

Chapter 4

Internal Controls in Government Department

Labour and Employment Department

4.1 Internal Controls in the Labour and Employment Department

4.1.1 Introduction

Internal Controls are an integral component of organisation's management process which are established in order to provide a reasonable assurance to the management that operations are carried out in an effective and efficient manner, financial reporting and operational data are reliable and applicable laws and regulations are complied with so as to achieve the organisational goals and objectives.

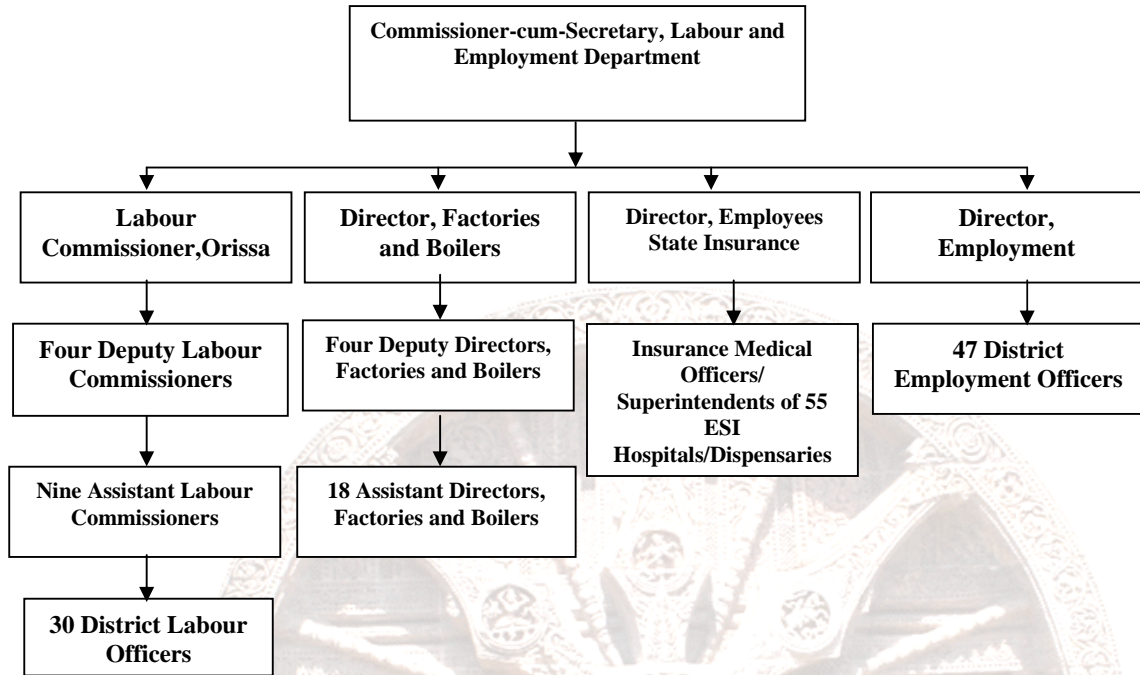
Labour and Employment Department endeavors to provide a safe working environment for about 1.25 crore workers in organised and unorganised sectors in the State. The objectives of the department were:

- Labour welfare and administration of labour laws;
- Inspection of safety measures of factories and boilers and administration of Factories and Boilers Act and Rules;
- Implementation of social security schemes for industrial workers through Employees State Insurance Scheme;
- Employment and vocational guidance to the youth and verification of records of establishments under the provisions of Employment Exchanges, Compulsory Notification of Vacancies Act 1959 and rules made there under;
- Child labour welfare.

4.1.2 Organisational set up

The department is headed by a Commissioner-cum-Secretary who is assisted by four Directors each in charge of Factories and Boilers, Employees State Insurance (ESI) Schemes, Employment and Labour Commissioner.

The organisational chart of the department was as under:



4.1.3 Audit Objectives

The Audit objectives were to assess the availability, adequacy and effectiveness of Budgetary and Expenditure controls; Operational controls; Administrative and monitoring controls and the System of Internal Audit in Labour and Employment Department.

4.1.4 Audit Coverage

Review of Internal Controls in the department was conducted during April to June 2009 covering the period 2006-09 through test check of records in the Labour and Employment Department at the Secretariat level, all the four Directorates of the department and 16¹ selected field level offices functioning under the above directorates.

