

**Head 127 – Ministry of Labour and Labour Relations and the Department under the Ministry
Report of the Auditor General – Year 2013**

Part 1 – Summary report of the Ministry and the Department the under the Ministry

Part 2 – Detailed report relating to each Head

Part I

**Summary report of the Ministry of Labour and Labour Relations and the Department
under the Ministry**

1. Department under the Ministry

<u>Head</u>	<u>Department</u>
221	Department of Labour

2. Accounts

2.1 Appropriation Account

Total Provision and Expenditure

The total net provision made for the Ministry and the department under the Ministry amounted to Rs.2,090,495,000, out of which, a sum of Rs.1,952,287,990 had been utilized as at the end of the year under review. Accordingly, savings from the net provision of the Ministry and the Department amounted to Rs.26,368,672 and Rs.111,838,338 representing 11 per cent and 6 per cent of the total net provision. Particulars are given below.

Head	Net Provision	<u>As at 31 December 2013</u>		Savings, as a Percentage of the Net Provision
		Utilization	Savings	
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	Rs.	Rs.	Rs.	
127	229,590,000	203,221,328	26,368,672	11
221	1,860,905,000	1,749,066,662	111,838,338	06
Total	2,090,495,000	1,952,287,990	138,207,010	07
	=====	=====	=====	

2:2 Advances to Public Officers' Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers' Accounts of the Ministry and the Department thereunder and the actual values are shown below.

Item Number	Expenditure		Receipts		Debit Balance	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
12701	6,500,000	5,733,267	2,000,000	5,858,481	21,000,000	14,246,263
22101	98,000,000	54,009,983	45,000,000	54,244,759	248,000,000	234,594,466

2:3 Imprest and General Deposit Accounts

2.3.1 Imprest Accounts

The total of balances of imprest of the Ministry and the Department thereunder as at 31 December 2013 aggregated Rs.606,911,372. Details are as follows.

Ministry/ Department	Imprest Account No.	Balance as at 31 December 2013
		Rs.
Ministry of Labour and Labour Relations	7002/0000/00/0249/0013	21,203
Department of Labour	7002/0000/00/0060/0013	606,890,169
Total		606,911,372

2.3.2 General Deposit Accounts

The total of balances of Deposit Accounts of the Ministry and the Department thereunder as at 31 December 2013 aggregated Rs.2,289,725,189. Details are shown below.

Ministry/ Department	Deposit Account No.	Balance as at 31 December
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		Rs.
Ministry of Labour and Labour Relations	6000/0000/00/0015/0040/000	4,696,701
	6000/0000/00/0015/0175/000	15,579,325
Department of Labour	6000/0000/00/0015/0102/000	2,268,750,640
	6000/0000/00/0003/0035/000	387,228
	6000/0000/00/0006/0029/000	311,295
Total		----- 2,289,725,189 =====

Part 2

Detailed Report relating to each Head

1. Head 127 – Ministry of Labour and Labour Relations

1:1 Scope of Audit

The audit of the Appropriation Account of the Ministry of Labour and Labour Relations for the year ended 31 December 2013, comprising the financial records, reconciliation statements, books and other records 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 had been issued to the Secretary to the Ministry on 23 October 2014. The audit observations, comments and findings on accounts and reconciliation statements were based on a review of the accounts and reconciliation statement presented to audit and substantive 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, Public Finance and Administrative Regulations. This responsibility includes designing implementing and maintaining internal control necessary to enable 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 Observation

According to the financial records and books of the Ministry of Labour and Labour Relations as at 31 December 2013, it was observed that except for the effects of the general observations appearing at (a) to (c) and the other major audit finding appearing in paragraphs 1.4 to 1.13 herein the Appropriation Account and Reconciliation Accounts had been prepared satisfactorily.

(a) Non-maintenance of Registers and Books

It was observed at test checks that the Ministry had not maintained the following registers.

Type of Register	Related Regulation
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Register of Fixed Assets	Treasury Circular No. 842 dated 19 December 1978
Register of Computers, Computers Accessories and software	Treasury Circular No. IAI/2002/02 dated 28 November 2002.
Register of Losses	Financial Regulation 110

(b) Budgetary Variance

The following observations are made.

- (i) The entire net provision of Rs.210,000 made for 02 Objects had been saved.
- (ii) As a result of the overprovision made for 49 Objects, the savings after utilization of provision ranged between 6 and 87 per cent of net provision of those Objects.

