

Head 221 – Report of the Auditor General on the Department of Labour - Year 2017

The Appropriation Account and the Reconciliation Statements under Head and Item number stated in the first schedule and third schedule of the appropriation Act No. 24 of 2006 as amended by the Appropriation (Amendment) Act No.32 of 2017 were presented to Audit by the Department of Labour. The financial and physical performance reflected by those accounts and reconciliation statements were audited in terms of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

1.2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Financial Management and Accountability

The Minister of Finance is charged with the raising of Revenue and the collection of other Government monies as well as with the general oversight of all the financial operations of Government in terms of Financial Regulation 124 of the Democratic Socialist Republic of Sri Lanka. The Chief Accounting Officers have been appointed by the Minister of Finance to discharge the above responsibility in terms of Financial Regulation 124(2). The Head of the Department will be the Accounting Officer in respect of all the financial transactions of his Department in terms of Financial Regulation 125(1)(a) and the Revenue Accounting Officer has been appointed by the Treasury. This responsibility includes designing, implementing and maintaining internal controls relevant to the maintenance, preparation and fair presentation of Accounts and Reconciliation Statements presented within the limitations imposed by Parliament in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions, Government Financial Regulations and Administrative Regulations.

1.3 Scope of Audit

The audit of Department of Department of Labour - Head 221 for the year ended 31 December 2017 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka in respect of designing of financial and physical performance, Government expenditure, Government revenue, management of human and physical resources, apply of internal control systems, compliance with laws, rules and regulations and maintenance of books, registers, records and reconciliation statements in an updated manner, preparation and presentation of accounts in timely manner, issuance of performance reports to respective parties based on the performance indicators. The Management Audit Report for the year under review was issued to the Head of the Department on 03 October 2018. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the plans, accounts, reconciliation statements and performance reports presented to Audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

1.4 Audit Observation

The audit observations of the Department of Labour for the year ended 31 December 2017 revealed in audit appear in Management Audit Report in detail, mentioned in paragraph 1.3 above. The material and significant audit observations out of the audit observations appear in paragraph 2 to 2.14 of this report. It was observed that the accountability as the Chief Accounting Officer had been satisfactorily executed, to ensure the adequacy of the financial administration subjected to the following summarized audit observations revealed in the execution of the provisions of the Financial Regulation 128 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

Accountability of the Chief Accounting Officer as per Financial Regulation 128 (1)	Non-compliance of those provisions by Chief Accounting Officer	Paragraph Reference to the report included the observation
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Financial Regulations		

128(1)(a)	That the work of his department is planned and carried out with due dispatch, having regard to the policy laid down by the Government and the intentions of Parliament in granting him financial provision for the activities authorized, and that an endeavour is made to complete the programme of work laid down for the year and/or to attain the targets specified,	<p>1. Budget estimate had not prepared in realistic. 2.8</p> <p>2. Expected limit of output not obtained. 2.2.1(b)</p> <p>3. Deficiencies in implementation of procurement process 2.2</p>
128 (1)(b)	The organization for financial control and accounting in his Department is effective and provides adequately for the correct ascertainment, where necessary of dues to Government, the systematic, complete and prompt collection of	<p>1. Expected limit of output not obtained. 2.2.1 (b)</p> <p>2. Deficiencies in implementation of procurement process 2.2</p>

dues and bringing to account of monies received, the authorization of communication on behalf of the Government, the supervision and examination of services and supplies rendered and the prompt and correct payment therefor from Public Fund.

128 (1)(c)	The Financial Regulations and other supplementary instructions of the Government are adhered to in his department, and that they are supplemented by departmental instructions, where necessary.	Non - compliances	2.13
128(1)(d)	An adequate system of internal check for receipt, payments and issue is maintained and tested from time to time.	Deficiencies in public officers advance account.	2.10
128(1)(e)	Adequate and proper arrangements are made for the safe custody and preservation of money, stores, equipment and other assets belonging to the Government, or is in its custody, and that these are verified from time to time; and, where they are disposed of, such disposal is according to prescribed Regulations and instructions.	Deficiencies in assets management	2.3

128(1)(f)	Informations statements, and reports requested by the Chief Accounting officer or the Treasury, it rendered correctly at the proper time.	Budget estimate had not prepared in realistic.	2.8
128(1)(i)	The activities of his department are undertaken with due regard to economy, efficiency, propriety and integrity expected in the transaction of public business	Expected limit of output not obtained	2.2.1(b)

2. Material and Significant Audit Observations

2.1 Performance

2.1.1 Non-fulfill of Activities

The following observations are made.