Audit findings

4.1.5 Budgetary and expenditure Control

The Orissa Budget Manual (OBM) requires the administrative departments to prepare budget estimates based on inputs from lower formations, incur expenditure within the budgeted provisions, avoid rush of expenditure towards the end of financial year and surrender anticipated savings in time. Orissa

¹ Deputy Labour Commissioners (DLCs): 3 (Cuttack, Rourkela and Jeypore), Assistant Labour Commissioners (ALCs) : One (Angul), District Labour Officer (DLO): One (Cuttack), District Employment Officers (DEOs) : 4 (Cuttack, Angul, Rourkela and Jeypore), Industrial Tribunal : One (Rourkela) , Deputy Director of Factories and Boilers :3 (Rayagada, Sambalpur and Rourkela), Joint Director-cum-Superintendent , ESI Hospitals: 3 (Kansbahal, JK Pur and Choudwar)

General Financial Rules (OGFR) requires submission of monthly statement of expenditure for review of budgetary provisions and expenditure there against. Test check revealed departures from laid down procedures as discussed below:

4.1.5.1 Persistent savings

The budget provision including supplementary provisions, expenditure incurred, appropriations, savings / surrenders made by the department during 2005-09 were indicated in Table 4.1.

Table 4.1: Budget provision and savings

(Rupees in crore)

Year	Original provision (Revenue voted)	Supplementary provision (Revenue voted)	Total	Expenditure	Savings	Amount surrendered	Amount not surrendered
2005-06	25.91	0.98	26.89	25.55	1.34 (5)	1.34	nil
2006-07	26.75	3.50	30.25	29.31	0.94 (3)	0.70	0.24
2007-08	39.99	1.24	41.23	39.12	2.11 (5)	0.89	1.22
2008-09	35.97	53.09	89.06	45.50	43.56 (49)	3.76	39.80
Total	128.62	58.81	187.43	139.48	47.95	6.69	41.26

Note: Figures in parenthesis are percentage of the total.

(Source: Appropriation Accounts)

The position of saving deteriorated from three *per cent* in 2006-07 to 49 *per cent* of total provision in 2008-09. Supplementary provision of Rs 98 lakh during 2005-06 and Rs 1.24 crore in 2007-08 were unnecessary. During 2008-09, the supplementary provision of Rs 53.09 crore obtained in November 2008 was excessive in view of saving of Rs 43.56 crore which included saving of Rs 39.50 crore under 01-Labour-001-Direction and Administration-2242-Rastriya Swasthya Beema Yojana under State share (Rs 9.50 crore) and central share (Rs 30 crore). Thus, in each of the three years supplementary provision were obtained without justification.

The expenditure control register was neither maintained at Directorate/ Department level nor were monthly expenditure statements obtained from field offices. This indicated that the monitoring of budget requirement and booking of monthly expenditure was done in a casual manner.

4.1.5.2 Belated surrender of savings/Non-surrender of savings

The OBM provided that all anticipated savings in a grant should be surrendered immediately after they are foreseen and latest by 10 March of the financial year. During 2005-09, out of a total saving of Rs 47.95 crore, the department surrendered only Rs 6.69 crore and that too only on 31 March of the concerned financial years. However, the surrender of Rs 3.76 crore during 2008-09 included surrender of Rs 73.39 lakh proposed by the Labour Commissioner to the Administrative Department in April 2009 i.e. after closure of the financial year. The un-surrendered amount included saving under supplementary provision of Rs 39.50 crore during 2008-09. This deprived the Government to re-allocate available funds to needy sectors. The saving also indicated omission of certain

items of work planned for execution. Thus, the budgetary controls as envisaged in the OBM were completely ignored at the level of Chief Controlling Officers.

4.1.5.3 Budget Provision for vacant post

As per provisions of the OBM, money should not be drawn unless it is required for immediate disbursement. Besides, Rule 61 (b) *ibid* also provides that provision should not be made in the budget for vacant posts. However, records of Labour Commissioner showed provision of Rupees one crore during 2007-08 and Rs 60 lakh during 2008-09 under State plan scheme for implementation of Building and Other Construction Workers (RECS) Act, Child Labour (PR) Act 1986 etc. for vacant posts. The amounts were drawn by Labour Commissioner on 31 March of the respective years on the basis of sanction orders of the State Government and kept un-utilised (April 2009) in savings bank account. Thus, the budgetary discipline provided in the OBM was bypassed thereby disturbing financial control environment in the Department.