(c) Reconciliation Statement relating to the Advance to Public Officers' Account

The following observations are made.

- (i) According to the Reconciliation Statement relating to the Advance Account – Item No.12701 as at 31 December 2013 and total of the arrears of balances outstanding as at that date aggregated Rs.145,897. The follow

up action regarding recovery of those arrears of balances was at a weak level.

- (ii) Age analysis of arrears of loans recoverable had not been furnished with the reconciliation statement.
- (iii) Registers of debtors and creditors relating to loans and advances to be maintained as per provisions in the circulars for granting loans had not been maintained.
- (iv) The balance of accounts in the list of balances recoverable from officers for the year under review had been overstated by Rs.479,260.
- (v) Loan balances of Rs.259,309 recoverable had not been entered in the list of individual balances. As such, this had been omitted in the Advance to Public Officers' Account.
- (vi) A sum of Rs.268,256 recoverable from officers who had been transferred had not been settled according to Paragraph 1.1.7 of the National Budget Circular No.118 dated 11 October 2004.
- (vii) Arrears of loan advances amounting to Rs.556,069 relating to 9 loan balances recoverable from officers who are not in service at present had been entered in the register of loans pertaining to officers who are in service.

1.4 Good Governance and Accountability

Internal Audit

An internal audit unit had not been established for the Ministry. An Accountant of the Department of Labour had been appointed as Internal Auditor on acting basis. However, an internal audit programme had not been prepared. Reports of internal audit for the year under review had not been furnished to the Auditor General.

1.5 Assets Management

The following shortcomings were observed at audit test checks relating to the assets of the Ministry.

(a) Conduct of Annual Board of Survey

The following observations are made.

- (i) According to the Public Finance Circular No.441 dated 09 December 2009 as amended by the letter of the Director General of Public Finance No. PF/Board of Survey/ 01 dated 17 December 2010, the board of survey for 2013 should be conducted and the said report should be furnished to the Auditor General before 31 March 2014. However, the boards of survey reports of the Minister's office of the Ministry and the drivers' room had not been furnished for audit even by 31 May 2014.
- (ii) Action had not been taken to carry out the board of survey of all vehicles of the Ministry and reports furnished to the Auditor General as required by Financial Regulations 757(2) and 1647(a).
- (iii) The balances as at 31 December 2012 had not been taken as the opening balance of 2013 of the movements of non-current assets. As a result, the Furniture and Office Equipment balance and the Machinery and Equipment balance as at 31 December 2013 had been overstated by Rs.690,969 and Rs.917,669 respectively.
- (iv) The sales value of Rs.4,052,000 had been deducted from the assets as the value of assets disposed of with regard to 06 vehicles disposed of, in 2012. However, action had not been taken to adjust the Asset Account on the basis of cost.

(b) Assets made available to Outside Parties

Six vehicles belonging to the ministry had been irregularly released to outside parties.

(c) Irregular Usage of Vehicles belonging to Other Institutions

Two vehicles of the Department of Labour (a car and a van) had been used by the ministry without proper authority.

(d) Unsettled Liabilities

The unsettled liabilities of the Ministry as at 31 December 2013 amounted to Rs.3,601,719 and those balances were less than one year. Apart from the said liabilities, liabilities of 07 objects amounting to Rs.657,167 had not been reported in the Appropriation Account.

1.6 Non-compliance

Non-compliance with Laws, Rules, Regulations etc.

Preliminary reports had not been called for, in terms of Financial Regulation 104(3) with regard to a vehicle which had met with accidents twice on 23 November and 14 October 2013 and two vehicles which had met with accidents on 21 March and 03 December 2013.

1.7 Performance

The observations regarding progress of the Ministry as per Action Plan 2013 appear below.

(a) Inadequate Fulfilment of Main Functions

The main functions of the Office of the Commissioner of Compensations under the Ministry had not been adequately fulfilled. Such instances observed appear below.

- (i) The number of claims for compensation received at the institution during 2013 were 474. Eighty-five of those claims had not been made in the required forms and as such action had not been taken with regard to them and it was 18 per cent of the total number of claims. Justice should be met out by assisting the labourers who furnish irregular reports of accident. However, this had not been done.
- (ii) Reporting accidents to the Office of the Commissioner of Compensation should be in the specified forms. However, the Ministry had not taken action to bring awareness among employees who are covered by the Act as well as the employers in this regard.

