

Report of the Auditor General on the Appropriation Head 127 – Ministry of Labour and Labour Relations and Departments under that Ministry – Year 2012

Part I

The Summary Report on the Accounts of the Ministry of Labour and Labour Relations and Departments under the Ministry.

11. Departments under the Ministry

Appropriation Head	Name of Department
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221	Department of Labour

2. Accounts

2:1 Appropriation Account

(a) Total Provision and Expenditure

The total provisions made for the Ministry and the Department under the Ministry amounted to Rs.1,551,772,000 and a sum of Rs.1,417,840,528, out of that had been utilized as at the end of the year under review. Accordingly, the savings out of the net provisions of the Ministry and the Department under the Ministry ranged between Rs.47,567,122 and Rs.86,364,350 or in the ranges of 3 percent to 5.5 per cent of the total net provisions. Details appear below.

Appropriation Head	Ministry/ Department	Net Provision as at 31 December 2012		Utilization as at 31 December 2012		Savings as at 31 December 2012	
		Recurrent	Capital	Recurrent	Capital	Recurrent	Capital
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
127	Ministry of Labour and Labour Relations	161,535,000	50,465,000	135,056,482	29,376,396	26,478,518	21,088,604
221	Department of Labour	967,407,000	372,365,000	953,894,760	299,512,890	13,512,240	72,852,110
	Total	1,128,942,000	422,830,000	1,088,951,242	328,889,286	39,990,758	93,940,714

2:2 Advance Accounts

2:2:1 Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Ministry and the Department under the Ministry in respect of the Advances to Public Officers Accounts had been complied with. Details appear below.

Head	Item No.	Expenditure		Receipts		Debit Balance	
		Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
127	12701	7,000,000	3,753,917	2,000,000	2,533,589	90,000,000	15,273,675
221	22101	90,000,000	76,116,498	47,000,000	54,903,539	246,000,000	228,244,606

2:3 Imprest and General Deposit Accounts

(a) Imprest Account

The debit balances of the Imprest Accounts of the Ministry and the Department under the Ministry as at 31 December 2012 amounted to Rs. 3,613,707. Details appear below.

Ministry / Department	Debit Balance as at 31 December 2012
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	Rs.
Ministry of Labour and Labour Relations	196,757
Department of Labour	3,416,950

Total	3,613,707
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(b) General Deposit Accounts

The balances of the General Deposit Accounts of the Ministry and the Department under the Ministry as at 31 December 2012 totaled Rs. 1,820,173,563. Details thereon are given below.

Ministry / Department	Account Number	Balance as at 31 December 2012
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		Rs.
Ministry of Labour	6000/0000/00/0015/0040/000	6,642,502
and Labour Relations	6000/0000/00/0015/0175/000	15,775,380
Department of Labour	6000-0-0-15-102	1,791,496,284
	6000-0-0-3-35	5,948,102
	6000-0-0-6-29	311,295

Total		1,820,173,563
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Part II

Detailed Report on each Appropriation Head

1. Appropriation Head 127 – Ministry of Labour and Labour Relations

1:1 Scope of Audit

The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Ministry of Labour and Labour Relations for the year ended 31 December 2012 was carried out in pursuance in provisions of Article 154 (1) of the Constitution 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 of Labour and Labour Relations on 04 September 2013. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of 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 of 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 Reconciliation Statements that are free from material misstatements whether due to fraud or error.

1:3 Audit Observations on the Accounts and Reconciliation Statements

According to the Financial Records and Books for the year ended 31December 2012, it was observed that except for the effects of the general observations appearing at (a) to (c) and other major observations appearing in paragraphs 1:4 to 1:7 herein, the Appropriation Account and the Reconciliation Statement of the Ministry of Labour and Labour Relations had been prepared satisfactorily.

(a) Non-maintenance of Registers and Books

- (i) It was observed during the course of audit test checks that the Ministry had not maintained the following registers while certain other registers had not been maintained in the proper and updated manner.