4.1.5.4 Drawal of fund without immediate requirement

The OBM and Orissa Treasury Rules (OTC) provided that no fund shall be drawn from Treasury unless there is immediate requirement. During 2008-09, the Labour Commissioner on the basis of a sanction order (February 2009) of the Government had drawn (March, 2009) Rs 50 lakh being the State share of Rastriya Swasthya Beema Yojana (RSBY), a Centrally Sponsored Scheme and deposited it in a savings bank account in absence of action plan of the Government for utilisation of the above grant after closure of the financial year. Further, in seven test checked offices, Rs 1.50 lakh was drawn during 2006-09 and disbursed as advance against future expenditure on telephone and electricity. This indicated that drawals were made to avoid lapse of budget provision suggesting complete disregard and insensitive attitude of the Chief Controlling Officers towards expenditure control in the Department.

4.1.5.5 Double drawal of scheme fund due to communication of sanction of funds in two modes

According to OGFR (Rule 11 & 12) Controlling Officer of the Department must ensure that the total expenditure is kept within the limit of authorised grant and systematic internal checks applied effectively to prevent and detect irregularities in financial transactions of the subordinate officer. Scrutiny of records of the Labour and Employment Department, Labour Commissioner and ALC, Angul revealed double drawal of Rs 108.40 lakh made by the Collector, Angul during 2007-08 on the basis of Government sanction orders² (May 2007) of Rs 108.40 lakh under Plan Scheme of Rural Integrated Housing Scheme for Beedi workers in his favour which was followed by on line electronic advice³ (January 2008) through the Orissa Treasury Management System (OTMS) by the Labour Commissioner to the Treasury Officer, Angul. The excess amount drawn was deposited in the treasury in April 2009 after a lapse of one year. No

² Letter No. L & E 4720 dated 11 May 2007 : Rs 71.54 lakh and letter No.5028 dated 23 May 2007- Rs 36.86 lakh

³ Letter No. 253 dated 03 January 2008

responsibility was fixed on the officer responsible for the gross financial irregularities.

4.1.5.6 Sanction of fund for a corpus fund without formulation of rules

In November 2007, Government sanctioned rupees two crore in favour of Labour Commissioner for enforcement of Child Labour (Prohibition and Regulation) Act, 1986 *inter alia* for creation of State Level Child Labour Welfare Corpus Fund (Rs 1.50 crore) and placed (November 2007) the funds with the Director, State Labour Institute which were lying in a bank account as no rules for the administration of the corpus fund were framed (June 2009). Thus, sanction and drawal of funds without establishing Corpus fund indicated tendency of the Department to avoid lapse of budget provision. Secretary, Labour and Employment stated that the amount sanctioned was one time Grant-in-aid.

4.1.5.7 Deficiency in reconciliation of revenue receipts

The OGFR required departmental controlling officers to see that all sums due to Government are assessed, realised and credited into the treasury for which they were to obtain monthly accounts and returns from their subordinates and reconcile the same with the books of accounts of Accountant General (A&E). The OTC provided (Rule 57) that a private person making payment into the treasury / bank was to present challans in triplicate indicating the departmental officer to whose account the money is to be credited and the treasury was to send the triplicate copy of the challans to the concerned departmental officer. Scrutiny of Revenue register and challans register maintained in the Labour Commissioner's Office and Director of Factories and Boilers and other field formations showed year wise revenue realisation ranging from Rs 3.50 crore in 2006-07 to Rs 5.06 crore in 2007-08 and Rs 4.59 crore in 2008-09. Verification of the genuineness of the challans and correctness of the revenue realisation was not carried out at any level with the treasuries or the books of Accountant General (A&E). The Labour Commissioner stated that the revenue realisation was being verified periodically with the books of the Accountant General (A&E) but records in support of the verification / reconciliation were not produced to audit. The Director, Factories and Boilers agreed with the audit observation. Thus, the OGFR requirements in this regard were not followed.

