identified accordingly.
- (d) Even though the necessary information required to examine the progress of the programme had been called for by Audit, the detailed information thereon had not been received by Audit. As such, observations on the overall performance of the programme could not be reported.

2.2 Obtaining Supplies and Services through the Procurement Process

2.2.1 Planning the Procurements

Provisions amounting to Rs.128.26 million had been made for the Ministry to obtain supplies and services through the procurement process in the year under review and out of that a sum of Rs.123.85 million had been utilized. However, instead of preparing an Annual Procurement Plan for the said entire provision, plans had been prepared only for a provision of Rs.76.4 million.

2.2.2 Implementation of Procurement Process

It had been planned to provide computers to 329 Divisional Secretariats with a view to creating family profiles in respect of migrant workers and computerizing the information pertaining to them. As the first step, 277 computers comprising 242 and 35 computers had been purchased in the years 2016 and 2017 respectively at a cost of Rs.35,500,959 and distributed. Nevertheless, computers and other accessories in respect of remaining 52 Divisional Secretariats could not be purchased even by 15 August 2018, the date of audit. As such, the expected programme could not be implemented and a risk of expiry of useful lifetime and a technically out-dated condition of the computers purchased, existed.

2.3 Assets Management

The following deficiencies were revealed in the audit test check carried out on the assets owned by the Ministry.

(a) Utilization of Vehicles under Financial and Operational Leasing Method

The Ministry had obtained 05 motor vehicles on financial leasing method and a sum of Rs.8,064,350 had been spent for leasing instalments, fuel and lubricants (excluding salaries and allowances of drivers) in this connection. A distance of 54,757 kilometres had been run by those motor vehicles during the year 2017. As such, a sum of Rs.147.29 had been spent per kilometre.

(b) Disposal of Assets without Cost Efficiency

The disposal of a motor vehicle owned by the Ministry which was assessed at Rs.2.8 million by the Government Valuer in the year 2012, had been approved by the Department of Public Finance in the same year. Nevertheless, the said motor vehicle had not been disposed up to the year 2014. However, it had been assessed at Rs.400,000 and by an internal committee on 01 October 2014 and after calling tenders it had been sold at Rs.1,274,900 in the year 2015. Nevertheless, the officers had failed to submit the registration certificates of the motor vehicle and as such, the money had to be refunded to the buyer. The disposal process relating to the

motor vehicle had been carried out in an irregular manner and a sum of Rs.170,526 had been spent on newspaper advertisements thereon in two instances.

2.4 Irregular Transactions

The following matters were observed on the procurement of 05 Double Cabs under Operational Leasing Method and a payment of Rs.7,956,850 made by the Ministry as the rental for 10 months in the year 2017.

- (i) In terms of Paragraph 2.1 of the National Budget Circular No.01/2016 of 17 March 2016, the Secretary to the Ministry had not chaired the Committee which reviewed the vehicle requirement.
Further, the approval of the Treasury had been received on 19 April 2016, before receiving the said Committee Report.
- (ii) In terms of Paragraph 2.3 of the said Circular, procurements should be carried out through the competitive bidding according to the Government Procurement Procedure. Nevertheless, the following deficiencies were observed in the procurement process.
 - Contrary to Paragraph 3.4(c) iii of the Procurement Guideline Manual, quotations had been called for the third instance from 09 suppliers who have not responded in first and second instances in calling quotations and they had not responded to that instance as well.
Further, the suppliers who had submitted quotations in first and second instances had not been considered in calling quotations for the third instance.
 - In terms of Paragraph 6.3.2 of the Procurement Guidelines, the late bids should be rejected. Nevertheless, a bid received after four days from the due date of opening had been considered in evaluating the quotations and the institution which submitted that bid had been selected as the supplier.
- (iii) In purchasing motor vehicles for the staff of the Minister, the maximum monthly rent excluded VAT should be Rs.135,000 in terms of National Budget Circular No.01/2016 (i) of 19 September 2016. Nevertheless, a monthly rent of Rs.165,000 had been paid in respect of the motor vehicles mentioned above.

2.5 Losses and Damage

Two motor vehicles had met with accidents during the year under review and a financial loss of Rs.289,626 which was not covered by the insurance of those motor vehicles, had sustained. Action had not been taken to recover that loss and to record the relevant information in a Register of Losses and Damage and the Appropriation Account in terms of Financial Regulations.

2.6 Unresolved Audit Paragraphs

The pension scheme for migrant workers which was introduced under the Government Expeditious Relief Programme as per the Cabinet Decision No. 16/2048/741/011 dated 09 November 2016, had not been implemented even by 31 July 2018.