- (a) Although according to the annual action plan 143 major activities should be fulfilled by the Department. Out of that only 139 activities had fulfilled. Total provision of Rs.56.025 million had been provided for non-fulfill major activities.
- (i) A sum of Rs.65 million had been provided in respect of construction of labour offices in Ratnapura, Badulla and Hatton during the year under review. Eventhough it had been planned to complete 75 per cent as at 31 December 2017 only procurement activities had been done.
- (ii) Following activities included in the action plan was observed it had not been done as planned.

Activity	Estimated Quantity	Quantity Done	Quantity not done	percentage
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Forty numbers collective agreements perform gazette	40	17	23	57.50
Case filed	17	09	08	47.00

Study Programmes on work environment	110	05	45	41.90
Labour investigations	82,028	29,611	52,417	63.90
Registration of employees provident fund members' Finger print	50,000	12,600	37,400	74.80
Expected money collect on case filing	Rs.500,000	Rs.62,501	Rs.437,499	Rs.87.50

(b) Non – receiving Expected Limit of Output

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- (i) It had been planned 6,400 tests without emergency accident for create free work environment security relating to accidents on health not fulfilled by the Industrial Protected Division while OSH 4 seminars out of 10 seminars planned to hold industrial and Vocational Training Students had not held.
 - (ii) A computer programmes had introduces in the year 2010 to computerized the Labour officers' investigations and cases. This programme was not implemented in successfully even as at end of the year 2017, informations about 2209 cases, 1045 complains, 53,140 Labour investigations entering to it and not updated. Further a engineer testing moudule had been introduced to enter the District Industrial Examine Officers of the engineering offices inspection programs and reports on emergency accidents out of the 4,835 tests during the end of the year under review only 38 reports had been entered into the system.

(c) Although money released No Progress obtained by Projects.

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- (i) Although construction of 20 lavatory systems at a sum of Rs.49,400,308 that contract had been given to the State Engineering corporation. Out of that 12 had been completed and balance 8 had relinquished. That had been given to the Building Department in the year 2015. Six lavatory systems out of that 8 had not been completed even at end of the year under review.
 - (ii) Although repair of the roof of the Labour Department had been given to the State Engineering Corporation at Rs.3,901,733 in the year 2014, that work not properly fulfilled and had relinquished. That work had been awarded again to the Building Department at Rs.22,940,148. A sum of Rs.12,478,690 had been paid to the State Engineering Corporation for that work.

2.2. Supplies and Services obtained by Procurement Process

Planning of Procurement

Following observations are made.

- (a) One multi media machine and 150 official bags which are not included into the procurement plan prepared by the Department for the year under review.
- (b) The goods had not been purchased within the planed time frame of the procurement plan out of the estimated expenditure of Rs.22,250,000 a sum of Rs.4,374,595 had utilized at the date of 15 November 2017. Presentage of that was 19.7 per cent while within last 1 ½ month period 75.69 per cent from the procurement amount had been utilized.

2.2.2 Implementation of Procurement Process

- (a) It had been planned to construct the Mayehewara piyasa building for provide services of the employees provident fund more efficientaly and the contract had assigned at a sum of Rs.7,891,010,136. Bid security value amounting to Rs.50 million had been obtained through Bank of Ceylan that is not in the name of partnership and it had been obtained one partner name Surpooji Pallonji Mid East LLC. Although above bid security should be obtained in the name of the partnership as per paragraph 17.3 of C of the contract guideline I of the Institute for Construction Training and Development therefor construction had been awarded to a institution which should be rejected in evaluation of bids.
- (b) Action had not been done in terms of provision in section of 8.1.4(b), 8.11.5(a)(b) of procurement guideline in connection with evade of contract activities of repair of the building of Labour Secretariat which given to the Building Department at Rs.21,001,636.
- (c) Payments had been made without obtaining the work completion reports in terms of procurement guideline section 8.12.2 in connection with contract work at Rs.13,514,028 of repairs of windows of the Labour Secretariat.