4.1.6 Management of cash

4.1.6.1 Failure of Internal Control in Cash Management

The cash accounting does not provide sufficient assurance related to maintenance and management of resources. It is therefore necessary to provide safeguard through internal controls. OTC and OGFR required the DDO to attest entries in cash book, ensure verification of totaling, conducting periodic / surprise physical verification of cash, reconciliation of discrepancies between cash book and bank pass book etc. However, review of Cash books of 20 DDOs test checked revealed that:

- Seven DDOs did not attest entries of payment in cash book in token of check and in 12 offices DDOs did neither verify the totals in cash book nor got them

verified through any other responsible person other than the writer of the cash book;

- Physical verification of cash at the end of each month was not carried out by the heads of offices in six offices and surprise verification of cash at periodical interval was never done in nine offices either by the head of the office or by any other higher authority ;
- Bill wise analysis of cash at the end of each month in the cash book itself was not done in eight offices and in seven offices reconciliation of cash balances between cash book and in bank account was not carried out;
- In 18 offices, the Bill registers were not reviewed by the DDOs regularly at the end of each month during the period 2006-09;
- Undisbursed pay and allowances of Rs 8,543 (seven cases) required to be deposited into treasury within a period of three months was not deposited in one office even after two to seven years from the date of their drawal;
- In four offices, mode of retention of cash balance at the end of each month were not indicated and contingent register was not maintained in one office.

Concerned DDOs noted the above irregularities for their future guidance. Ignorance of the DDOs in regard to management of cash reflected poor control environment in the Department.

4.1.6.2 Failure in management of Workmen Compensation Cash

The Joint Labour Commissioner, Deputy Labour Commissioner and Asst Labour Commissioner receive workmen compensation from employers / insurers of Industries / Factories / Establishment as per award in each case for ultimate disbursement to concerned workers. However, the moneys are retained in bank deposits for observing certain statutory requirements before their disbursement. In five offices⁴ test checked, daily analysis of cash balance showing amount held in cash, bank, fixed deposit receipts (FDRs) etc. were not carried out; worker-wise details were not available in any of these offices and interest accrued on bank deposits was not accounted for in the cash books.

In two offices⁵ workmen compensation money of Rs 22.13 lakh kept in shape of FDRs though matured between August 1999 and August 2006 were neither renewed nor encashed. There were difference of Rs 18.64 lakh between bank balance as per cash book and bank pass book which was not reconciled. In ALC, Rourkela, two FDRs worth Rs 6.31 lakh⁶ though were lost but duplicate FDRs were not collected from the bank in lieu of the lost FDR so far (April 2009). Absence of worker-wise details of awards and it's linkage to FDRs leaves no scope for cross verification and non-renewal of matured deposits may lead to loss of interest thereon. The departmental code/ manual did not provide any

⁴ (i) Labour Commissioner, (ii) ALC, Angul, (iii) DLC, Rourkela, (iv) DLC, Jeypore and (v) DLC, Cuttack

⁵ (i) DLC, Rourkela : Rs 17.13 lakh in four FDRs matured between May 2000 to August 2006 and (ii) ALC, Rourkela : Rs 5.00 lakh (February 1999 – IOB, Rourkela matured in August 1999)

⁶ (i) Canara Bank-July 1998 :Rs 0.87 lakh and Indian Overseas Bank-July 1999 :Rs 5.44 lakh

guidelines for safe custody and application of the compensation cash; indicating lack of control provisions.

4.1.7 Management of loans and advances

4.1.7.1 Interest bearing Advances

Rules governing House Building Advance (HBA) requires that employees availing HBA are to submit sale deeds failing which they are liable to refund the entire amount with penal interest within two months of receiving advance. Similarly, the employees availing advances for purchase of motorcycle/moped are required to submit money receipts and mortgage bond in support of purchase within one month of drawal of advance. The motorcycle/mopeds purchased were to be insured within one month of purchase; failing which the amount is to be recovered with penal interest. Scrutiny of HBA and Motor Cycle Advances (MCA) records maintained in the nodal department and Labour Commissioner's office showed that a sum of Rs 9.13 lakh was sanctioned and paid to seven officials towards first installment of HBA during 2005-09. However, concerned employees neither submitted sale deeds in support of acquisition of land etc. nor the department insisted for the same (April 2009). Similarly, required documents in respect of MCA of Rs 16.48 lakh released to 68 employees during the years 2006-09 were neither submitted by the concerned employees nor department insisted for submission (April 2009) of the same. In absence of purchase deeds and other documents the advances remained unsecured, due to non-observance of prescribed controls.

