

Report of the Auditor General of the Department of Labour - Head 221 – Year 2015

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 221 – Department of Labour for the year ended 31 December 2015 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 Commissioner General of Labour on 13 July 2016. The audit observations, comments and findings on the accounts and 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 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 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. The 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. Accounts

2.1 Appropriation Account

Total Provision and Expenditure

The total net provision made for the Department amounted to Rs.3, 117.10 million and out of that Rs.2,932.08 million had been utilized by the end of the year under review. Accordingly, the savings out of the net provision of the Department amounted to Rs.185.02 million or 5.94 per cent of the net provisions. Details are given below.

Expenditure	As at 31 December 2015			Savings as a Percentage of the Net Provisions
	Net Provision	Utilization	Savings	
	Rs.Millions	Rs.Millions	Rs.Millions	
Recurrent	1,411.20	1,357.88	53.32	3.78
Capital	1,705.90	1,574.20	131.70	7.72
Total	3,117.10	2,932.08	185.02	5.94

2.2 Advance Account

2.2.1 Advances to Public Officers Account

Limits Authorized by Parliament

Limits authorized by Parliament for the Advances to Public Officers Account, Item No.22101 of the Department 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
76.04	55.25	57.04	68.17	345.00	223.88

2.3 Imprest Account

The balance of the Imprest Account No. 7002/0000/00/0060/0015/000 of the Department as at 31 December 2015 amounted to Rs.121.04 million.

2.4 General Deposit Account

The balances of Deposit Accounts of the Department as at 31 December 2015 totalled Rs.718 million. Details appear below.

Deposit Account Number	Balance as at 31 December 2015
	Rs. Millions
6000/0000/00/0155/0102/000	717.70
6000/0000/00/0006/0029/000	0.31
Total	718.01

2.5 Audit Observation

According to the Financial Records and Books for the year ended 31 December 2015, it was observed that subject to the audit observations appearing in the Management Audit Report referred to in paragraph 1.1 above, the Appropriation Account and the Reconciliation Statements of the Department of Labour have been prepared satisfactorily. The material and significant audit observations out of the audit observations included in that Management Audit Report appear in paragraph 3.

3. Material and Significant Audit Observations

3.1 Non-maintenance of Registers and Books

The Register of Fixed Assets had not been maintained in terms of the Treasury Circular No.842 of 19 December 1978.

3.2 Appropriation Account

3.2.1 Budgetary Variance

The following observations are made.

- (a) Excess provisions had been made for 42 Objects and as such the savings, after the utilization of provisions, ranged between 5 per cent and 89 per cent of the net provisions relating to the respective Objects.
- (b) A sum of Rs.13 million which should have been brought to account under the Object 2102 had been brought to account under the Object 2103. In view of this erroneous accounting, the expenditure of Rs.2.2 million incurred exceeding the provision made under the Object 2102 which should have been disclosed thereunder, had not been disclosed.
- (c) Provisions for 04 Objects exceeding required amount had been obtained by allocations from Supplementary Estimates. As such, the savings, after the utilization of the relevant provisions, ranged from 12 per cent to 89 per cent of the provisions allocated from Supplementary Estimates.
- (d) Provisions amounting to Rs.557.74 million had been made from the Annual Budget Estimate – 2015 for the Employees' Provident Fund which is a Development Project of the Department of Labour. That entire provision had been utilized in the year under review. The money spent for the activities of the Employees' Provident Fund had been reimbursed monthly from the Employees' Provident Fund and brought to account as Public revenue by the Department.

3.3 General Deposit Account

The following observations are made.

- (a) Action in terms of Financial Regulation 571 had not been taken on deposits totalling Rs.279,844,320 older than 2 years (except Land Deposits).

- (b) Details in respect of the balance amounting to Rs.311,295 in the Deposit Account of the Immigration Emigration Account No.6000/0000/00/0006/0029/000 existing over several years, had not been made available to Audit.

3.4 Reconciliation Statement of Advances to Public Officers Account

According to the Reconciliation Statement as at 31 December 2015 of the Advances to Public Officers Account Item No.22101, the Department had failed even by 31 December 2015 to recover outstanding loan balances amounting to Rs.2,663,614 brought forward over periods ranging from 01 year to 36 years. The following observations are made in respect of those balances.

- (a) Even though it had been stipulated in the Circular No.118 of 11 October 2004 of the Department of National Budget that the loan balances recoverable from the officers who were transferred to the Provincial Councils should be recovered from the relevant Provincial Councils, the Department had not taken action even by 31 December 2015 to recover loan balances amounting to Rs.50,777 that should have been so recovered.
- (b) The loan balances recoverable by the end of the year under review from the officers who had been interdicted and the officers who had vacated the post and retired, had not been included in the Reconciliation Statement presented to Audit.

3.5 Good Governance and Accountability

3.5.1 Annual Performance Report

Even though the Department should table the Performance Report in Parliament within 150 days after close of the financial year in terms of the Public Finance Circular No. 402 of 12 September 2002, that Report had not been tabled in Parliament even by 30 July 2016.