- (iii) Targets had not been fixed for fulfilling the objectives referred to in the Shrama Vasana Fund Act. Meanwhile, instances where main functions had not been fulfilled appear below.

Section of the Act

Function not Fulfilled

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6(e)	To grant financial or other benefits to employees or their dependents during distress.
13(1)	To arrive at a consent with the Lotteries Board with regard to the number of lotteries to be printed each year and their varieties.
13(2)	To arrive at a consent with the Lotteries Board with regard to confirmation of prizes awarded for lotteries and the unclaimed prizes.
13(3)	The Fund and the Lotteries Board to arrive at a decision with regard to the expenditure incurred by the Lotteries Board including the prizes awarded for to lotteries.
10(d)	The Fund should obtain the income derived from conducting lotteries. However, the income had not been obtained from the Department of Treasury Operations after October 2008. As such, the income receivable as at 31 December 2013 had become Rs.229,456,751. Effective action had not been taken during the year by the Ministry to obtain this amount from the General Treasury. Also, it had not been planned as to how to utilize this money in future.

(b) Planning

Action not taken according to the Annual Action Plan

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

- (i) Targets set out in the Action Plan 2013 could not be achieved in 44 instances. One hundred per cent of 21 functions had not been fulfilled although they had been planned in the Action Plan.

- (ii) Non fulfilment of 23 other functions ranged from 09 to 84 per cent and achievement of targets was at a weak level.

1.8 Weaknesses in Operating Bank Accounts

Balances to be Adjusted

According to the analysis of adjustments shown in the bank reconciliation statement prepared for the month of December 2013 with regard to the current account maintained by the Ministry of Labour and Labour Relations, the unrealized deposits over 6 months and less than one year amounted to Rs.1,890.

1.9 Irregular Transactions

Certain transactions of the Ministry were not regular. A few such instances observed appear below.

- (a) The Office of the Commissioner of Compensation had requested an imprest of Rs.21,000,000 for payment of compensation and Rs.8,451,502 for recurrent expenditure both totalling Rs.29,451,502 from the Treasury. However, the Treasury had granted Rs.16,300,000 only on 5 instances.
- (b) While paying compensation to dependents of labourers who had met with fatal deaths, problems regarding entitlement arises at certain instances. During such instances the institution paying compensation should deposit it in a current account in favour of the office of the Commissioner of Compensation. The office of the Commissioner of Compensation had made use of such money for its recurrent expenditure. Lack of funds in the accounts had resulted in late payments of compensation to those who were entitled for it.

1.10 Losses and Damages

The entire loss caused to 2 vehicles during the year amounted to Rs.146,141. The amount received as compensation from the insurance was Rs.62,209 only. Accordingly, action had not been taken to recover the loss of Rs.83,932 caused to the government from those who were responsible.

1.11 Uneconomic Transactions

A sum of Rs.169,680 had been spent in 2013 for newspaper advertisements for publicizing the Law Aid Scheme of the Shrama Vasana Fund. 5 employees became

entitled for law aid at the rate of Rs.10,000 each after the newspaper advertisements. Accordingly, the expenditure incurred on publicizing notices was 239 per cent more than the benefits expected from the project. Law Aid is limited to those employees whose salaries are not more than Rs.15,000 inclusive of all the allowances. As such, the number of applicants for law aid during the year under review had decreased upto 16. While considering the present salary steps, it was observed in audit that the validity of this salary limit was contentious.

1.12 Management Weaknesses

The following observations are made.

- (a) Action had not been taken even up to 14 January 2014 to pay compensation amounting Rs.6,609,032 to 353 minor beneficiaries who had completed 18 years of age by 31 December 2013. These unpaid balances of accounts were existing for about 30 years from the year 1982.
- (b) Out of the files relating to 668 accounts of minors, 201 files had got misplaced. The Ministry had not taken steps relating to the safety of files, books of accounts and registers.
- (c) The last revision made to the Labour Compensation Ordinance No.19 of 1934 was by the Labour Compensation Act (Amendment) No.10 of 21 April 2005. The manner in which compensation should be paid for deaths, permanent disability and temporary disability of a labourer had been decided in this. Accordingly, the minimum compensation payable decided 9 years ago and it had not been revised the amount of compensation suit the current situation.
- (d) All employees of the Island should receive the benefits of the Fund according to the Objectives of the Shrama Vasana Fund Act which is a Statutory Fund. However, 75 per cent of benefits had been granted to employees of the Colombo District.

