

CHAPTER -V

INTERNAL CONTROL

LABOUR AND EMPLOYMENT DEPARTMENT

5.1 INTERNAL CONTROL IN LABOUR AND EMPLOYMENT DEPARTMENT

Highlights

Internal Control is an integral component of an organization's management processes which are established in order to provide reasonable assurance that the operations are carried out effectively and efficiently, financial reports and operational data are reliable and the applicable laws and regulations are complied with, so as to achieve organizational objectives. Internationally the best practices in Internal Control have been given in the COSO framework which is a widely accepted model for internal controls. In India, the GoI has prescribed comprehensive instructions on maintenance of internal control in government departments through Rule 64 of General Financial Rules 2005. A review of internal control on selected areas of Labour and Employment Department has shown that:*

➤ As against the budget provision of Rs 3.83 crore provided to the Employment wing of the department, expenditure of Rs 2.86 crore was incurred resulting in saving of Rs 0.97 crore. The savings during the years 2003-08 ranged between 18 and 37 per cent.

(Paragraph 5.1.5.1)

➤ Cash book controls were weak in the Department.

(Paragraph 5.1.6)

➤ The shortfall in achievement of revenue targets under various Acts during 2003-08 ranged between 22 and 48 per cent.

(Paragraph 5.1.6.4)

➤ The Department neither prepared Action Plan for carrying out inspections under various Acts nor fixed targets for inspectors.

(Paragraph 5.1.7.1)

➤ Pendency of cases in Industrial Tribunal and Labour Court as of March 2008 was 581 and 78 respectively during 2003-08 indicating slow speed of disposal of cases.

(Paragraph 5.1.7.2)

➤ Registration under Motor Transport Worker's Act, 1961 during the period 2003-07 was quite negligible due to non-conducting of adequate inspections.

(Paragraph 5.1.7.3)

* Committee of Sponsoring Organizations of the National Commission on Fraudulent Financial Reporting or the Tread-way Commission

- Procurement of medicines by ESI from non-rate contract firms during 2003-08 ranged between 30 and 36 *per cent*. The rates of the non-rate contract firms were two to 15 times higher than the rate contract.

(Paragraph 5.1.8.2)

- Inventory management was poor in ESI. No permanent records in ESI Panaji office containing receipts, supplies, stock of medicine and drugs were maintained.

(Paragraph 5.1.8.5)

5.1.1 Introduction

The labour force in Goa constitutes about 40 *per cent* of the total population. Labour and Employment Department functions with the objective of creating a safe working environment, in order to ensure safety, health and welfare of workers. The objectives are achieved by enacting and enforcing labour laws. The functions of the Department are broadly classified into three wings, viz., Labour Law Administration, Employees State Insurance Scheme and Employment.

5.1.2 Organisational set-up

The Secretary (Labour and Employment) to Government of Goa is the Administrative Head of the Department at Government level and Commissioner of Labour is responsible for the overall control and administration of the Department. The Department has eight field offices to administer labour laws and one Presiding Officer, Industrial Tribunal-cum-Labour Court to function as judicial authority. For the Employees State Insurance (ESI) Scheme, the Commissioner is assisted by one Administrative Medical Officer, ESI Scheme who oversees the functioning of ESI Hospital, Margao headed by Medical Superintendent and nine ESI dispensaries headed by Insurance Medical Officers. Besides, there are two Employment Exchanges headed by Deputy Director and Employment Counseling Officer **(Organisation Chart in Appendix 5.1)**.

5.1.3 Audit objectives

Review of Internal Control was conducted to assess the extent of the arrangements for information, communication, monitoring, evaluation including Internal Audit, Vigilance and Internal control activities designed and put into operation for enforcing the management directions and ensuring significant achievement of programme objectives.

5.1.4 Audit Coverage

A review was conducted by test check of records for the period 2003-08 at Secretariat, Commissionerate and offices of two¹ Deputy Labour Commissioners, two² Assistant Labour Commissioners out of three and two³ Labour Inspectors out of three, Administrative Medical Officer-ESIS, one ESI Hospital⁴, four⁵ ESI Dispensaries out of nine and ⁶Deputy Director of Employment Exchange, Panaji and Employment Exchange at Margao during the period from February to May, 2008. The Department maintained certain records on financial year basis and other records on calendar year basis.