4.1.8 Management of store and stock

4.1.8.1 Deficiencies in management of store and stock

OGFR provides for maintenance of store and stock register and their physical verification every year. Nine out of 20 offices test checked did not carryout annual verification of stores during 2006-09. The DDOs concerned accepted the position and noted observations for guidance. Similarly, Director of Factories and Boilers did not maintain stock account of blank license forms (Form No 2) despite receiving the same from Government Press and even the forms were not machine numbered, leaving scope for misuse thereof.

4.1.9 Operational Controls

Control environment warrants overall attitude, awareness and actions of management for setting tone for structural and strategic operations of the entity. The entity's operation would be orderly, efficient, economic and effective only when control provisions are clearly spelt out.

4.1.9.1 Deficiencies in maintenance of Licence register and lack of control over renewal

The Department issues licence valid for one year on payment of licence fees at prescribed rates under five labour acts and these licenses are subject to renewal on submission of application with prescribed fee. Test check of licence issue registers pertaining to Orissa Shops & Commercial Establishment (OS&CE) Act

and Contract Labour Regulation and Abolition (CL&RA) Act, 1970 in four District Labour Offices for the period 2006-09 revealed that the maintenance of licence issue register suffered from disclosing the history of licensees and the details of renewal, cancellation and closure particulars. As a result, number of establishments in default for renewal on a given date / during a year was not ascertainable from the register. Out of four⁷ test checked offices, one office (DLO Cuttack) could only provide information on number of establishments remaining without renewal during 2006-09 which also could not be cross verified for want of consolidated list of valid licenses. On actual verification of licence register maintained, it was noticed that 4238 licenses (83 *per cent*) under OS&CE Act 1958 and 827 licenses (62 *per cent*) under CL&RA Act, remained un-renewed as of March 2009. In addition, provisions with regard to maintenance of information in the registers about the licensees shows lack of control systems in place and may lead to running of establishments without valid licenses.

4.1.9.2 Deficiencies in management of security deposits

As per the provision of the Contract Labour (Regulation and Abolition) Act 1970 and rules made there under a contractor directly deposits security amount into the treasury through challans. The amount of security deposit realised as per return in four test checked offices (DLO, Cuttack, Angul, Rourkela and Jeypore) was Rs 1.51 crore as on 31 March 2009. Review of security deposit account under the Act in the above four offices revealed that no security deposit register was maintained and list of outstanding security deposit was not prepared at the year end. Further, refund of security deposit to depositors were made through treasury advice authorising the depositor to draw directly from treasury but refund advice register was neither maintained nor the credit against refund authorised was verified from the treasury to prevent any fraudulent drawal by the depositors. Refunds made to parties were not noted in any register as a safeguard against double payment. Deposit remaining unclaimed over three years were not intimated to the Accountant General (A&E) for credit into Government Account as lapsed deposit as required under OTC (Rule 436). Return on Security Deposit had not been submitted to Directorate for taking up reconciliation with Accountant General (A&E). Non observance of relevant codal provision was not pointed out by the Department in this regard.

4.1.9.3 Short fall in inspection of factories by the Inspector of Factories and Boilers

As per Rule 5 of Orissa Factories (Control of Major Accident Hazard) Rules, 2001 and instructions (September 1997) issued by Director of Factories and Boilers, the Inspectors of Factories were to inspect the factories at least once in a calendar year and enforce the rules and procedures in respect of industrial activities concerned under the Factories Act. Besides, the factories with hazardous processes and dangerous operations coming within the ambit of section 2cb and section 87 of the Factories Act, 1948 need to be inspected at least four times in a year by the field formations. Test check of 430 out of 1560 inspection reports in the offices of Rayagada (200), Rourkela (250) and Sambalpur (80) revealed shortfall in inspections of other than 2cb factories