1.13 Human Resources Management

(a) Approved Cadre and the Actual Cadre

The position relating to cadre as at 31 December 2013 appear below.

Category of Employees	Approved Cadre	Actual Cadre	No. of Vacancies
(i) Senior Level	13	10	03
(ii) Tertiary Level	04	03	01
(iii) Secondary Level	71	54	17
(iv) Primary Level	31	24	07
(v) Others (Casual/ Temporary/ Contract Basis)	01	01	--
Total	120	92	28

The following observation is made.

The Ministry was unable to fill 28 vacancies by end of the year under review.

(b) Human Resources Irregularly Released to other Parties

Details of human resources irregularly released to other parties during the year under review appear below.

Category of Staff	No.	Years Released
(i) Grade III of the Development Officers' Service	06	02 years
(ii) Drivers	01	04 years
(iii) Drivers	01	02 ½ years

2. Head 221 – Department of Labour

2:1 Scope of Audit

The audit of the Appropriation Account of the Department of Labour for the year ended 31 December 2013, comprising the financial records reconciliation statements, books and other records was carried out in pursuance of provision in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review had been issued to the Head of Department on 02 October 2014. Audit observations, comments and findings on accounts and reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and substantive tests of samples of transactions. The scope and extent of such review and tests were such as 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

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 in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions, Public Finance and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control necessary to enable 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 Observation

According to the financial records and books of the Department of Labour as at 31 December 2013, it was observed that except for the effects of the general observation in paragraph (a) to (f) and other major audit findings appearing in paragraph 2.4 to 2.10 herein the Appropriation Accounts had been prepared satisfactorily.

(a) Non-maintenance of Books and Registers

The department had not maintained the following registers.

Type of Register	Related Regulation
-----	-----
Register of Fixed Assets	Treasury Circular No.842 dated 19 December 1978.
Register of Consumable goods	Financial Regulation 1647
Register of Computer, Computer accessories and software	Treasury Circular No. IAI/2002/02 dated 28 November 2002.
Register of Complaints	Forty five complaints received during the year 2013 had not been entered in a register by the Labour Dispute Branch.
Register of Medical Report Requests	The Vocational Health Division had not entered 90 medical report requests in a register during the year under review.

(b) Replies to Audit Queries

Reply for an audit query issued to the department during the year under review had not been furnished even by 30 November 2014. The value of quantifiable transactions relating to those queries was Rs.4,886,313.

(c) Budgetary Variance

The following observations are made.

- (i) The entire provision of Rs.10,000 made for 01 object had been saved.
- (ii) As a result of the over provision made for 43 objects, the savings after utilization of the provision ranged from per cent to 6 to 95 per cent of the net provision of those Objects.
- (iii) The reimbursements to the Employees' Provident Fund had not been shown as expenditure in the Appropriation Account. The following observations are made in this regard.

- The advance of Rs.448,000,000 paid to the contractor constructing the “Mehevara Piyasa” had been shown as expenditure in the Appropriation Account.
- The expenditure incurred by the Department of Labour on behalf of Employees’ Provident Fund amounting to Rs.865,437,221 reimbursed by Central Bank of Sri Lanka had been treated as the expenditure and shown in the Appropriation Account accordingly. Further, this expenditure too had been shown as an expenditure of the Employees’ Provident Fund.
- The amount provided by the Central Bank of Sri Lanka amounting to Rs.835,833,541 and Rs.25,811,889 had been credited to Revenue Heads 20.05.99.00 and 20.03.02.99 as revenue.

(d) Imprest Account

The following observations are made.

- (i) The balances of imprest unsettled to the Department by 30 April 2014 aggregated Rs.6,715,120.
- (ii) Ad hoc imprests, obtained should be settled immediately after fulfilment of work in terms of Financial Regulation 371. However, the ad hoc imprests of Rs.2,021,717 granted to 57 officers on 112 instances had been settled after a delay ranging from 01 month to one year and 2 months.
- (iii) As a result of acting without proper plan 30 to 100 per cent of the advances of Rs.120,738 obtained in 16 instances had been settled without being spent.
- (iv) When comparing the departmental imprest balance with the Treasury computer printouts a difference of Rs.808,212 was observed in the debit balance. According to the statement furnished for such difference, there was an unidentified credit balance of Rs.2,171,444 and the balance had not been identified and action taken accordingly even as at 12 May 2014, the date of audit.
- (v) According to Paragraph 2.2 of the Treasury Operations Circular No.04/2013 dated 18 November 2013, the cash book balance as at 31 December 2013 should be filled in form specimen TOD/IMP/06 and handed over to the bank and a certified copy of the debit notice received from the bank should be forwarded to the Department of Treasury Operations with form specimen TOD/IMP/06 on or before 02 January 2014. However, the Department of Labour had forwarded the debit notices

and the specimen forms for Rs.206,220,118 on 03 January 2014 and for Rs.500,010 on 10 January 2014.