Type of Register	Relevant Regulation
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Register of Losses and Damage	Financial Regulation 110
Register of Fixed Assets	Treasury Circular No.842 of 19 December 1978
Register of Computer Accessories and Software	Treasury Circular No.1A1/2002/02 of 28 November 2002.

- (ii) The Daily Running Charts and the Monthly Performance Summaries of 20 motor vehicles of the Ministry had not been furnished by the Ministry.

(b) Budgetary Variance

Excess provisions had been made for 29 Objects and as such the savings thereunder after the utilization of provisions ranged between 30 per cent to 97 per cent of the net provisions relating to those Objects.

(c) General Deposit Account

Action in terms of Financial Regulation 571 had not been taken in connection with deposit of Rs. 1,044,800 older than 02 years.

1:4 Good Governance and Accountability

1:4:1 Corporate Plan

Even though the Ministry should have prepared a Corporate Plan at least for a period of 03 years from the year 2010 onwards at the beginning of the year in terms of the letter No. PF/R/2/2/3/5(4) of 10 March 2010 of the Director General of Public Finance addressed to all Secretaries to Ministries, Chief Secretaries of Provincial Councils, Head of Departments, District Secretaries and the Heads of Local Authorities, that Plan had not been prepared even by 31 December 2012.

1:4:2 Annual Performance Reports

Even though the Annual Performance Report that should have been prepared by the Ministry in terms of the Public Finance Circular No.402 of 12 September 2002 and No.402(1) of 20 February 2004 referred to in the letter of the Director General of Public Finance referred to in paragraph 1.4.1 above should have been tabled in Parliament with copy to the Auditor General within 150 days after the close of the financial year, the Performance Report for the year under review had not been tabled in Parliament even by 31 August 2013.

1:4:3 Annual Procurement Plan

Even though the Ministry had prepared a Procurement Plan for the year 2012, it was observed that the provisions in Section 4.2.1(c), (d) and (e) of the Government Procurement Guidelines had not been followed in its preparation while the format appearing in the Procurement Manual had also not been used. The procurement Plan for the year 2012 had been furnished to audit only on 12 August 2013.

1:5 Assets Management

(a) Conduct of Annual Board of Survey

The following observations are made.

In terms of the Public Finance Circular No.441 of 09 December 2009 as amended by the letter No. PF/Board of Survey/01 dated 17 December 2010, the annual Board of Survey for the year 2012 should be completed and the report thereon should be furnished to the Auditor General before 31 March 2013. Those reports had been furnished only on 10 June 2013.

(b) Unsettled Liabilities

The unsettled liabilities of the Ministry less than 01 year old as at 31 December 2012 amounted to Rs.3,636,740.

According to Financial Regulation 94(1) liabilities should be committed only if provision had been made in the financial year. Nevertheless, liabilities exceeding the provisions made under 07 Objects by a sum of Rs.974,572 had been incurred. If such liabilities had been paid in the year, it was observed that such expenditure would have resulted in an excess.

1:6 Performance

The progress of the Ministry according to the Action Plan and the Progress Reports for the year 2012 are given below.

(a) Functions not performed adequately

The Ministry had not performed the key functions adequately and several such instances observed are given below.

- * According to the Progress Reports, the targeted financial value of 05 activities of the Shrama Vasana Fund amounted to Rs.10.8 million while the financial progress amounted to Rs.2.55 million. Accordingly an excess provision of Rs.8.25 million had been made.

(b) Action not taken according to the Annual Action Plan

It was observed that action in accordance with the Action Plan had not been made in the following instances.

- * Four instances in which the activities included in the revised Action Plan without the financial values omitted in the Progress Reports were observed.
- * According to the Progress Reports, activities costing Rs.1.68 million had been executed in 02 instances outside the revised Action Plan.
- * Three instances of differences in the physical targets were observed between the revised Action Plan and the Progress Reports.

1:7 Human Resources Management

Approved and Actual Cadre

The position of cadre as at 31 December 2012 had been as follows.