⁷ DLC/DLO: Jeypore and Rourkela, DLO: Angul and Cuttack.

ranging from seven to 18 *per cent* during 2006-08. Similarly, out of 3276 inspections required to be conducted during 2006-08 in respect of 2cb factories, only 993 inspections were conducted leading to shortfall in inspections of 2283 (70 *per cent*). The shortfall included non-coverage of 11 out of 261 in 2006 to 34 out of 285 factories in 2008. While the zonal officers, Sambalpur Zone-1 attributed shortfall of inspection to shortage of inspecting staff, the divisional offices (Rourkela and Rayagada) did not furnish reply.

4.1.9.4 Pending applications for boiler registration

Indian Boilers Act, 1923 (Section 7) enjoins upon the owner of un-registered boiler to get the boiler registered under the Act and renew the same for twelve months on payment of requisite fee for testing. Test check of records revealed that 188 boilers were functioning with the provisional orders of the Zonal Officers as their applications were pending for registration for seven to 80 months and 127 applications⁸ were pending at the Directorate level. The remaining 61 were with the Assistant Directors concerned (Zonal level) for scrutiny as of March 2009. This included 43 applications sent by the Sambalpur Division to the Director for registration between February 2004 to December 2007 which were returned (November 2008) to the Division for further scrutiny without indicating any deficiency in the applications. Thus, the registration and annual renewals thereafter were not being strictly adhered to as provided in the Act.

4.1.9.5 Deficiencies in collection of cess

The Building and Other Construction Workers Welfare Cess Act, 1996 and Rules made there under during 2002 provided for collection of cess from the employers of building workers at one *per cent* of the cost of construction. The Act provides for establishment of a Board to utilise the cess amount so collected for welfare of the building workers. Government constituted a Board only during 2008 and appointed District Labour Officers of the districts as Cess Collector and Assistant Labour Commissioner, Deputy Labour Commissioner as the Assessing Officers to ensure the correctness of the building cost given by the assesses. During 2008-09, cess amounting only to Rs 8.82 lakh was collected under the Act. Although the Act was enacted during 1996 and the rules there under were framed during 2002 but the same was notified only in December 2008 which led to inordinate delay in collection of cess. Further, out of 30 District Labour Officers (DLOs) in the state only five had collected the cess and 25 did not collect any cess during 2008-09. Cess collected by five DLOs was not properly assessed by obtaining work wise estimate / expenditure statement from the employer / agencies to

⁸ **Rayagada 61** (one application from August, 2002 pertaining to Berhampur zone) 17 applications from July, 2004, (pertaining to Bolangir zone), 7 applications from December, 2005 (Bolangir: five, Berhampur: two), nine applications from October, 2006, (Bolangir: eight and Rayagada: one) 17 applications from April, 2007 (12 Bolangir, 4 Rayagada and 1 Jeypore) 10 applications from July, 2008. **Rourkela 17** applications [(Keonjhar 2 applications from 7/2004, 4/2008, and 15 applications from Rourkela zone (One each application from 2/2006, 4/2006, 5/2006, 7/2007, 9/2007, 7/2008, four applications from 4/2008, 3 applications from 6/2008 and 2 applications from 6/2009)] **Sambalpur 49** (43 applications sent to Hqrs. Office for registration between 2/2004 to 12/2007 were returned by Hqrs. Office on Dt.18.11.2008 for further scrutiny and 6 applications pending at Hqrs. one from 4/2004, 2 from 2/2007, 2 from 4/2008 and one from 6/2008) The remaining **61** applications are pending at various zonal offices (7 applications are pending at Berhampur, 23 Keonjhar, 22 Sambalpur and nine in Rayagada).

ensure the correctness of collection of cess. No controls were devised by the Department to ascertain the number of construction works taken up in Government and private Sector and to take follow up action for collection of cess. During discussion, Secretary, Labour and Employment stated that the cess Collector(s) and appellate authority was yet to be appointed.