(e) General Deposit Account

The following observations are made.

- (i) Action had not been taken in terms of Financial Regulation 571 with regard to 82 deposits amounting to Rs.351,492 exceeding 2 years.
- (ii) According to the instructions in the letter No.SA/AS/MS/5/22/10 dated 31 October 2011 of the Director General of State Accounts, the money derived from sale of publications of the Employees' Provident Fund should be credited to state revenue. However, the sales income of Rs.19,416,481 for the year under review had been retained in the General Deposit Account No.6000/0000/00/0015/0102/000, contravening the instructions.
- (iii) According to the age analysis of the General Deposit Account No. 6000/0000/00/0015/0102/000 as at 31 December 2013, the balance amounted to Rs.102,956,261. But, the amount shown as balance of the General Deposit Account in the Appropriation Account was Rs.2,268,750,640. Accordingly, there was a difference of Rs.2,165,794,379.
- (iv) An analysis for the balance of Rs.387,228 had not been furnished with regard to the General Deposit Account No.6000/0000/000/0003/0035/000.
- (v) The ledger balance of the Account No.6000/0000/000/0003/0035/000 as at 31 December 2013 was Rs.50,249,872 and the balance was Rs.387,228 as per Treasury printouts. Accordingly, the difference was Rs.49,862,644.
- (vi) No evidence, whatsoever, had been furnished to audit to confirm the balance of Rs.311,295 in the General Deposit Account No.6000/0000/00/0006/0029/000 (Immigration Fund) and no transactions had been operated in that account for many years.

(f) Reconciliation statement relating to Advances to Public Officers' Account

The following observations are made.

- (i) According to the reconciliation statement of Item No.22101 - Advance Account as at 31 December 2013, the balances recoverable as at that date aggregated Rs.6,080,492. The department was unable to recover those arrears of balances.
- (ii) Distress loans amounting to Rs.6,890,305 had been paid in 2014 to 75 government officers of the Department of Labour who had applied for same in 2013. Accordingly, delay ranging from 58 to 143 days had occurred since the date of application to the date of payment. Out of the financial provision for 2013, a sum of Rs.43,990,017 remained saved and it was 45 per cent of the amount provided.
- (iii) According to the age analysis of the arrears of loans, there were loan balances of Rs.1,277,020 exceeding 5 years, loan balances of Rs.302,780 ranging from 4 to 5 years and loan balances of Rs.23,535 ranging from 3 to 4 years.
- (iv) According to the National Budget Circular No.118 dated 11 October 2004, attention should be paid to see that when an officer goes on transfer there should be no outstanding loan balances between the departments concerned on completion of 3 months of the transfer. However, the loan balances due from officers who had gone on transfers aggregated Rs.777,476 by 31 December 2013. Of this, a sum of Rs.610,197 had not been settled even by 31 March 2014. Of these, a sum of Rs.113,222 had been older than a period of 10 years.
- (v) Officers should not be permanently released for services in Corporations whenever there are unsettled loan balances as per Section 4.8 of Chapter xxxiv of the Establishments Code. However, contravening this, 11 officers from whom arrears of loans amounting to Rs.60,495 were due had been released for services in Corporations without recovering their loan balances.

2.4 Good Governance and Accountability

2.4.1 Internal Audit

The internal audit unit established in the Department had not paid adequate attention towards the following areas during the year.

- Purchases
- Fixed Assets
- Performance of each division/ office
- Stores Control
- Human Resources Management
- Improvements to the internal control system

2.5 Assets Management

The following shortcomings were observed at test checks carried out with regard to the departmental assets.