	Category of Employees	Approved Cadre	Actual	Number of Vacancies
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(i)	Senior Level	13	12	01
(ii)	Tertiary Level	05	04	01
(iii)	Secondary Level	44	38	06
(iv)	Primary Level	<u>31</u>	<u>25</u>	<u>06</u>
	Total	<u>93</u>	<u>79</u>	<u>14</u>

Action had not been taken up to the end of the year under review to fill 14 vacancies.

2. Appropriation Head 221 – Department of Labour

2:1 Scope of Audit

The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Department of Labour for the year ended 31 December 2012 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Head of Department on 22 August 2013. 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.

2:2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statements in accordance with the provisions of 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 Reconciliation Statements that are free from material misstatements whether due to fraud or error.

2:3 Audit Observations on the Accounts and Reconciliation Statements

According to the Financial Records and Books for the year ended 31 December 2012, it was observed that except for the effects of the general observations appearing at (a) to (c) and other major observations appearing at (a) to (c) and other major observations appearing in paragraphs 2:4 to 2:10 herein, the Appropriation Account and the Reconciliation Statement of the Department of Labour had been prepared satisfactorily.

(a) Non-maintenance of Registers and Books

The following observations are made.

- (i) The Department had not maintained the following registers while certain other registers had not been maintained in the proper and updated manner.

Type of Register	Relevant Regulation
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Register of Fixed Assets	Treasury Circular No.842 of 1978
Moto Vehicle Log Books	Financial Regulation 1645(a)

- (ii) The evidence required such as the Daily Running Charts and Monthly Performance Summaries of 31 motor vehicles in age analysis of the balances of General Deposit Accounts maintained by the Regional Offices and the Annual Action Plans of the Regional Offices had not been furnished by the Department.
- (iii) Replies to two audit queries issued to the Department in the year under review and one audit query issued in a preceding year had not been furnished even by 31 July 2013. The value of the quantifiable transactions relating to those audit queries amounted to Rs.46,344,231.

(b) General Deposit Account

The following observations are made.

- (i) A sum of Rs.9,070,540 collected from the sale of publications of the Employees' Provident Fund had been retained in the General Deposit Account No.6000-0-0-15-102 without being credited to the public revenue.
- (ii) The age analysis of the deposit balance of the General Deposit Account No.6000-0-0-35 as at 31 December 2012 had not been furnished to audit.

(c) Reconciliation Statement of the Advances to Public Officers Account

The following observations are made.

- (i) According to the Reconciliation Statement of the Advances to Public Officers Account Item No.22101 as at 31 December 2012, the balances that remained outstanding as at that date totaled Rs.3,228,011 and the Department had failed to recover those outstanding balances even by 11 October 2013.
- (ii) Outstanding loan balances amounting to Rs.1,802,850 relating to 62 non-moving loans existed.
- (iii) The total of the Register of Individual Balances had not been reconciled with the balance of the Control Account. The balance of the Control Account amounted to Rs.232,612,735 and the balances of the Register of Individual Balances totaled Rs.232,610,711.

2:4 Good Governance and Accountability

2:4:1 Corporate Plan

Even though the Department should have prepared a Corporate Plan at least for a period of three years from the year 2010 onwards at the beginning of the year in terms of the letter No.PF/R/2/2/3/5(4) dated 10 March 2012 of the Director General of Public Finance addressed to all Secretaries to Ministries, Chief Secretaries of Provincial Councils, Heads of Departments, District Secretaries and the Heads of Local Authorities, that Plan had not been prepared even by 31 December 2012.

2:4:2 Annual Performance Reports

Even though the Annual Performance Report that should have been prepared by the Department in terms of the Public Finance Circulars No.402 of 12 September 2002 and No.402(1) of 20 February 2004 referred to in the letter of the Director General of Public Finance referred to in paragraph 2.4.1 above should have been tabled in Parliament with copy to the Auditor General within 150 days after the close of the financial year, the Performance Report relating to the year under review had not been tabled in Parliament even by 31 August 2013.

2:4:3 Annual Procurement Plan

Even though the Department had prepared a Procurement Plan for the year 2012, it was observed that the provisions in Section 4.2.1(c), (d) and (e) of the Government Procurement Guidelines had not been followed in its preparation while the format appearing in the Procurement Manual had also not been used.