4.1.9.6 Verification of offices under compulsory notification of vacancies Act

Employment Exchange (Compulsory Notification of Vacancy) Act 1959 (Central Act) and Rule 1960 there under provides (Sections 4 and 6) for compulsory notification of vacancies to different Employment Exchanges of the State and authorise the Employment Officer to inspect each offices under the Government and private sector for verification of records relating to vacancies in various technical and non-technical cadres, notification thereof etc. Scrutiny of the records of the office of Director, Employment revealed that verification of establishments ranged between 199 and 340 during the calendar years 2006 to 2008 leaving 9525 in 2006, 9261 in 2007 and 9014 in 2008 unverified. No reason for the shortfall in verification of establishment under the Act was furnished by the Director.

4.1.10 Employees State Insurance Scheme

4.1.10.1 Non-procurement of dog/animal bite medicines

As per the Orissa Drug Management Policy 2002 (Health and Family Welfare Department) anti Rabies injections vaccine has been listed as an essential drug, the stock of which was to be maintained by all the secondary hospitals of the State. The Joint Directors-cum-Superintendents, ESI Hospitals, Kansbahal and Choudwar intimated (August-September 2008) the Director, ESI that the approved firm (Chiron Behring Vaccine Private Limited, Mumbai) failed to supply the Rabipur injection for treatment of dog bite cases against their supply orders of July 2008. But no action was taken for procurement of the drug as Medicine stock registers revealed that the ESI Directorate was not having the stock of animal bite injection Rabipur and its substitute since July 2007 to March 2009.

4.1.10.2 Quality testing of medicines

As per the Orissa Drug Management Policy 2002, the drugs procured by the Government agencies for use in hospitals were to be sent to the laboratories outside the State for quality testing at the cost of the suppliers. However, as per existing instructions of ESI Corporation at least 10 *per cent* of drugs procured are subject to quality test before being administered to the patients in the ESI hospitals. The Directorate had also constituted a committee in September 2008 to select the procured drugs for testing in Government recognised laboratories. Check of records of the Director and two ESI hospitals (Chowdwar and Kansbahal) revealed that out of 2324 items of drugs worth Rs 5.17 crore procured during 2006-09 (*Appendix 4.1*), samples of only 35 (1.5 *per cent*) drugs were tested during 2006-09, of which only 23 test reports were received.

Similarly, 404 items worth Rs 2.23 lakh procured locally by the test checked ESI hospitals were not subjected to quality testing.

Administrative controls

4.1.11 Manpower Management

4.1.11.1 Shortage of sanctioned manpower

Under the Labour Commissioner's Organisation, as against 170 technical posts sanctioned for enforcement of various Labour Acts and Rules, 39 remained vacant for periods ranging from one to 109 months. The department sanctioned 42 Rural Labour Inspectors for enforcement of Minimum Wages Act and other labour laws against which 33 were in position and nine posts were still lying vacant (May 2009). Test check of records in field offices revealed excess manning of one Rural Labour Inspector (RLI) in DLO, Cuttack over sanctioned strength since last five years ending March 2009 while one out of two posts of RLIs sanctioned for DLO, Angul was lying vacant since 1998 adversely affecting the enforcement of Labour Acts and Rules in that district.

Similarly, four posts of Assistant Director (AD) including the post of AD (Medical) in the Directorate of Factories and Boilers were lying vacant during 2006-09 along with five non-technical posts which affected the inspection schedule of factories, especially the Section 2cb and 87 category factories under the Factories Act, 1948. The vacancy position ranged from 118 (22 *per cent*) in 2006-07 to 131 (25 *per cent*) in 2008-09 under Directorate of ESI, out of 533 sanctioned technical posts. This had adverse impact on implementation of the ESI schemes in the State.