(a) Conduct of Annual Board of Survey

The following observations are made

- (i) According to the Public Finance Circular No.441 of 09 December 2009 as amended by the letter No.PF/Board of Survey/01 of 17 December 2010 of the Director General of Public Finance, the annual board of survey of 2013 should be conducted before 31 March 2014 and the reports thereon should be furnished to the Auditor General. However, action had not been taken to conduct a survey of 93 vehicles belonging to the department and furnish the report to the Auditor General.
- (ii) Action had not been taken in terms of Financial Regulations 103(1), 104(1) and 757(7) with regard to shortages pointed out by the board of survey of vehicles relating to the year 2012.
- (iii) A board of survey had not been conducted and reports furnished to the Auditor General with regard to 32 small libraries functioning at the Central District Labour Offices under the Labour Secretariat.

(b) Unsettled Liabilities

The following observations are made.

- (i) The unsettled liabilities of the department as at 31 December 2013 aggregated Rs.12,868,031.
- (ii) The money recovered and remitted by court houses with reference to cases files against employer institutions and the money directly received by conducting investigations of various petitions by the Office of the District Commissioner of Labour, Colombo South aggregating Rs.4,886,313 had not been handed over to those who were entitled. Instead, it had been retained in the General Deposit Account of the Office. The period of such retention ranged from 01 to 14 years.

2.6 Non-compliance

Non-compliance with Laws, Rules, Regulations etc. observed at audit test checks are analyzed below.

Reference to Laws, Rules and Regulations	Non compliance
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	

(i) Financial Regulations 751 and 753(1)	Stationery aggregating Rs.4,674,100 purchased during 2012 and 2013 and handed over to the printing press of the Department had not been entered in any stock register. The stationery used for printing too had not been entered in the register.
(ii) Financial Regulation 1647(b)	Vehicles and their equipment should be fully examined annually, and surveys should be conducted whenever the custody of vehicles change hands from one officer to another and during change

of drivers. However, such action had not been taken regarding the vehicles belonging to the department.

(iii) Financial Regulations
1645(b) and 1646

Daily running charts and monthly performance summaries each month relating to 48 pool vehicles should be furnished to the Auditor General before 15th of the following month those had not been furnished to the Auditor General.

(b) Public Administration Circulars

Circular No.41/90 dated 10
October 1990

Consumption of fuel of 40 vehicles of the department had not been examined in every 6 months as per circular instructions.

The board of survey appointed to examine in respect of 13 vehicles had used different yardsticks for each vehicle to compute the performance per litre of fuel contrary to circular instruction and had furnished variable recommendations.

(c) Public Finance Circulars

Paragraph 2 of the Circular
No.438 of 13 October 2009

Action had not been taken to dispose of, the condemned goods kept away from usage for 5 to 20 years at the Labour Dispute Branch such as 206 items of 19 varieties of office equipment, 186 items of 153 varieties of chemical materials and other equipment.

(d) Circulars of the Department of
Labour

(i) Circular No.2009/3 of 05
March 2009

Instructions had been given to Labour Officers, Assistant Commissioners of

Labour and Deputy Commissioners of Labour for maintenance of registers by Labour Officers with regard to institutions which have employed employees within the area assigned to them. However, such registers had not been maintained by officers of the District Labour Office, Colombo South.

- (ii) Paragraph 4.1 of the Circular No. 15/2007 of 31 October 2007
The Labour Officers of the District Labour Office, Colombo South had not used specified specimen forms with adequate details and statistics in their examination reports and had furnished brief examination reports. Further, this had not been subjected to supervision by higher officers.
- (iii) Paragraphs 5.1 and 5.2 of the Circular No.15/2007 dated 31 October 2007
The diary maintained by each Labour Officer should be furnished to the Assistant Commissioner of Labour before 10th of the ensuing month. However, 08 Labour Officers of the District Labour Office, Colombo South had furnished their reports with delays ranging from 5 to 234 days on 58 instances.
- (iv) Paragraph 06 of the Circular No.06/2011 dated 29 April 2011
The Colombo South Labour Office had not furnished details relating to unfair labour practices to the Commissioner of Labour (Technical Relations) at the end of each month.

2.7 Performance

The observations relating to the progress of the Department of Labour as per Annual Action Plan 2013 and the Circulars of the Department of Labour appear below.

(a) Inadequate Fulfilment of Main objectives

Certain functions of the Department of Labour had not been adequately fulfilled. Certain such instances observed are shown below.