The audit objectives were discussed in the Entry Conference (January 2008) with the Secretary and Senior Officers of the Department. The audit process included discussion with officials of the Department, collection of data through examination of records and their analysis. Exit Conference was held with the Secretary of the Department in June 2008.

Audit Findings

5.1.5 Financial Management and Budgetary Control

Control over budget and expenditure is essential for optimal utilisation of limited resources to achieve the objectives of the Department. The following shortcomings were noticed in control over preparation of budget and expenditure thereof:

5.1.5.1 Budget Performance

The State Government did not have any budget manual of their own; however all the provisions of the General Financial Rules (GFR) are followed for implementation of budget and other financial matters. Further there was no system of calling for the estimates from the subordinate authorities before finalizing the budget estimates of the department as a whole.

The details of budget provision and expenditure incurred by the Department for the years 2003-08 were as under:

¹ Panaji and Margao

² Mapusa and Vasco

³ Churchorem and Bicholim

⁴ ESI Hospital, Margao

⁵ ESI Dispensaries, Ponda, Bicholim, Mapusa and Corlim

⁶ Employment Exchanges, Panaji, Margao

LABOUR & ESI Wing

(Rupees in crore)

Year	Revenue				Capital			
	Budget provision	Expenditure	Excess(+) Saving (-)	Percentage of saving	Budget provision	Expenditure	Excess(+) Saving (-)	Percentage of saving
2003-04	9.47	8.91	(-)0.56	6	Nil	Nil	-	-
2004-05	7.41	7.26	(-)0.15	2	0.09	0.07	(-)0.02	23
2005-06	8.03	7.73	(-)0.30	4	0.05	0.04	(-)0.01	20
2006-07	8.55	8.32	(-)0.23	3	0.01	Nil	(-)0.01	100
2007-08	8.88	9.22	*(+)0.34	-	0.01	0.01	-	-
Total	42.34	41.44	(-)0.90		0.16	0.12	(-)0.04	-

* The increase in expenditure in 2007-08 was attributable to payment of arrears to pharmacists due to revision of pay.

While savings under revenue section ranged between two and six *per cent*, the savings in capital section ranged between 20 and 100 *per cent*. Savings were mainly due to non-filling of vacant posts, less receipt of claims in respect of Labour Department and non-submission of bills in time, last minute failure of the supplying agencies to supply the equipments, drugs and medicines, non-submission of proposal for purchase of vehicles in time in respect of ESI wing. The Department accepted (September 2008) the above facts and did not give any further justification.

EMPLOYMENT Wing

Revenue *(Rupees in crore)*

Year	Budget provision	Expenditure	Excess(+) Saving(-)	Percentage of saving
2003-04	0.63	0.51	(-) 0.12	19
2004-05	0.89	0.56	(-) 0.33	37
2005-06	0.81	0.58	(-) 0.23	28
2006-07	0.73	0.58	(-) 0.15	20
2007-08	0.77	0.63	(-)0.14	18
Total	3.83	2.86	(-) 0.97	

Employment wing has no capital budget.

Savings in Employment wing under revenue head ranged between 18 and 37 *per cent*. The savings were due to non-filling of two vacant posts, less claims of LTC/medical reimbursement/leave encashment, etc. The Department needs to strengthen internal control mechanism under revenue head to monitor its budget allocations. The Department accepted (September 2008) the above facts and did not give any further justification.

5.1.5.2 Non-utilization of central grants

Grant-in-aid of Rs 5.92 lakh was released (October 2004) from the Government of India (GoI) to the Department for welfare of children. After carrying out a detailed survey, the Department had to submit a detailed project proposal to GoI for sanctioning of special schools based on the number of children identified as working in hazardous employments. The detailed survey has not been taken up yet. As of March 2008, the Department could utilise only Rs 0.26 lakh and the balance grant of Rs 5.66 lakh remained unutilized depriving the Department of further grants. The Department replied

(September 2008) that they are in the process of formulating different schemes for the welfare of the child labour under the Child Labour Project Society constituted in March 2004 but did not furnish any justification for non-utilisation of central grants.