2.3 Assets Management

Following observations were observed at sample Audit test checking in respect of assets of the Department.

- (a) Utilization of Vehicles
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Although repair had been done spending a sum of Rs.313,667 for the vehickle used by the Panadura District Labour office but repair had not been done in appropriately.

(b) Idle and Underutilized Assets

Three vehicles valued at Rs.2,500,000 remaining in idle from the year 2015, they were kept in office premises in an unprotected.

(c) Assets given to External parties

Fourteen assets items which value not confirmed had been given to the Employees Trust Fund in the year 2015 by the Department.

2.4 Commitments and Liabilities -----

Following observations are made in this regard.

(a) Commitments had been approach exceeding the limit of annual budget

Non compliance to the paragraph 02 (a) of the public Accounts Circular No.255/2017 dated 27 April 2017 net provision totalling to Rs.180.9 million had been provided for 5 recurrent expenditure objects and 7 capital objects exceeding by Rs.15.4 million the commitments amounting to Rs.21.8 million had been approached.

2.5 Unresolved Audit Paragraphs -----

Deficiencies shown by audit paragraphs included in the audit reports of the Auditor General relating to the Department not rectified by the Department reference paragraphs are given below.

Reference to the Auditor General Report

Year	Paragraph Number	Relevant Object
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2015	3.12 (h) (I, ii, iii, iv)	Computerized programmes on Labour research, complains and cases.
2016	3.8 (a) (viii)	Data had not been included into the system as regularly and existing usage of tab at a minimum level, further supplied tabs had not been get for use and action had not been taken to obtain again.

2.6 Management Weakness -----

Following weakness were observed in sample audit testing.

- (a) The cases with the value of Rs.231,082 had rejected due to the reason of the officers who are going courts their knowledge not sufficient on court procedure in case filing

in terms of section 03 of departmental circular No.11 dated 31 August 1964. Further action had not been taken to collect relevant money within the remaining period from the employers as per order of the wages Board Ordinance No.27 of 1941 and labour tribunal focused on prescribed case filed valued at Rs.2,558,977 was observed in sample audit test checking.

(b) Well protect in factories

- (i) The Management had not taken action to update the directions of the factory Ordinance No. 45 of 1942 in non updating the standards which are relevant to the construction of factories, not confirm the well protect on staff who are engage on activities of the constructions, give sufficient compensations accidents, regular investigations carried on in relating to factories which are with uncertainly and not registered factories under the Act.
 - (ii) Private and government instiitutions 28854 had been registered for employees provident fund and out of that get the informations about the institutions which are coming under industrial group or Inland Revenue Department Company Registrar Office and Divisional Secretariat offices like that institutions obtain the informations and to perform registered that institutions action had not been taken in strategies.
- (c) Registration and control, regulation of the trade unions done by the Trade Union Section among registered trade unions associations number was 1668. Registrations should be renewed annually but 1437 trade unions had not been renewed their registration.
- (d) For the construction of the Mahaweli Piyasa building a contract agreement valued at Rs.7,169 million had been approached on 12 August 2011. Approval had been given for the requirement money of Rs.5,147 million to obtain from the employees provident fund and a sum of Rs.1,890.5 million had been paid. Although a sum of Rs.377.14 million paid from the provident fund by the Treasury on the reasons of after occrued problematic legal position a sum of Rs.377.14 million had not been paid even as at October 2018. On the reasons of this position delay in payments a sum of Rs.2.27 million. Delay charges had to the paid to the Department.
- (e) Although a programme on data collection and computerized of that data had initiated in the year 2015, action had not been taken to enter the relevant data reason of that programme had existing unsuccessfully even as at the year under review.
- (f) On the recommendation on build up policy in connection with field inspection included in the technology document presented by the International Labour Organization to develop of the performance of the Department in the year 2012 had not implemented even as at 31 December 2017.
- (g) Although a machine purchased at Rs.679,300 in the year 2015 had been inactive and its warranty period had not exceed, while the repairs had not been carried out by the institution which had purchased it and a new machine had purchased at Rs.219,000.

