

Report of the Auditor General on Head 221 – Department of Labour - Year 2016

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 2016 was carried out in pursuance of 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 had been issued to the Commissioner General of Labour 11 August 2017. The 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 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, 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. Accounts

2.1 Appropriation Account

Total Provision and Expenditure

The total net provision made for the Department amounted to Rs.6,550.58 million and out of that, a sum of Rs.4,925.15 million had been utilized by the end of the year under review. Accordingly, savings out of the net provisions of the Department amounted to Rs.1,625.43 million representing 24.81 per cent of the total net provision. Particulars are given below.

Expenditure	<u>As at 31 December 2016</u>			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs.Millions	Rs. Millions	Rs. Millions	
Recurrent	1,489.86	1,453.17	36.69	2.46
Capital	5,060.72	3,471.98	1,588.74	31.39
Total	6,550.58	4,925.15	1,625.43	24.81

2.2. Advances to Public Officers' Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers' Account Item No. 22101 relating to 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
75.00	74.98	55.00	64.57	345.00	234.87

2.3 Imprest Account

The balance of the imprest account bearing No.7002/0000/00/0060/0016/000 under the Department as at 31 December 2016 amounted to Rs.20.19 million.

2.4 General Deposit Account

The total balances in 2 general deposit accounts as at 31 December 2016 under the Department amounted to Rs.1,276.45 million. Particulars are given below.

Deposit Account Number	Balance as at 31 December 2016
	Rs. (Mn)
6000/0000/00/0002/0089/000	87.01
6000/0000/00/0013/0058/000	1,189.44
Total	<u>1,276.45</u>

2.5 Audit Observation

The Appropriation Account and the Reconciliation Statements of the Department of Labour for the year ended 31 December 2016 have been prepared satisfactorily, subject to the audit observations appearing in the Management Audit Report referred to in Paragraph 1.1 above. Out of the observations, the material and significant observations appear in Paragraph 3 herein.

3. Material and Significant Audit Observations

3.1 Non-maintenance of books and records

A Register of Fixed Assets had not been maintained by the Department for computers accessories and software in terms of Treasury Circular No.IAI/2002/02 of 28 November 2002.

3.2 Appropriation Account

3.2.1 Budget Variances

The following observations are made.

- (a) As over provision had been made for 24 Objects, the savings after utilization of provision had ranged from 6 per cent to 100 per cent of the net provision of those Objects.
- (b) The entire provision of Rs.18 million made for a capital expenditure object had been saved.

3.3 Imprest Accounts

The following observations are made.

- (a) The balance of the imprest account as at 31 December should be settled and handed over to the Department of State Accounts of the Treasury on the same day in terms of Financial Regulation 373 (1). Without doing so, an unsettled advance balance of Rs.19,760,913 had been sent to the District Labour Offices of Negambo and Matara for the payment of arrears of gratuities of the Sri Lanka Transport Board.
- (b) In terms of Financial Regulation 371 (2)(b), action should be taken to settle sub-imprest, immediately after the completion of the purpose for which it was taken by the officer who obtained a sub-imprest. However, advances had been settled after delayed from 01 months to 08 months in 70 instances.

3.4 General Deposit Account

The following observations are made.

- (a) Even though lists of all deposits which have lapsed, must be prepared at the close of each half year for disposal in terms of Financial Regulation 571, it had not been so prepared.
- (b) In terms of Financial Regulations 570 (c) and 571 (2)(3), in the case of lapsed deposits, in queries should be made before their transfer to Revenue, as far as possible subsequent applications for refunds. However, it was observed at an audit test check that action had not be so taken in respect of deposits of Rs.743,177.