5.1.6 Compliance with Receipts and Payments Rules

5.1.6.1 Cash Controls

Cash Book (Labour Department)

There is one Drawing and Disbursing Officer (DDO) at Commissionerate catering to Labour and Employment wings and another DDO for ESI wing. The scrutiny of the cash book of Labour Department during 2003-08 revealed the following discrepancies:

Receipt transactions not routed through cash book

As per Rule 13(ii) of Goa Receipt and Payment Rules 1997 (R&P Rules), each and every entry made in the cash book was to be attested by the Head of Office in token of check and all transactions of receipts and payments should be supported by the prescribed vouchers. The receipt transactions were to be supported by TR-5 receipts. The entries in the cash book were not attested by the Head of Office between May 2004 and April 2006. Fees for registration and renewal under various Acts were directly remitted by the parties into treasury through challans and these transactions were not routed through cash book. Reconciliation was not done between collection and remittance. The Department accepted (September 2008) the audit contention and stated that the requirement was noted for future guidance/compliance.

Cash Book (ESI)

- According to Rule 13(vi) of R&P Rules, the overwriting, cutting/erasing in the cash book should be corrected under signature of DDO. There were many overwritings of figures without the initials of Head of Office.
- Cross references of voucher numbers were not written on the payment side of the cash book between April 2006 and November 2007. The Department accepted (September 2008) the audit contention and stated that the requirement was noted for future guidance.

5.1.6.2 Personal Ledger Account Cash Book (Labour)

Scrutiny of the PLA cash book revealed the following omissions:

- The Head of Office did not attest the entries in the cash book for the period from December 2003 to January 2007.

*Improper
maintenance of cash
book*

- As per Rule 13(iv) of R&P Rules, at the end of each month, the DDO should verify the cash balance in the cash book and record a signed, dated certificate to that effect. The Department had not recorded the physical verification certificate at any time during the period from April 2003 to January 2008.
- The head of account under which revenue and expenditure were booked was also not written in the classification column provided in the cash book.

The Department accepted (September 2008) that the cash book was left unattested inadvertently. As regards the recording of certificates in PLA Cash book, the Department stated that the instruction was noted for future guidance.

5.1.6.3 Unclaimed Security Deposits

As per the provisions of Contract Labour Act 1970, the Department collects Security Deposits from the employers at the rate of Rs 500 per worker. The Department collected Rs 78.96 lakh during the period 1975 to 2005 as security deposits from various contractors as detailed below:

(Rupees in lakh)

Year	Number of employers	Amount
1975 to 2000	808	20.19
2000-01	61	01.92
2001-02	98	11.37
2002-03	85	12.75
2003-04	140	17.97
2004-05	89	14.76
Total	1281	78.96

As per Rule 189(1)(b) of R&P Rules, deposits remaining unclaimed for more than three years are treated as lapsed deposits and are to be credited to Government account. The Department, however, did not take any initiative to credit the lapsed deposits to Government Account. This indicated that Department had no control over such an important financial matter. The Department replied (September 2008) that the actual amount due for credit to Government account was being worked out/under progress.

5.1.6.4 *Non-achievement of revenue targets*

Shortfall in revenue target was between 22 and 48 per cent

The Department collects revenue under different labour legislations in the form of registration and renewal fees. The targets and achievements of revenue collection during the years 2003-08 were as under:

(Rupees in crore)

Year	Targets Fixed (a)	Revenue Collected (b)	Shortfall (a-b) (c)	Per cent
2003-04	1.47	1.14	0.33	22
2004-05	1.88	1.02	0.86	45
2005-06	2.06	1.06	1.00	48
2006-07	1.80	1.21	0.59	33
2007-08	1.80	1.22	0.58	32

The Department attributed the shortfall mainly due to inadequate inspections by their inspectors due to their engagements in other administrative works of the Department. The fact remains that the Department had not fixed the targets for inspections by the labour inspectors which could have helped in monitoring their performance and consequential increase in achievement of revenue targets. The Department accepted (September 2008) that the targets were not achieved and assured that targets fixed would be achieved in toto henceforth by conducting maximum inspections.

5.1.6.5 *Stock account of receipt books (Labour)*

Eight receipts books were missing

According to Rule 22 of R&P Rules, machine numbered receipt books are required to be obtained from the Government Printing Press (GPP). Audit scrutiny at the Commissionerate revealed that there was no machine number on the books received and used. No register was maintained to show issuance of receipt books to different sections. Eight receipt books were found missing. Thus, non-numbering/recording the details in stock account and the cases of missing receipt books are fraught with risk of misappropriation. The Department accepted (September 2008) that the register as well as receipt books were misplaced and assured that efforts are being made to trace out the missing receipt books.