- (h) In the reasons of without following procurement process for obtain office facilities and not shown relevant specifications in calling for quotations a building which had not necessary facilities for a office an annual rent at RS.1,880,000 had been obtained.
- (i) A special procedure had not been implemented as per Labour Department's circular to implement that open warrant there were existing as open warrant 99 cases of Rs.7,329,818 during the year under review at Panadura Labour Office. Further entrust to collect employees provident fund 184 cases at Rs.17,811,209 had been inactive during the year under review, existing cases as inactive and open warrant to implement as active or open warrant there were delay period from 5 years to 23 years.
- (j) Contribution receivable to the employees provident fund within 14 days and action had not been taken to collect surcharges judiciary procedures had not taken on Rs.12,072,646 in 11 instances was existed in Panadura Labour domain. That time delay was from 50 days to 373 days.
- (k) Although instructions had been given to select institutions for inspection which are not subject to inspect for a long period as per circulars of the Labour Department there were identified 9,681 institutions at the end of the year 2017 in Panadura Labour domain. Out of that 1,067 institutions had been inspect by the Labour officers. Taken as a whole the institutions belong to this labour office domain 89 per cent had not been inspected.
- (l) Although it had been shown by departmental circulars minimum of 20 timely inspection in monthly should be done by one labour officer, 03 officers in the Jaffna District Labour office and one officer per Vavunia, Kilinochchi, Mulathive and Mannar office work had not done like this way.

2.7 Fulfillment of Service to General Public

A sum of Rs.3,047,487 should be received to the District Labour Offices on which 17 case files had been misplaced while actions should be taken in future had not been taken even as at 31 December 2017. Necessary actions had not been taken in respect of 3750 inactive cases value of Rs.1,844,462,320 entrusted to the Department number of open warrant was 2563 at value of Rs.916,693,284.

Further the progress on works carried out in respect of public petitions and complaints are given below.

Activity	Total Quantity	fulfill Quantity	Not fulfill Quantity	Percentage
Settlement of employee applications	174	80	94	54
Registration of Industries	28,382	2,923	25,459	89.7
Solution of industrial disputes	547	108	439	80.3

Industrial disputes in industrial court and disputes referred to compulsory arbitration	225	54	171	33.8
Complaints referred to special investigation unit	1,229	472	757	61.6
Complaints received from Human Rights commission	332	52	280	84.3
Collect compensations prescribe by orders (Service Terminal Unit)	Rs.147,270,639	Rs.181,496	Rs.147,089,143	99.9

2.8 Utilization of provisions provided for fulfillment of Activities by the parliament

Information on Provision made for the Department during the Period of 05 Years ended as at 31 December 2017 utilization and saving thereof and audit observations thereon are given below.

Year	Type of Expenditure	Net provision	Utilization	Savings	Savings as a percentage of net provision
2013	Recurrent	1,100.6	1,016.1	84.5	7.7
	Capital	760.2	732.9	27.3	3.6
	Total	1,860.8	1,749.0	111.8	6
2014	Recurrent	1,138.5	1,117.1	21.4	1.9
	Capital	373.2	306.8	66.4	17.4
	Total	1,511.7	1,423.9	87.8	5.8
2015	Recurrent	1,411.2	1,357.9	53.30	3.8
	Capital	1,706.0	1,574.2	131.8	7.7
	Total	3,117.2	2,932.1	185.1	5.9
2016	Recurrent	1,489.9	1,453.2	36.7	2.5
	Capital	5,060.7	3,472.0	1,588.7	31.4
	Total	6,550.6	4,925.2	1,625.4	24.8
2017	Recurrent	1,505.2	1,452.6	52.6	3.5
	Capital	3,607.3	2,450.8	1,156.5	32.1
	Total	5,112.5	3,903.4	1,209.1	23.7

The following observations are made in this connection.

(a) Appropriation Account

Following observations are made.

(i) Provision made not Utilized

Net Provision totalling Rs.01 million made for capital object had saved in entirely without any utilization.

(ii) Made Excess Provisions

Provision totalling Rs.16.2 million had been made for 15 expense objects and utilization of provision made for that expense object only a sum of Rs.11.15 million had been utilized. This savings was between from 16 per cent to 89 per cent of the provisions had saved.

2.4 Advances to Public Officers' Account

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	Minimum Limit	Actual
Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
75.00	71.90	60.00	69.20	265.00	237.60

Following observations are made in this connection.