- (c) Retention of non- EPF tender deposits lapsed for more than 2 years in District Labour Offices and the temporary retentions, refundable to the third parties amounted to Rs.64.64 million but action in terms of Financial Regulations 570 (c) and 571 (2)(3) had not been taken in this regard.
- (d) Under the Employees Provident Fund Act No.15 of 1958, the Commissioner of Labour has been entrusted the powers to recover the money due to the Employees Provident Fund, and surcharges, when the employers had evaded the payment of contributions and other allowances entitled to employees payable to the Employees Provident Fund in agreement or by a judicial act. Accordingly, action should be taken to credit the money so recovered and received as installments immediately to the relevant employees accounts. Nevertheless, unpaid amount of Rs.15,838,924, lapsed for more than 5 years had been retained in the General Deposit Account.

3.5 Reconciliation Statement of the Advances to Public Officers Account

Audit test check carried out in respect of the reconciliation statement of the Advances to Public Officers Account as at 31 December 2016, bearing item No.22101 observed the following deficiencies.

- (a) According to the reconciliation statement presented to audit, the outstanding balance as at that date totalled Rs.5,563,387 and those balances had remained outstanding for periods ranging from 01 year to 37 years. The follow up action for the recovery of those loan balances had been at a weak level.
- (b) Outstanding loan balances
 - (i) According to the age analysis of outstand loan balances made available by the Department, the outstanding loan balances as at 31 December 2016 older than 5 years, 1 to 2 years old and 2 to 3 years old amounted to Rs.1,061,097, Rs.1,659,389 and Rs.713,786 respectively.
 - (ii) Appropriation action had not been taken to recover the outstanding loan balance of Rs.2,062,519 recoverable from 45 officers who had gone on transfer, retired, deceased, interdicted, vacated of posts and the termination of service.
 - (iii) In terms of Paragraphs 3.2.2 and 3.2.3 of the Circular No.118 dated 11 October 2014 of the Department of National Budget, special attention had not been paid to recover the loan balance of Rs.50,777 at once or by monthly installments, due from officers who had transferred to the Provincial Councils since a period of 15 years.
 - (iv) In terms of Section 4.2.5 of Chapter XXIV of the Establishments Code the balance of the loan, which had not been recovered in full should be recovered from the officer's commuted pensions or from the gratuity. Nevertheless, the outstanding loan balance not so recovered as at 31 December 2016 amounted

to Rs.540,558, which included an outstanding loan balance of Rs.180,972 remained for more than 5 years.

3.6 Assets Management

Audit test check carried out in respect of assets of the Department observed the following deficiencies.

(a) Idle and Underutilized Assets

Audit test checks observed that certain assets classified below had been idle or underutilized.

Type of Asset	No.of Units	Value	Period of idle or under utilized
-----	-----	-----	-----
		Rs.	
(i) Flat Computers	314	30,164,096	3 years
(ii) Printing machine parts (Glue binder)	1	5,388,690	9 years

(b) Improper utilization of assets not acquired

Action had not been taken to acquire the legal ownership of the land belonging to two Labour Secretariat buildings constructed by incurring of Rs.202.20 million even up to 31 August 2017.

3.7 Implementation of Projects by Domestic Financing

Instances revealed at audit test checks carried out in respect of delays projects and constructions without approval are given below.

(a) Construction without approval

The building plan for the construction of 2 Zonal Labour Offices valued at Rs.187.51 million had not got approved from the relevant Local Authorities.

(b) Delays in Performing Projects

Abnormal delays in performing the following construction projects by the Department were not observed.

Project	Value of Contract	Date of commencement	Date to be completed	Date of Completion	Completion percentage as at 31.12.2016	Period of delay
- Districts Labour Office, Jaffna Stage 'C'	Rs. 15,498,500	13.07.2015	11.01.2016	30.12.2016	-	One year
- District Labour Office, Avissawella Stage 1	24,800,000	07.01.2014	05.08.2014	-	45	2 years and 5 months.