5.1.7 **Control over Departmental Activities (Labour)**

The office of the Commissioner of Labour is assigned with the duties and functions relating to industrial relations, labour welfare and enforcement of labour legislation besides implementation of labour welfare and social security schemes. The Department collects revenue under different labour legislations viz., Shops and Establishment Act, Motor Transport Workers Act, etc.

5.1.7.1 *Non-preparation of Action Plan for implementation of provisions of various Labour Acts*

No Annual Action plan prepared for inspection under the Act

The Department has no written norms for carrying out inspections under various Acts implemented by the Department. The position of inspections conducted during the calendar years 2003-07 under various Acts is given in

Appendix 5.2. The Department had not prepared annual action plans during 2003-08 for carrying out the inspections under these Acts. The Department also did not fix individual targets for inspectors. In the absence of norms or targets, it is not possible to verify the adequacy of number of inspections. Provisions of some of the important Acts implemented by the Department are detailed below:

Contract Labour and Migrant Workers

There are 2.28 lakh migrant workers in Goa as per Census 2001. Scrutiny of the records revealed that as on 31 March 2008 the number of registrations of principal employers under CL R&A Act and ISMW Act* were 170 and 58 respectively and there were 55,000 contract labours with 1,350 contractors who were issued licences under CL R&A Act. The annual inspections under the CL R&A Act and ISMW Act during the calendar years 2003-07 ranged between 106 and 424 and between three and 50 respectively which were quite low. The Department replied (September 2008) that steps would be taken to increase the number of inspections to ensure that more contractors are covered under these two Acts.

Minimum Wages Act, 1948

Minimum Wages Act, 1948 contemplates that minimum wages rates should be fixed in the schedule industries with the dual object of providing sustenance and maintenance of the worker and his family and preserving his efficiency as a worker. Inspections carried out under this Act during the years 2003-07 ranged between 480 and 1,242. There are variations in number of inspections over the years. The Department did not achieve the contemplated objectives of the Act by conducting regular adequate inspections. The prosecutions under the Act during the calendar years 2003-07 ranged between 17 and 45. The Department replied (September 2008) that the variation in number of inspections under the Act was due to involvement of the Departmental inspectors in other administrative works and also stated that maximum efforts are taken to ensure the prosecution wherever necessary under the provisions of the Act.

Child Labour (Prohibition and Regulation) Act, 1986

Child Labour (Prohibition and Regulation) Act, 1986 provides for prohibiting the engagement of children in certain employments and regulating the conditions of work of children in certain other employments. The Act intends to ban the employment of children, i.e. those who have not completed their fourteenth year, in specified occupations, hazardous industries processes etc. and decided to identify the procedure to decide modifications to the schedule

Lack of statistical data in spite of carrying out a special survey

* Contract Labour (Regulation and Abolition) Act, 1970 (CL R&A Act) and Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979 (ISMW Act).

of banned occupation or processes; regulate the working condition of children in employments where they are not prohibited from working. The Department had no statistical data about child labour in Goa. The Department further stated (September 2008) that four cases of child labour in hazardous industries were found in the State during a special survey for child labour conducted by the Department in October 2006.

5.1.7.2 Cases pending in the Industrial Tribunal cum Labour Court

High pendency of cases in Industrial Tribunal cum Labour Court

Industrial Tribunal cum Labour Court headed by Presiding Officer deals with disposal of industrial and labour related cases referred to it under Industrial Dispute Act, 1947. Cases are filed by the employee (claimant) in the Labour Court whereas other matters are referred by the Central and State Governments to the Industrial Tribunal under sections 33(2) and 10(1)(d) of the Act. There is no target fixed for settlement of cases, at present the Department has one court only. As on 31 March 2003 the pending cases in the Industrial Tribunal were 350 which rose to 581 at the end of March 2008. Additions and disposals during the years 2003-08 were 310 and 79 respectively. Similarly in the Labour Court there were 34 cases as on 31 March 2003 which rose to 78 at the end of March 2008. Additions and disposals during the years 2003-08 were 130 and 86 respectively. The number of cases disposed ranged from seven to 31 per annum in the Industrial Tribunal and from five to 33 per annum in the Labour Court. The Department failed to ensure speedy disposal of pending cases which resulted in gradual increase in pendency of cases. The Department replied (September 2008) that one more court has started functioning with effect from May 2008 and the pendency would be accordingly reduced in future.