- (i) A labour officer should conduct at least a minimum of 20 inspections per month in terms of Paragraph 2.1 of the Circular of the Department of Labour No.15/2007 dated 31 October 2007. However, it was revealed that 07 officers of the Colombo South Labour Office had carried out less than 20 periodical inspections on 111 instances during the period January to October 2013. Necessary action had not been taken regarding this weakness, by calling for explanations from the Assistant Commissioner of Labour.
- (ii) According to Paragraph 3.1 of the circular No.15/2007 dated 31 October 2007 of the Department of Labour, Labour Officers should furnish each inspection report to the office on the first working day following the date of inspection. It was observed at the test checks relating to inspection reports furnished by 08 Labour Officers of the Colombo South Labour Office during January and February 2013 that there were delays in furnishing reports of 193 institutions ranging from 11 to 189 days.
- (iii) According to Paragraph 02 of the circular No.06/2011 dated 29 April 2011 of the Department of Labour, action should be taken to inquire into complaints received at the labour office within 14 days. However, action had not been taken to settle 71 petitions and complaints received at the Colombo South Labour Office during 2012 and 2013 even by 03 December 2013.
- (iv) The health and safety of employees should be maintained by avoiding dangerous situations that may arise in the work environment of factories and allied institutions. However, although there were 25,000 registered along with unregistered institutions, 695 institutions only had carried out audits relating to environmental surveys, bio science tests, vocational and vocational health precautions along with awareness programmes during the year under review. In addition, 153 awareness programmes only had been implemented throughout the island.
- (v) The Office of the District Factories Inspection Engineer (Colombo) had registered a low figure of 4,818 factories only during a period of 72 years

commencing the year 1942. Of the factories registered, 1,724 factories representing 35 per cent only had been subjected to verifications.

- (vi) During the year under review, only 5 complaints had been received at the District Factories Inspection Engineer's office. Employees and the employers had no proper awareness about their institutions and this could be the reason for this. During the year under review, effective action had not been taken to implement adequate awareness programmes.
- (vii) The inspection report relating to a complaint against a private company consisting of over 600 employees had been delayed for 5 months even as at the date of audit. The follow up action taken with regard to other complaints too were not satisfactory.

(b) Planning

Action not taken in Accordance with the Annual Action Plan

It was observed that action had not been taken in accordance with the action plan on the following instances.

- (i) Fifty one instances were observed where the target fixed in the Action Plan 2013 could not be achieved and the amount provided for those projects was Rs.45,245,000. Out of these activities, there were 03 activities which had not been executed hundred per cent and the non executed activities relating to others ranged from 3 per cent to 93 per cent.
- (ii) The Department had not taken action to implement 397 or 50 per cent events relating to two activities such as, environmental survey and bio-science tests which were among 5 activities to be implemented by the Vocational Health Division during the year 2013.

2.8 Uneconomic Transactions

Details of uneconomic transections revealed at audit test checks are shown below.

(a) HEIDELBERG-GTO52-1 type Printer Purchased for Rs.21,884,084

The following observations are made in this connection

- (i) The HEIDELBERG-GTO-52-1 type printing machine had been purchased from a private company in 2007 by spending Rs.21,884,084. While purchasing this, attention had not been paid to matters such as, the training needed for the staff dealing with the printing machine, space needed for the printing machine and whether the Department of Labour could maintain such a machine etc., as per recommendation made by the Technical Evaluation Committee
- (ii) A sum of Rs.1,275,000 had been paid as maintenance fees for 7 years to the institution from which the purchase had been made 2 years after the purchase.
- (iii) Action had not been taken to recruit employees with knowledge and experience in the printing field since the date of purchase of the printing machine. However, an officer who worked as Technical Officer of the institution had been allowed to participate in a certificate course of Offset and Lithography conducted by the Sri Lanka Institute of Printing during the year 2010. The above trained officer together with two KKS without any training, whatsoever, had been assigned for printing activities by the time of audit inspection.
- (iv) The Technical Evaluation Committee had recommended that a basement 30'x 60' in extent with not less than 1800 square feet is needed for this machine. However, this machine was lying in the old garage of the Jawatta Industrial Protection office in July 2009.
- (v) The machine should be operated in an air conditioned atmosphere. However, there was no proper plan for it. The building where the machine and the accessories had been installed had not been constructed in such a manner so as to suit the needs of a garage. As such, walls, roofs and the foundation as well were not suitable to accommodate machines weighing tons. It was revealed that this machinery parts were getting damaged by rain water during rainy days. Meanwhile, precautionary measures had not been taken with regard to damages that may be caused due to fire.
- (vi) Machinery parts worth Rs.9,617,943 remained unused by the month of February 2014. The machine had rusted and was not in a position to be operated at the time of the audit inspection carried out on 13 February 2014. Further, the guarantee period of all parts of this machine had lapsed in 2008.