4.1.11.2 Inspection under various labour laws by Labour Officers

DLC/ALC/DLO/ALO/RLI functioning under Labour Commissioner were required to undertake inspection in their respective jurisdiction to ensure that provisions under various labour laws are duly followed by the Industries/Factories/Shops/Hotels and other Commercial establishments. Inspection was the only control for enforcement of various Labour Laws. Act wise inspection conducted and prosecution filed during 2006-09 is given at **Appendix 4.2**. During 2006-09, 25339 inspections conducted under different Acts by the test checked offices (**Appendix 4.3**), 11673 violations were detected, 7516 violations rectified and 1011 prosecution cases filed leaving a balance of 3146 cases unattended. Review of inspection reports of the Labour Commissioner and his three Deputy Labour Commissioners at Cuttack, Rourkela and Jeypore revealed that details of units registered warranting inspection under various labour laws was not properly monitored. The percentage of prosecution ranged between Nil to maximum of 42 *per cent* of the units inspected under various Labour Acts. Number of Acts covered under inspection during a year varied from seven to 15 from office to office (DLO, Cuttack-15, DLO, Angul- 11, DLO, Rourkela-10, DLO, Jeypore-7). The Labour Commissioner did not issue any instructions or check list for conducting inspections or for completing follow up action including prosecution in cases where violation remains unrectified. Thus, inspection, a vital tool for enforcement of provision of various labour laws was

not properly monitored due to non-fixing of any target, or check list or guidelines or norms by the Government / Directorates.

4.1.11.3 Deficiencies in annual inspection by Deputy Labour Commissioners

Deputy Labour Commissioners (DLCs) have jurisdiction covering 10 to 15 DLO/ALO/ALC offices. The DLCs were required to inspect all the field offices under their jurisdiction once a year for review of enforcement of labour laws. Test check of records of three Divisions (Cuttack, Rourkela and Jeypore) revealed that annual programme of inspection had not been chalked out in any of the divisions during 2006-09. The DLC Cuttack conducted only six inspections during 2006-09 as against 17 offices under his jurisdiction (10 DLOs and seven ALOs). The inspection though conducted, reports were not issued till (May 2009) while DLC Rourkela did not take up inspection at all in any of the eight labour offices under his jurisdiction during 2006-09 and DLC, Jeypore having 16 Labour Officers (11 DLOs and five ALOs) under his jurisdiction had conducted inspection of seven offices in 2006-07, 12 offices in 2007-08 and three offices in 2008-09. Compliance to a single inspection report was not received from the offices inspected (June 2009). Thus, omission and commissions, if any, pointed out in inspection reports remained unrectified.

The audit findings were reported to the Government (July 2009) and discussed with the Secretary, Labour and Employment Department and Directors concerned in Exit conference held on 4 January 2010. Formal reply of the Government is awaited (February 2010).

4.1.12 Conclusion

Review of internal controls in the department and its directorates supported by test check of selected field offices revealed absence of control environment as officials at various levels were either unaware of the controls in place or had tendency to ignore the same.

The budgetary and expenditure controls were not adhered to as there were unnecessary supplementary provision, surrender of the saving at the end of the financial year. Statements of expenditure against allotted grants were not obtained regularly from the field offices. Contrary to Orissa Budget Manual, provisions for vacant posts were made resulting in savings and surrenders. Cases of drawal of fund without immediate requirement to avoid lapse of the budgeted grant were noticed. Cash control was ineffective as mandatory provisions providing internal control measures were not followed. Defect in system of communicating allotment through Orissa Treasury Management System (OTMS) led to over drawal of funds. Large number of vacancies in technical posts had adverse impact on functioning of the Department. Deficient system existed to watch over renewal of licenses issued / renewed specially under Orissa Shops & Commercial Establishment Act and Contract Labour (R&A) Act. Inspection of Factories & Boilers was deficient and weak. Vacancies in the cadre of Assistant Director, Insurance Medical Officers (IMO), Joint Directors (JD) and other Technical (Non-Gazetted) post affected the quality of inspection. Procurement procedure for purchase of essential drugs and medicines under the ESI scheme was not sound enough to ensure timely supply of essential drugs to the patients.

4.1.13 Recommendations

- The financial controls as provided in Orissa Budget Manual and OGFR may be followed strictly.
- The department and the Directorates may improve the quality of control environment by consolidating provisions of various statutes for issue of licenses by enhancing number of visits to establishments and factories with follow up action.
- The Department may strive to achieve higher level of commitment, awareness and adherence to controls which is a key to the quality of service to the community and good governance.
- Double drawal of scheme fund through dual mode of communication of sanction of funds is a serious financial irregularity which needs immediate attention of the Government.

Bhubaneswar
The

(B R Khairnar)
Principal Accountant General (Civil Audit)
Orissa

Countersigned

New Delhi
The

(Vinod Rai)
Comptroller and Auditor General of India