5.1.7.3 Negligible registration under Motor Transport Workers Act, 1961

Motor Transport Workers Act, 1961 (MTW Act) provides for the welfare of Motor Transport workers and regulates the conditions of their work. It applies to every motor transport undertaking employing one or more transport workers. As per the provisions of the Act, every employer of a motor transport undertaking to which this Act applies shall have the undertaking registered under this Act with the Labour Department. The licence issued under MTW Act is to be renewed annually as per the provisions of the Act. Records maintained in the Commissionerate showed that the total registrations upto December 2002 stood at 1,177 but the registrations during the calendar years 2003-07 ranged between one and 63 per annum, with the addition of only 168 registrations during these five years.

Audit scrutiny revealed the following:

- The number of registrations is very low considering substantial tourism and mining activities in Goa and over 46,000 goods vehicles and buses registered with the Transport Department.

- The inspections carried out by the Department during the calendar years 2003-07 ranged between four and 26 per annum which were grossly inadequate considering large number of vehicles.
- Though non-renewal of registrations ranged between 45 and 78 *per cent* during the calendar years 2003-07, the Department did not take any effective measures against defaulters.

Thus the Department failed to implement the Act effectively, depriving the Government of substantial revenue meant for welfare of motor transport workers. The estimated loss of revenue on this account would work out to Rs 75 lakh during 2003-08 taking into account only 25 *per cent* of the total number of vehicles and calculated at a minimum slab fee of Rs 150 per year. The Department accepted (September 2008) that the number of registrations and inspections under the Act were low and assured that efforts would be taken to ensure that maximum transport establishments are covered and attributed the negligible registrations to the less inspections by their staff due to their deployment for administrative and court related works. Reply of the Department was not acceptable on the ground that adequate strength of inspectors were available, however their services were not utilized optimally.

5.1.8 Control over Departmental Activities (ESI)

The ESI programme extends medical benefits to workers, covered under the programme. Under the programme the employee contributes 1.75 *per cent* of his wages and that of the employer is 4.75 *per cent* of the wages of the employee. The contributions are collected by the Employees' State Insurance Corporation of India (Corporation) under the provisions of the Employees' State Insurance Act, 1948 (ESI Act) from all the employers coming under the purview of this Act.

5.1.8.1 Inadequate infrastructure leading to poor bed occupancy at ESI Hospital

Low occupancy due to poor infrastructure

Only one 50 bedded hospital is functioning at Margao to extend indoor and outdoor patient facilities, operation facilities, etc. The hospital has inadequate equipment and poor infrastructure in its 13 departments and two operation theatres. About 12 essential equipment required as per the Norms and Standards of Staff and Equipment list, were not available in the hospital. The Dental Department was functioning without a Dental Chair. Therefore inadequate equipment and poor infrastructure in turn could have affected the bed occupancy which has been steadily declining since 2003 onwards as shown below:

Year	Number of bed days utilized	Percentage of occupancy*
2003-04	9227	51
2004-05	8847	48
2005-06	8090	44
2006-07	7278	40
2007-08	6616	36

* Percentage calculated considering number of bed days in a year as 18,250 (365x50=18,250)

Thus, ill-equipped hospital with poor facilities resulted in non-utilization of hospital facilities optimally. The Department accepted (September 2008) the audit contention and stated that as there was no full fledged Administrative Medical Officer (AMO) during the period 2003-08 the Department could not take timely action for providing facilities such as purchase of medicines, purchase of equipment, etc., and that action was being taken for procurement of equipment, filling up the vacant posts, purchase of Dental Chair and other essential items.

5.1.8.2 Procurement of medicines

The Corporation finalizes central rate contract for supply of drugs and dressings every year for the entire country. The State ESI authorities are supposed to procure their medicines through the rate contract firms, finalized by the Corporation. In case of non-availability of the drugs with Rate Contract (RC) firms or in case where RC firms express their inability to supply the requisite drugs, ESI authorities are permitted to procure them through quotations and tenders and in case of emergency, it can be procured locally also. Scrutiny of records revealed that a significant quantity of medicines and drugs, costing about 1/3rd of total expenditure on drugs and dressings, were procured from non-RC firms.