(c) Inefficiencies Project Management

The Management of the Department of Labour had not established a division consisting of Civil Engineers and the construction works of the Department had been directly entrusted to the Department of Buildings. As the Department had not called for competitive bids by itself, a sum of Rs.156.2 million had to be paid to the Department of Buildings in 11 instances, exceeding the contractor's value of contract.

3.8 Performance

The observations on the progress of performance of the Department in accordance with the budget estimates for the year 2016 and the action plan are given below.

(a) Key functions not adequately performed

Few key functions not adequately performed are given below.

(i) Labour Standards Division

- * It is the part of the duties of a Labour Officer to verify and report to the labour standards Division whether, the wages Board Ordinance, Shop and Office Ordinance and the Budget Concessionary Allowances Act of 2005 are properly in operation. Nevertheless, Labour Officers in 10 Zonal Offices, subjected to audit examination had not taken action accordingly in several occasions.
- * Even though the responsibility of solving problems such as non-receipt of Budget concession any allowance and other various salary payments had been entrusted to the Zonal Labour Office in which the entity, subjected to complains is located, inquiries in respect of 26

complains referred to as such had not been conducted and not submitted relevant reports.

(ii) Termination Division

The objective of this Division is to provide reliefs by legally and impartially verifying the problems affected by both parties, the employee and the employer in such occasions as the prevention of reducing employees arbitrary and illegally and temporary removal and dismissal from service by employers. Out of 210 such complains received by the Termination Division by the end of the year under review, 88 complains had not been resolved by the end of the year under review, representing 42 per cent of the total complains.

(iii) Industrial Relations Division

The objective of this Division is to create economic and industrial peace within the country by protecting employer – employee rights in order to proceed economy, Production, Development and Labour Productivity to a higher position. By the end of the year under review, 462 industrial dispute complains had been received, out of which 300 complains had not been resolved by the end of the year under review, representing 65 per cent of the total complains.

(iv) Industrial Safety Division

Instances of not reaching the expected targets were observed in performing the following activities in accordance with the action plan for the year 2016.

Program/ Activity	Target	Progress	Percentage not reached to target
-----	-----	-----	-----
Conducting inspections on factory accidents	6400	4975	22
Conducting employees awareness program	240	177	26
Carrying out environmental measurements	100	46	54

(v) Planning, Research, Training and Publication Division

Eleven computer training programs planned to be conducted in the year 2016 in this Division had not been conducted and it represented 80 per cent. Furthermore, the intended objective in the implementation of “Labour Inspection Complains and Litigation Computerisation Program” had not been achieved. The main hindrance in this regard had been identified as lack of computer literacy of the officers of the Department. However, that position had been more intensified as this division had not conducted 11 Computer Training Programs as planned.

(vi) Performance of Labour Offices

- * As at 31 December 2016, there were 3,680 dormant court cases and 2,461 open warrant cases in all Labour Offices valued at Rs.1,803,514,552 and Rs.812,197,854 respectively. Those cases were not settled due to such reasons as change of addresses of accusers, proceeded abroad, incorrect addresses given etc. The management had failed to take appropriate measures to reactivate them or to settle by an alternative method or to take direct contribution of the Labour Officers in this connection.
- * According to the information obtained from Labour Offices in respect of performance for the year 2016, the number of unresolved petitions and complains as at 31 December 2016 in 52 Labour Offices, except Mulathivu Office amounted to 11,265.
- * The number of first notice not issued in 19 Labour Offices and the number of final notice not issued in 21 Labour Office as at 31 December 2016 amounted to 1,674 and 1,476 respectively.