(a) **Non-collecting arrears Loan balances**

According to the reconciliation statement presented to audit the total arrears balance was Rs.2,673,116 and arrears balances had range between from 01 year to 38 years elapsed the Department had failed to collect that arrears loan balances.

(b) **Collecting of arrears loan balances officers who were deceased and pensioned and vacated of post**

Although from 2 years to 27 years period had elapsed a sum of Rs.1,347,936 was recoverable from officers who pensioned deceased and vacated of posts as at 31 December 2017 action had not been taken in terms of Establishment Code in connection that. Further 5 Loan files had misplaced.

2.10 Imprest Account

Ad-hoc imprest totalling to Rs.856,751 had been given exceeding Rs.100,000 to 04 officers in 04 instances contrary to the Financial Regulation rule No.371(2)(b).

2.11 General Deposit Accounts

The total balances in two General Deposit Accounts under the Department was Rs.1,005 million as at 31 December 2017. Following observations are made in that connection.

- (a) Action had not been taken in respect of total deposits amounting to Rs.223.19 million which are exceed 2 years in terms of Financial Regulation 571.
- (b) A balance of Rs.12,936,819 had been identified as which not include in the balance of general deposit as at end of the year under review that was a balance under account No.6000-0-0-3-035 prior to the year 2009.
- (c) A sum of Rs.14.77 million had been retained in Deposit Account which charged from the year 2009 up to 2017 to the Employees provident on judiciary procedures and in respect of other allowances entitled to the employees in respect power assigned to the commissioner of Labour. Action had not been taken to settled this money.

2.12 Non-maintenance of books and records

Following books had not been maintained by the Department of Labour and some books had not been maintained regularly and updated it was observed in sample audit checking.

Type of Book	Relevant Regulation	Observation
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Votes ledger (Statistical section)	Financial Regulation 449(2)	Not maintained
Book of Liabilities	Financial Regulation 211	It had not been stated liabilities anything relevant to the 3 expense objects of the Appropriation Account.

2.13 Non-compliances

Non-compliance with laws, rules and regulations

Non-compliances with laws, rules and provisions of regulations observed at sample audit checking are analyzed below.

Reference to laws, rules and regulations	Value	Non-compliance
Department Circulars	Rs.	
(i) Section 14 of the prosecution of Department Circular on assign case No.11 dated 31 August 1964.	1,081,329	Necessary every evidence should be collect for go to courts on his first inspection by the Labour officer in every time aware going to sue case against my self be destruct the evidence or not allow to suppress evidence should be collected not do like that.
(ii) As per Department circular No.10/2004		- The inspection reports of inspections done by the Labour officers should be hand over to the office within 7 days. Suitable instructions should be send for the employer before exceed 12 days of the inspection. After sending instruction take the follow up actions and refer to again inspections should be done after 6 month again. However there were 8 instances follow up action had not been done in long period and its time delay had been from 01 year to 4 years.

2.14 Human Resources Management

Approved and Actual Cadre and expenditure for personnel emoluments.

Approved and actual cadre, vacancies and excess of staff as at 31 December 2017 for fulfillment of the activities mentioned in the above 2.1 paragraph. The details are given below. A sum of Rs.1,135.6 million had been spent in respect of expense portion on personnel emoluments by the Department for the year under review.

	Employees Category	Approved Cadre	Actual Cadre	No. of Vacancies
(i)	Senior Level	210	154	56
(ii)	Tertiary Level	668	526	142
(iii)	Secondary Level	1,771	1,355	416
(iv)	Primary Level	489	460	29
(v)	Casual/ Contract basis	-	11	-

The following observations are made in this connection.

(a) Officers Employed in Service in Long Term

It was observed there were instances the officers of the Administrative Service employed in Department service in long term at the end of the year under review. Details are given below.

Employees category	Number of employees	Period in service
Administrative Service	15	From 5 years to 19 years
Management Assistant service	279	From 6 years to 38 years
Employees in regional offices	24	From 3 years to 15 years

(b) Training of the Staff

The total number of staff was 2,495 in service of the Department. Any training had not been given for 1,117 officers during the year under review and training had been given for 70 officers less than 8 hours.