2:5 Assets Management

(a) Idle and Underutilized Assets

The Crisco machine valued at Rs.35,000 supplied to the Labour Office, Gampaha on 23 November 2012 to facilitate instant access to the balances and other information of the members of the Employees’ Provident Fund remained idle and unprotected in the office for about 06 months. It was also observed that instructions on the operation of the machine had not been issued while an officer knowledgeable in the operation of the machine had also not been provided.

(b) Conduct of Annual Boards of Survey

Even though a survey of the motor vehicles and the equipment thereof should be conducted in terms of Financial Regulation 1647(b) and such survey reports should be furnished to the Auditor General in terms of Financial Regulation 752(2), the survey reports relating to 80 motor vehicles of the Department had not been furnished.

2:6 Non-compliances

Non-compliance with Laws, Rules, Regulations, etc

The instances of non-compliance with the provision n laws, rules and regulations observed during the course of audit test checks are analysed below.

Reference to Laws, Rules and Regulations etc.	Non-compliance
<p>(i) Public Administration Circulars</p> <p>Circular No. 26/92 of 19 August 1992 and No. 41/90 of 10 October 1990.</p>	<p>The State Emblem had not been painted on the pool motor vehicle No.PB-8834 of the Labour Office, Avissawella while fuel had also not been balanced.</p>

(ii) Other Circulars

Labour Department Circular

No. 15/2007

- (a) Paragraph 01
- (i) Even though the Labour Officers should carry out a minimum of 20 inspections per month, 36 instances of less than 20 inspections carried out in the Labour Office, Avissawella were observed.
 - (ii) One hundred and six instances in which the Labour Officers of the District Labour Office, Gampaha had not carried out the minimum monthly inspections were observed.
- (b) Paragraph 5.01
- (i) Even though the Labour Officers should submit their monthly diaries to the Assistant Commissioner of Labour before the tenth day of the month following, 61 instances of delays in the submission of diaries were observed at the Labour Office, Avissawella. Such delays ranged between 02 days to 52 days.
 - (ii) Forty nine instances of delays in the submission of monthly diaries of Labour Officers of Gampaha Labour Office were observed.
- (c) Paragraph 3.1
- (i) Sixty six instances of non-submission of inspection reports by the Labour Officers of the District Labour Office were observed. The reasons for delays had not been furnished to the Assistant Commissioner of Labour.

- (ii) One thousand nine hundred and forty three instances of delayed submission of the inspection reports (in respect of the year 2012 and the first 03 months of the year 2003) were observed.

2:7 Performance

The observations on the progress of the Department according to the Action Plan and the Progress Reports for the year 2012 are given below.

(a) Functions not performed adequately

Eight instances of the failure to achieve the targets of the Annual Action Plan of the Department of Labour for the year 2012 completely were observed. The provision made in that connection amounted to Rs. 1.172 million. The non-achievement of 06 other activities ranged between 40 per cent to 60 per cent.

(b) Action not taken according to the Action Plan

Action in accordance with the Action Plan had not been taken in the following instances.

- (i) It was observed that the Labour Officers of the Labour Office, Avissawella had not inspected 558 institutions over a period of about 06 years and none of the information on the contributions to the Employees' Provident Fund and the employees gratuities that should be recovered from those institutions had been furnished to the Central Bank of Sri Lanka.
- (ii) The following non-achievements of the targets of the Action Plan for the year 2012 by the Labour Office, Gampaha were observed.

Objective	Activity	Year 2012	
		Target	Non achievement of Target
Maintenance of updated Lists of Institutions	Full completion	100 (Percentage)	Not completed
Regularizatoin of Labour Inspection Procedure	Inspection of Institutions	2,400	722
Recovery of Arrears balances as at 31 December 2011 according to Register of General Evidence	Employees’ Provident Fund and others	Rs.100 million	71 per cent not recovered recovered
Efficient completion of Court Cases	(i) Action on Open Warrants existing as at 31 December 2011	40	} Action not taken on 35 per cent
	(ii) Action on dormant Cases in the year 2011	226	

(iii) Fifty two institutions with more than 100 employees in the area of authority of the District Labour Office, Gampaha had not been inspected by the Labour Officers during periods ranging from 6 months to 8 years while the last inspections of certain institutions had been carried out in the years 2008 and 2010.