(vii) Performance of Labour Officers

- * In terms of Paragraph 2.1 of the Circular No.15/2007 dated 31 October 2007 of the Department of Labour, Labour Officers should conduct at least 20 periodical inspections per month. However, the number of field inspections not so conducted by 49 Labour Offices amounted to 17,113.
- * In terms of Paragraph 1 (iv) of the Circular No.6/2000 dated 10 February 2000 of the Department of Labour, the institutions not subjected to inspect for a long period should be selected by an Assistant Labour Commissioner for inspection. Accordingly, 10 field inspections out of 20 should be under the discretion of the Assistant Labour Commissioner. However, the number of inspections not so conducted in 26 Labour Offices totalled 14,022.
- * In terms of Paragraph 5.1 of the Labour Department Circular No.15/2007 dated 31 October 2007, diaries of the relevant month should be submitted to the Assistant Labour Commissioner before 10th day of the ensuing month. However, the number of diaries submitted with delays was 1,648. It is observed that this is a weakness in the supervision of the Senior Officers.
- * In terms of Paragraph 3.1 of the Labour Department Circular No.15/2007 dated 31 October 2007, reports relating to all inspections should be handed over to the office without delay. However, the

number of inspection reports not so submitted by 16 Labour Offices was 2,471.

(viii) Performance of the Computerization of Labour Inspection Complain and Litigations Programme (LISA)

- * Information of the Labour Offices such as court cases, petitions and complains presentation of inspection reports, presentation of half monthly inspection programs had deferred from the information input to the LISA system as at 31 December 2016. As such, there would be an uncertainty about the accuracy of information generated from LISA System.
- * These flat computers had not been used for establishments work even by 25 July 2017 by the Labour Officers, giving reasons on their vocational action. The attention of the management had not been drawn to achieve the objective of LISA Program and to utilize effectively by taking alternative steps even by taking over back those assets.
- * The number of offices who had directly contributed to 'LISA' Program as at 31 December 2015 but flat computers had not been given was 114, representing 22 per cent of the total number of officers. Similarly, it had been 92 per cent by the end of the year under review and it was further intensified that improper planning of the management in the implementation of this system and inefficiency existed in the system.

3.9 Losses and Damages

Observations on losses and damages revealed at audit test checks are given below.

A Van confiscated by the Sri Lanka Customs and used subsequently by the Department had been abducted. However, the loss of the vehicle and the maximum value of loss had not been identified in terms of Financial Regulation 105 (1) and the reports in terms of Financial Regulation 104 (2) thereon had also not been sent to the Treasury. Similarly, the preliminary report in terms of Financial Regulation 104(3) and the full report in terms of Financial Regulation 104(4) had been presented on 03 April 2012 after a delay of 10 years.

3.10 Management Inefficiencies

Audit test checks observed the following deficiencies.

- (a) The management had not taken action to maintain a proper data base, including the information such as the actual completion periods of 12 Labour Offices constructed at a value of Rs.710.94 million and the completion certificates thereon.

- (b) Labour Officers attached to the Labour Office, Kaluthara had not properly conducted inspections in respect of 1,100 institutions situated in Payagala, Beruwala and Thebuwana areas belonged to that Labour Office since a period of about 1 ½ years. As many institution were not subjected for inspections, the service and the protection of the employees who serve in those institutions had not been fulfilled through Labour Offices. Nevertheless, any cause of action against the officers who were responsible in that connection had not been taken.

3.16 Human Resources Management

Approved and Actual Cadre

Cadre position as at 31 December 2016 is given below.

	Employees Category	Approved Cadre	Actual Cadre	No. of Vacancies	Excess Cadre
(i)	Senior Level	210	161	50	01
(ii)	Tertiary Level	668	363	305	-
(iii)	Secondary Level	1,771	1,434	337	-
(iv)	Primary Level	489	442	49	02
(v)	Others (Casual/ Temporary/ Contract basis)	-	02	-	02
	Total	3,138	2,402	741	05

The following observations are made.

- (a) The Department had not taken action to fill total vacancies of 738, including 355 vacancies at senior, and tertiary levels existed by the end of the year under review.
- (b) Action had not been taken to appoint a permanent officer for the post of Stenographer who had been recruited on casual basis since the year 2012 up to now, in terms of Section 3.3 of Chapter IV of part 1 of the Establishments Code.