- (vii) The printer and paper cutter (guillotine) only had been made use of, after the purchase and its value was Rs.12,403,397. Since its purchase, the printing activities commenced only during 2010 and its capacity made use of in 2010, 2011, 2012 and 2013 were about 0.7, 1.5, 14.5 and 13 per cent respectively. Accordingly, only 7.4 per cent of the capacity of the machine had been utilized during these 4 years. Accordingly, considering the needs, a printing machine with a low capacity could have been adequate.
- (viii) Printing activities could have been performed in 90mmx140mm to 500 mmx360mm size papers according to the capacity of this machine. However, this capacity too had not been made use of. Further, this printing machine was a 4 colour printing machine and during the past 6 years no colour prints had been obtained from this.
- (ix) Based on the Governments "E" procedures, every ministry and department had provided their own internet web pages facilities to the public. The Department of Labour had not acted in combination with this "E" procedure and paid attention to minimize the cost of printing of specimen forms for the benefit of the public.
- (x) Necessary storing facilities were not available to store the printing papers, ink, chemicals and other printing materials. Printing papers valued at Rs.34,000 had been damaged by termites.

2.10 Management Weaknesses

The following weaknesses were observed at audit test checks.

- (i) At the District Labour Office, Colombo South there were 12 instances where final notices had not been dispatched to institutions which had not paid the arrears of contributions plus the surcharges of Rs.10,927,729 within 14 days of dispatching the Legal Action 02 Notice and in addition there were 16 instances where legal action had not been instituted in courts against 14 institutions which had not paid the contributions plus the surcharges of Rs.22,877,423 within 14 days of dispatching the red notices. As a result of delay in recovery of contributions and surcharges in this manner, the employees were at a risk of losing their benefits.
- (ii) Fourteen instances were observed at the District Labour Office, Colombo where the legal activities against employer institutions belonging to the areas for

recovery of arrears of contributions and surcharges amounting to Rs.1,921,534 due to the Employees' Provident Fund had been stopped halfway. The recovery due from gratuities and 7 other cases amounting to Rs.866,910 too had been delayed.

- (iii) Cases had been filed against employer institutions within the area of the District Labour Office, Colombo South for not remitting their contributions and surcharges to the Employees' Provident Fund. But, action had not been taken in terms of paragraph 03(iii) of the Departmental Circular bearing No.11/2000 with regard to 20 cases filed for recovery of Rs.3,673,337 for while open warrants had been issued for reasons such as the absence of respondents, change of residence etc., Quarterly reports too relating to open warrants had not been sent to the Legal Action Division.
- (iv) Updated register of establishments had not been maintained at the District Labour Office, Colombo South. As a result action had not been taken to equally distribute the employer institutions of 8 zones among the Labour Officers of the District Labour Office, Colombo South. As a result, recovery of Employees' Provident Fund contributions, recovery of employees' gratuities as well as the action to be taken regarding institutions which had not been checked by the labour officers and the supervision etc., could not be properly done. Accordingly, the Colombo Labour Office could not fulfil the duties to be carried out by a labour office.

2.11 Human Resources Management

(a) Approved Cadre and Actual Cadre

The position of cadre as at 31 December 2013 appear below.

Category of Employee	Approved Cadre	Actual Cadre	No. of Vacancies	Surplus
(i) Senior Level	205	120	85	-
(ii) Tertiary Level	667	432	235	-
(iii) Secondary Level	1,486	1,185	301	-
(iv) Primary Level	443	432	11	-
(v) Others (Casual/ temporary/ contract basis)	-	26	-	26
Total	2,801	2,195	632	26

The following observations are made.

- (i) The department had not taken action fill 632 vacancies existing by end of the year under review.
- (ii) The department had not taken action to obtain proper approval for the 26 surplus employees recruited.

(b) Irregular release of Human Resources to other Parties

 The details of human resources irregularly released to other parties by the Department of Labour during the year under review appear below.

	Category of Employee	No.	Other Parties	Period of Release
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(i)	Labour Officers	2	National Labour Education Institution	3 years
(ii)	Labour Officers	2	“	2 years
(iii)	Human Resource Development Officer	1	“	14 years
(iv)	Management Assistant	1	“	6 years
(v)	Management Assistant	1	“	12 years
(vi)	Management Assistant	1	“	9 years