2.7 Management Weaknesses

The following weaknesses were observed in the audit test checks.

- (a) It was observed that the disciplinary inquiries pertaining to allegations of misconduct in recommending the family backgrounds reports of migrants by the Development Officers attached to the Divisional Secretariats, were being conducted in a lethargic manner. Taking disciplinary action in respect of allegations made against 17 officers subject to the test check had delayed for a period ranging from 01 to 03 years.
- (b) In terms of Public Finance Circular No.PFD/PED/2015/08/General (i) of 09 October 2015 and Financial Regulations 104(1), (3),(4) and 110, necessary action had not been taken in respect of 09 accidents to motor vehicles occurred in the year 2017.

2.8 Utilization of Provisions authorized by Parliament to Perform Functions

Information on the utilization and savings of provision made for the Ministry during the 05 years ended as at 31 December 2017 and the audit observations thereon are given below.

Year	Category of Expenditure	Net Provision	Utilization	Savings	Savings as a Percentage of Net Provision
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		Rs.million	Rs.million	Rs.million	
2013	Recurrent	199	197	2	1
	Capital	225	205	20	8.88
	Total	424	402	22	5.18
2014	Recurrent	469	455	14	2.98
	Capital	204	187	17	8.33
	Total	673	642	31	4.6
2015	Recurrent	612	538	74	12.09
	Capital	533	425	108	20.26
	Total	1145	963	182	15.88

2016	Recurrent	619	593	26	4.2
	Capital	524	476	48	9.16
	Total	1143	1069	74	6.47
2017	Recurrent	624	606	18	2.88
	Capital	129	120	9	6.97
	Total	253	726	27	10.67

The following observations are made on the year under review.

Preparation of Budget Estimates

The Budget Estimate prepared for making provision required to perform the functions pertaining to the Ministry, had not been prepared in a realistic manner. The details are given below.

- (i) Provisions totalling Rs.8,450,000 comprising Rs.2,200,000 under 02 Capital Objects and Rs.6,250,000 under 03 Recurrent Objects had been made for the objective of shifting the Ministry building to another place. Nevertheless, the due dates of construction of the office building was not determined and as such, 85 per cent of the total provision that is, the entire provision under Capital Objects and Rs.5,309,002 out of the provision under Recurrent Objects had been saved.
- (ii) Even though a provision of Rs.2,200,000 had been made for the Plants and Machinery under the Rehabilitation of Capital Assets , the entire provision made therefor had been saved.
- (iii) Even though provisions made for 02 Objects amounted to Rs.11,660,000, an expenditure of Rs.11,775,200 had been incurred, thus the provision made had been exceeded by a sum of Rs.115,200 contrary to Paragraph 02(a) of the State Accounts Circular No.255/2017 of 27 April 2017.

2.9 Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account, Item No.18201 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
35.00	31.14	10.00	14.11	80.00	48.86

The following observation is made in this connection.

Failure to recover the Outstanding Loan balances

According to the Reconciliation Statement presented to Audit, outstanding loan balances totalling Rs.353,626 as at 31 December 2017 had been brought forward over a period ranging from 01 to 04 years. Nevertheless, the Ministry had failed to recover those balances.

2.10 Human Resources Management

Approved Cadre, Actual Cadre and Expenditure on Personal Emoluments

The particulars relating to the approved cadre, actual cadre, vacancies and excess cadre as at 31 December 2017 to perform the function of the Ministry are given below. The Ministry had spent a sum of Rs.493 million on the category of Personal Emoluments in the year under review. Accordingly, the per capita expenditure had been Rs.472,178.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i)	Senior Level	12	09	03
(ii)	Tertiary Level	02	02	-
(iii)	Secondary Level	1218	1008	210
(iv)	Primary Level	27	25	02
	Total	1259	1044	215

The following observations are made in this connection.

- (i) The Development Officers had been recruited for the collection of data on migrants , supervision and follow up actions thereon in divisional level and even though 215 vacancies existed in that staff by the end of the year under review , an excess cadre of 09 officers was existed in Divisional Secretariats in 06 Districts. It was observed that, most of the vacancies existed in Uva, North Central , Northern and Eastern Provinces out of the said areas.
- (ii) A staff comprising 1044 officers was employed in the Ministry during the year under review and an annual provision of Rs.5,000,000 had been made for training of the said officers. Nevertheless, the Ministry had not prepared a training plan and implemented training programmes covering all officers while no training whatsoever had been given to 52 officers of the staff during the year. Furthermore, a sum of Rs.497,426 out of the said provision had not been utilized for training.

2.11 Security of Public Officers

Action had not been taken to furnish security by the officers of the Ministry who are required to furnish security in terms of F.R.880.