Procurement of medicines from other than Rate Contract firms

In 10 test checked cases, the rates of the non-RC medicines utilized by the ESI were costlier by two to 15 times the rates of the RC medicines. Since the rates charged by the non-RC firms are comparatively very high, it was not a prudent decision to procure 30 to 36 *per cent* medicines during the years 2003-08 from non-RC firms.

Rate contracts finalised by the Corporation for the years 2003-08 provided that the DDO should monitor the performance of rate contract firms in executions of supply orders in time and send a consolidated report quarterly. Audit did not find a single quarterly report on records. The AMO, ESI Panaji stated (May 2008) that most of the medicines/drugs procured through non-rate contract firms were not included in the rate contract list. However, the fact of non availability of 33 *per cent* (average) of medicines in the rate contracts finalized by the Corporation was never brought to the notice of the Corporation authorities by the Department. The Department accepted (September 2008) that due to lack of proper guidance, medicines were purchased from open market taking into consideration the need of ESI beneficiaries. The Department further stated that after April 2008 onwards the

position has improved since Corporation is regularly apprised of the anticipated requirements of the State ESI unit to ensure that the maximum medicines and drugs required by the ESI are included in the annual rate contract finalized by the Corporation. Verification of records in October 2008 revealed that the system of apprising the Corporation suggesting inclusion and deletion of medicines in rate contracts under process of finalisation has since been started.

5.1.8.3 Testing

The rate contracts finalized by the Corporation further provided that the DDO is required to get at least 10 *per cent* of the drugs tested in the Government laboratory or in any of the Government approved laboratories. This was not done during the period 2003-2008. Thus, a vital control to ensure the quality of drugs was missing. The Department accepted (September 2008) the audit contention and stated that from July 2008 onwards the drugs and medicines are being regularly sent for testing as required under rate contract.

5.1.8.4 Acceptance of medicines and drugs older than norms

As per conditions prescribed by the Corporation the drugs supplied should not be older than 1/6th of its shelf life from the date of manufacture. Scrutiny of the records revealed that this condition was not strictly adhered to by the ESI Scheme, Panaji. During 2003-08, in 23 out of 83 cases test checked, medicines older than the prescribed 1/6th of shelf life costing Rs 9.18 lakh were accepted by the ESI authorities. The Department accepted (September 2008) the audit contention and stated that now the condition is strictly adhered to.

5.1.8.5 Inventory Management

Total purchases of medicines, drugs and dressings by the AMO, ESI Panaji during the years 2003-08 were Rs 5.95 crore. It was thus desirable that proper inventory management was followed. However relevant records were not kept properly as detailed below:

- Details of purchases made by the Hospital and dispensaries were not compiled and included in the total purchases. However purchases for central stores only were maintained by the AMO, ESI office.
- Quantities purchased and stored were on approximation and not on the basis of any analysis of consumption, lead time for procurement, buffer stock requirements, expiry period, etc.
- Parameters such as minimum and maximum stock, reorder level, etc. were not worked out for any of the drugs including vital and life saving drugs.
- The records of receipt and issue of medicines were stored in computers regularly containing receipts, issues of medicines and the resultant

stock position. Data stored in computers was susceptible to manipulation in the absence of security for data stored. Audit conducted (October 2008) a review of the security controls in the computerised stores system and found it susceptible to manipulation.

Thus, in the absence of any proper inventory control management, the possibility of misuse, theft, pilferage of the medicine stock cannot be ruled out. The AMO, ESIS Panaji stated (March 2008) that due to lack of guidance/advice from Senior Officers the registers could not be maintained in order and ensured that the registers would be maintained properly hereafter. The Department accepted (September 2008) the audit contention and stated that now the records are being maintained properly. Audit verified (October 2008) the records and found that the Department has started the system of maintaining accounting registers.

5.1.8.6 Physical Verification of stock of medicines

Inadequate inspections and life expired drugs in stock

After the periodical physical verification of the medicines in the stock of ESI dispensaries, the factual position is to be reported to AMO, ESI Panaji. Physical verification was not conducted regularly during the years 2003-04, 2004-05 and 2006-07. Inspections were carried out during the years 2005-06 and 2007-08 in February 2006 and July 2007 respectively in the four dispensaries, ESI Hospital Margao and Central Stores. As per the verification reports of these inspections conducted, the shortages/breakages were reported. Life expired drugs/medicines were also found in stock. However, no action on physical verification reports was taken. The Department replied (September 2008) that the practice of taking follow up action on verification reports as well as fixing of accountability for losses/expiries on the concerned officers has since been started. Audit verified (October 2008) the records and found that the Department has started following the system as pointed out by audit.