(iv) An examination of the payment of contributions to the Employees’ Provident Fund, gratuities and arrears of salary relating to the Labour Office, Avissawella for a period of 03 years from the year 2010 to year 2012 revealed that 60 institutions had defaulted payments amounting to Rs.26,186,411 and that action had not been taken to file cases against those institutions.

- (v) An examination of the payment of contributions to the Employees' Provident Fund, gratuities and arrears of salary relating the District Labour Office, Gampaha for the period from the year 2009 to January 2013 revealed that 47 institutions had defaulted payments amounting to Rs.5,749,246 and that the First Notice had not been issued to those institutions. Even though 103 institutions had defaulted payments amount to Rs.57,552,366, action had not been taken to issue the Red Notice. Action had not been taken to file cases against 159 institutions which had defaulted payments amounting to Rs.83,763,822.

2:8 Irregular Transactions

Certain transactions entered into by the Department had been devoid of regularity. Several such instances observed are given below.

- (i) Even though a sum of Rs.5,902,452 payable to the employees had been recovered through the cases filed against the institutions by the court and remitted to the District Labour Office, Gampaha action had not been taken to pay that money to the persons concerned. These included balances older than 10 years and action in terms of Financial Regulation 571 had not been taken on those lapsed deposits.
- (ii) The officer who used the pool motor vehicle No.52-4396 in 42 instances during the period January – March 2013 for travelling 2,067 kilometres had not signed the Daily Running Charts contrary to Financial Regulation 1640(b) and (c). It was also observed that the balancing of fuel in the Daily running Charts had been done erroneously. Even though it had been stated it had been corrected by adjusting at 8 kilometres per litre of fuel, the excesses and shortages observed in the adjustment and the value thereof had not been recorded.

2:9 Management Inefficiencies

The following weaknesses were observed during the course of audit test checks.

- (i) According to the Public Administration Circular No. 9/2009 of 16 April 2009 and the letter No. A/11/24/01 dated 11 July 2012 of the Commissioner General of Labour, it was specified that the finger printing machines should be used for marking the arrival and departure in the Labour Offices, even though the finger printing machines of the Labour Offices at Avisswella and Gampaha had not been in working order for nearly two years and that action had not been taken to repair them.
- (ii) Even though open warrants had been issued due to the failure of the accused parties of the cases filed for the recovery of a sum of Rs.1,560,619 had not attended Courts or had changed the residences, the Labour Office, Avissawella had not taken suitable action in that connection over periods ranging from 03 years to 07 years.
- (iii) Even though cases had been filed in Courts, the District Labour Office, Gampaha had not taken action on the recovery of a sum of Rs.16,980,115 through 45 dormant cases and provide that money to the beneficiaries.
- (iv) The District Labour Office, Gampaha had not taken suitable courses of action on 14 cases filed against various institutions for the recovery of contributions to the Employees' Provident Fund, gratuities and arrears of salary amounting to Rs.842,586 for which open warrants had been issued due to reasons such as the failure of the accused parties attending Courts, change of residence, etc.

2:10 Human Resource Management

 Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2012 had been as follows.

Category of Staff	Approved Cadre	Actual Cadre	Number of Vacancies	Excess Cadre
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(i) Senior Level	205	136	69	-
(ii) Tertiary Level	667	441	226	-
(iii) Secondary Level	1,487	1,236	251	-
(iv) Primary Level	442	406	36	-
(v) Others (Casual/Temporary/ Casual basis)	-	26	-	26
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Total	2,801	2,245	582	26
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The following observations are made.

- (i) The Department had failed to fill 582 vacancies by the end of the year under review.
- (ii) The department had failed to obtain the formal approval for the 26 excess employees recruited.