3.6 Unsettled Liabilities

Liabilities existing over a period less than one year as at 31 December 2015, which should have been settled by the Department amounted to Rs.9,840,540.

3.7 Non-compliances

Non-compliance with Laws, Rules, Regulations, etc.

Instances of non-compliance with the provisions in laws, rules and regulations observed during the course of audit test checks are analyzed below.

**Reference to Laws, Rules
and Regulations**

Non-compliance

(a) **Public Administration Circulars**

Circular No.41/90 of 10 October 1990

Tests on fuel consumption of 89 out of 104 motor vehicles of the Department had not been carried out.

(b) **Public Finance Circulars**

Circular No.10/2015 of 02 July 2015

The motor vehicle identified as disposable had not been disposed of even by the end of the year under review.

3.8 Performance

The observations on the progress of the Department according to the Annual Budget Estimate and the Action Plan of the year 2015 are given below.

(a.) **Key Functions not Executed Adequately**

Many key functions had not been executed adequately and several instances so observed are given below.

(i) **Taking Action on Petitions and Complaints received by the Women's and Child Affairs Division**

In terms of Section 2 of the Circular No. 06/2011 dated 29 April 2011 of the Department of Labour, a complaint should be stated and resolved within a period of 14 days since the date of receipt by the office. Nevertheless, out of 554 complaints received in the year under review, 186 had not been resolved and delays from 01 to 34 months had occurred since the receipt of those complaints.

(ii) **Taking Action according to the Action Plan of the Planning, Training and Publication Division**

Even though the Planning, Training and Publication Division had planned to conduct 89 courses relating to 04 fields of planning according to the Action Plan of the year under review, out of that, 44 courses had not been conducted.

(iii) Performance of the Industrial Relations Division

Out of 197 complaints received by the Termination of Employment Unit by 31 August 2015, thirty eight complaints had not been resolved even by 01 August 2016.

(b) Resolution of Industrial Disputes

The number of recorded industrial disputes in the year under review stood at 3,540 and out of that, only 2,174 disputes had been resolved. The number of unsettled disputes by the end of the year stood at 1,366.

(c) Making Sri Lanka As a Zone Devoid of Child Labour

An awareness programme had been held on 04 April 2015 for the Deputy Labour Commissioners, Assistant Labour Commissioners in charge of the District Offices and Senior Labour Officers at a cost of Rs.80,652 for carrying out the proposed Project for Making Sri Lanka As a Zone Devoid of Child Labour in terms of the Departmental Circular No. 03/2015 of 02 April 2015. Even though it had been planned to conduct 09 awareness programmes at a cost of Rs.96,000 through the Child Rights Promotion Officers, Grama Niladhari, Probation Officers and Deputy Commissioners of Labour, they had not been conducted. Even though instructions had been given on Making Sri Lanka as a Zone Devoid of Child Labour and for reporting the progress on the Project before 31 July 2015, only one Deputy Commissioner of Labour had reported the relevant progress by 31 July 2015.

(d) Training the Staff

Even though the Planning, Training and Publication Division had planned to train 350 officers at a cost of Rs.453,300 in 07 programmes, only 253 officers had been trained by spending all those moneys.

3.9 Loss of Labour

According to the information of the Industrial Relations Division of the Department of Labour, the number of Trade Unions registered by 31 December 2015 stood at 1,907. The number of man-days lost to the country due to strikes carried out by Trade Unions in the year under review and preceding year had been as follows.

Description	2015	2014	Percentage of the Increase
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Number of Strikes	51	38	34
Number of Employees participated	14,915	6,451	131
Number of Man-days lost	82,294	37,323	120

As such, the number of employees participated in strikes in the year under review and the number of man-days lost to the country had increased by a vast percentage as compared with the preceding year.

3.10 Transactions in the Nature of Financial Irregularities

Commemorating the International Women's Day held in the year under review and the Programme on Making Sri Lanka as a Zone Devoid of Child Labour had been held in the Auditorium of the Labour Secretariat on 08 March 2015 and a sum of Rs.177,000 had been misappropriated by submitting forged documents for supply of food and beverages therefor.

3.11 Losses and Damage

The motor vehicle valued at Rs.800,000, robbed by thieves at Pepiliyana on 01 January 2002, could not be found out even by 31 December 2015.