5.1.9 Control over Departmental Activities (Employment)

The Employment Exchanges are established under the All India scheme for discharging the functions, duties and responsibilities as envisaged in the National Employment Service Manual (NESM). The Employment Exchanges render services broadly in four major areas.

- Registration/renewal, submission and job placement of job seekers
- Imparting of vocational guidance and labour market information to students of High/Higher Secondary Schools
- Employment Market information to the Government for policy decisions
- Enforcement of Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959 and the Rules framed thereunder.

5.1.9.1 Compulsory Notification

Under the provision of Employment Exchanges (Compulsory Notification of Vacancies) Act 1959 (EE-CNV Act), employers in every public or private sector establishment employing 25 or more workers are required to notify the vacancies to the employment exchange before filling up the same.

As of 31 March 2008, total numbers of private employers under the purview of this Act in Goa were 1,955 whereas public employers (including central, state, quasi-government and local bodies) were 2,357. Scrutiny of the records revealed that the total number of establishments visited during the years 2003-08 ranged between 35 and 59 per annum and 29 cases of violation by the establishments were detected.

The Department has not established/evolved any system to ensure that all the employers who come under the purview of the Act notify their vacancies. There was no action plan with the Department to increase effective implementation of the provisions of the Act. The Department replied (September 2008) that the shortfall in number of inspections was due to non-filling of the post of Deputy Director of Employment and inadequate subordinate staff which resulted in department's inability to earmark separate staff for conducting inspections and to draw an action plan to increase the activities in respect of implementation of the EE-CNV Act 1959.

5.1.9.2 Vocational guidance

The activities in respect of vocational guidance were limited and there was no responsible officer in both the exchanges to implement the provisions of vocational guidance. There was no document on record to show that regular camps/sessions were held for students or registered candidates. The Department accepted (September 2008) the audit contention and attributed the limited activities under vocational guidance scheme to the office being understaffed and without a Deputy Director.

5.1.10 Monitoring including Internal Audit and Vigilance arrangements

Every controlling officer is required to satisfy himself about the prescribed checks to ensure the policies and guidelines exist to safeguard against waste and loss of public money in subordinate offices. As no Internal Audit Wing is set up in the Department, the Director of Accounts is responsible for internal audit in view of the instructions contained in Finance Department orders (August 1996). Internal Audit of ESI wing and Employment wing was not conducted since April 2003 and March 2005 respectively though the Internal Audit of Labour department was conducted upto March 2007.

A separate set up for vigilance mechanism was not in existence in the Department, as the State Government has a common Vigilance Department at Government level for all the Departments. During 2003-08, one case was

reported to the Vigilance Department from ESI wing and no case was reported from Labour and Employment wings. The Department replied that the matter has been referred (September 2008) to the Director of Accounts, Panaji requesting him to conduct internal audit of all the wings of the Department.

5.1.11 Conclusion

While the Department had a reasonable exchequer control as the excess of expenditure over budgetary provision was nominal, the control over cash book maintenance was not satisfactory. Duties and responsibilities of inspectors - the key functionaries in implementation of Acts - was inadequate as the targets were not fixed for them. Similarly, adequate controls required for proper and effective implementation of various Acts were inadequate. The rate of disposal of cases by Industrial Tribunal cum Labour Court was lower than the accretion resulting in delayed redressal. ESIS failed to discharge its functions efficiently. Employment exchanges handled registrations and renewals satisfactorily but could not control deficiencies in implementation of EE-CNV Act. Thus, the internal control mechanism in the Department was substantially not functioning as intended and therefore required to be improved in order to achieve the objectives of the department.

5.1.12 Recommendations

- Deficiencies in cash book maintenance and compliance with R&P Rules may be rectified.
- Targets for inspections may be prescribed after scientific study of requirements of inspections under each Act.
- A system of monitoring the progress of inspections by competent authorities under each Act and disposal of cases by Presiding Officer of Industrial Tribunal cum Labour Court may be introduced.
- Procurement of medicines should be strictly from Rate Contract firms.