3.12 Management Weaknesses

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

- (a) A sum of Rs.6 million had been spent in the year under review for the courses conducted by the Planning, Research, Training and Publication Division. However, proper methodologies in respect of providing training for officers had not been formulated and implemented even by the end of the year under review. Moreover, the certificates had not been obtained from the officers who contributed to those courses to confirm that they had successfully completed those courses.
- (b) A Heidelberg – GTO-52-1 type printing machine consisting 7 sub-parts had been purchased at a cost of Rs.21.88 million in December 2007. The following observations are made in this connection.
 - (i) Only 02 sub-parts of that machine had been used for printing purposes. That was only 10 per cent of the total capacity of the machine. All these parts of the machine had not been serviced after the year 2013.
 - (ii) Parts of the machine valued at Rs.6,286,034 had been stored in an unprotected manner in the premises of the Press Building and those parts were decaying.
 - (iii) Only 56.5 and 63 per cent of the printing requirement of the Department had been fulfilled in the years 2013 and 2014 respectively by this printing machine.
 - (iv) Plate Maker and Automatic Plate Processor costing Rs.3,194,652 had remained idle and as such, those requirements had been fulfilled by external institutions paying money. Fifty plates and 24 litres of chemicals (Developer LSP 19) purchased for making Plate Makers had outdated without being made use of.

- (v) ABH formats of which the annual requirement is approximately 700,000 – 900,000 had been printed by a State Corporation and a sum of Rs.15,949,884 had been paid in 8 instances in the year under review. The Electrical Engineer of the Department had stated that if the punching device necessary for printing these formats had been purchased, those could have been printed by this printer itself. Nevertheless, action had not been taken to purchase that equipment even by the end of the year under review.
- (c) The value of the Orders issued by the Commissioner of Labour during first 08 months of the year 2015 amounted to Rs.97,450,568. Out of that, 25.3 per cent, that is Rs.24,659,968 had been recovered and action for recovery of 74.7 per cent, that is Rs.72,790,600 had not been completed.
- (d) In terms of the Industrial Disputes Act, No.13 of 2003, an industrial dispute should be resolved within 03 months by referring to an Arbitrator. Nevertheless, a long period from 03 years to 09 years had been taken for resolution of 13 out of 16 disputes subjected to audit test check.
- (e) Fifteen thousand three hundred and four cases valued at Rs.29,156,975,557 filed in Courts in the Island with a view to settling for employees, the unpaid or underpaid statutory salaries or statutory allowances such as Employees’ Provident Fund, budget allowances which should be paid to employees by employers, had not been concluded even by the end of the year under review.
- (f) In terms of Guideline 4.2.3 of the Government Procurement Guidelines, a time schedule had not been prepared for purchase of 30 Kiosks machines at a cost of Rs.14,917,500 so as to enable the checking of balance of the Accounts of the Members of the Employees’ Provident Fund to members themselves. A long delay had occurred in the installation of 14 machines purchased at a cost of Rs.6,627,309 due to unavailability of such a time schedule.
- (g) Nine officers had been interdicted by the end of the year under review as a result of investigation of the Commission to Investigate Allegations of Bribery or Corruption or other reasons due to their professional misconduct and action in terms of paragraph 31.6 of Chapter XLVIII of the Part II of the Establishments Code had not been taken to hold a preliminary inquiry for these officers without delay. Only Preliminary Inquiry Officers had been appointed for 03 officers. Two officers had been interdicted by 30 May 2016 and the relevant preliminary investigations had not been carried out.
- (h) **Implementation of the Programme on Computerization of Complaints and Cases on Labour Inquiries**

In terms of the Departmental Circular No.01/2014 of 17 February 2014 amended by the Departmental Circular No.01 (1)/2014 of 13 May 2014, Tablets and Wifi Communication Devices had been distributed to the Labour Officers and Assistant Commissioner of Labour by spending Rs.39,091,100 for success of the above

programme and training as well had been provided by incurring an expenditure thereon. The following observations are made in this connection.

- (i) Most Labour Officers had not used Tablets given under this programme for their official duties and those had been sent to the stores of the Head Office and repaired in 62 instances for repairing various defects.
- (ii) Labour Officers had rejected the entering of data of the Department to the system due to Trade Union action. As such, Management Assistants had been engaged in that duty and a sum of Rs.204,540 had been spent for training them in the year 2015.
- (iii) Out of 200 computers which were planned to be obtained by the Procurement Plan for various requirements in the year 2015, only 89 computers valued at Rs.13,136,645 had been given to Labour Offices for the use of the Management Assistants for computerization of the information of the Project on computerization of complaints and cases on labour inquiries (LISA).
- (iv) There were 28 Labour Offices where no information whatsoever had been entered to the system of computerization of complaints and cases on labour inquiries even by 31 December 2015.

3.14 Human Resources Management

(a.) Approved Cadre and Actual Cadre

The position on the cadre as at 31 December 2015 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
(i) Senior Level	205	142	63	-
(ii) Tertiary Level	668	400	268	-
(iii) Secondary Level	1,771	1,429	342	-
(iv) Primary Level	483	429	54	-
(v) Others (Casual/ Temporary/ Contract Basis)	-	3	-	03
Total	3,127	2,403	727	03

The following observation is made.

Out of the Approved Cadre, 727 vacancies existed by the end of the year under review. The Department had not taken action to fill those vacancies properly. However, 03 employees had been recruited on casual basis without proper approval.

(b.) Irregular release of Human Resources to other Parties

The Department had improperly released 13 officers to other parties in the year under review.