

# AUDITING TOOL FOR STATUTORY COMPLIANCE –ENSURE LABOUR’S SAFETY &WELFARE.

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**Abstract** - Statutory compliance and safety audit is very much important to ensure labour’s safety and welfare. For any successful organisation, compliance of various laws is important. By leading their organisation in a proper way by following such laws will protect their organisation and also their employees socially. The main intent of the study is to identify the impact faced by the employee’s and organisation by not following the statutory compliance and to describe why statutory compliance audit and safety audit through online auditing tool is important. These kinds of tools will help to have the data and will analyse the data and it cannot be mis leaded.

**Key Words:** optics, photonics, light, lasers, templates, journals

## 1.INTRODUCTION

### 1.1 STATUTORY COMPLIANCE

The legal framework within which any given organization must function is termed as statutory compliance. These laws ensure the welfare of – the employee, employer, and the organization. All organizations, irrespective of their size and stature need to abide by central and state labor laws failing which strict legal actions can be taken against them. There is a pre-defined legal framework within which any given organization must function. This framework is termed as statutory compliance. Basically, the organization must treat its employees in a way that is in adherence to various central and state labor laws.

### 1.2 STATUTORY COMPLIANCE AUDITING

Statutory Compliance relates to the various labor laws prevalent in India. These laws change on a State and National level, and it is mandatory for companies to obey them. Non-Compliance can be the basis for financial and reputational risks for organizations. Non-compliance with these regulations can land a company into legal trouble such as penalties, fines, or worse. Any organization that hires employees or workers and pays them salary or wages must comply with labor laws with regards to monetary compensation, payment of taxes, protection and safety of employees, and fairness of labor.

### 1.3 SAFETY AUDITING

Safety audits can help the workplace to become safer and improve the organization's health and safety procedures. Safety audits are intended to assure that effective program elements are in place for identifying, eliminating, or controlling hazards that could adversely impact a company’s physical and human assets. Conducted properly, this type of audit will help reduce injury and illness rates, lower workers compensation and other business costs, empower employees

by involving them in activities affecting their own safety and health, increase job satisfaction, and make the company more competitive.

### 1.4 CONSEQUENCES OF NON-COMPLIANCE:

While failure to withhold taxes is in itself an offense in the eyes of law, non- remittance of such withheld amount to the government is generally treated as a bigger offense. Both attract penal interest and damages and if it is proven to be a deliberate attempt to violate the provisions of the law, there could be imprisonment of the employer

## 2. IMPORTANT STATUTORY LAWS

### 2.1 EMPLOYEES PROVIDENT FUND

Employee Provident Fund (EPF) is a retirement benefit scheme maintained by the Employees’ Provident Fund Organization (EPFO). The employee and the employer contribute to the EPF scheme on monthly basis in equal proportions of 12% of the basic salary and dearness allowance. Out of the employer’s contribution, 8.33% is directed towards the Employee Pension Scheme. The interest rate on EPF is reviewed annually. EPF interest rate for FY 2020-21 is 8.50%. Once EPFO notifies the interest rate for a financial year and the year ends, interest rate is calculated for the month-wise closing balance and then for the entire year.

### 2.2 KEY POINTS ABOUT EPF CONTRIBUTION

- 12% Employer’s contribution includes 3.67% EPF and 8.33% EPS
- 10% EPF share is valid for the organizations where there are 20 or less than 20 employees /organizations with losses incurred more than or equal to the net worth (at the end of financial year) /organizations declared sick by the Board for Industrial and Financial Reconstruction
- Total contribution made by the employer is distributed as 8.33% towards Employees’ Pension Scheme and 3.67% towards Employees’ Provident Fund.
- The contribution made by the employee goes totally towards the provident fund of the employee.
- Apart from the above-made contributions, an additional 0.5% towards EDLI has to be paid by the employer.
- Certain administration costs towards EDLI and EPF standing at the rate of 1.1% and 0.01% respectively also have to be incurred by the employer. This means

that the employer has to contribute a total of 13.61% of the salary towards this scheme

### 2.3 EMPLOYEE'S CONTRIBUTION TOWARDS EPF

- In general, the contribution rate for the employee is fixed at 12%. However, the rate is fixed at 10% for the below-mentioned organizations:
- Organizations or firms employing a maximum of 19 workers. Industries declared as sick industries by the BIFR
- Organizations suffering an annual loss much more as compared to their net value.
- Coir, guar gum, beedi, brick and jute industries.
- Organizations operating under the wage limit of Rs. 6,500.

### 2.4 EMPLOYER'S CONTRIBUTION TOWARDS EPF

The minimum amount of contribution to be made by the employer is set at a rate of 12% of Rs. 15,000 (although they can voluntarily contribute more). This amount equals Rs. 1,800 per month. It means that both the employer as well as the employee has to contribute Rs. 1,800 each per month towards this scheme. Initially, this amount was set at 12% of Rs. 6,500, which would equal Rs. 780 to be contributed by both the employer and the employee.

The contribution from both the parties is deposited into the EPFO (Employees Provident Fund Organization)

This is a long-term investment fund for the contributors which helps them continue an independent life after retirement

### 2.5 EMPLOYEES STATE INSURANCE

Employees' State Insurance Corporation ("ESIC") is a statutory corporate body set up under the ESI Act 1948, which is responsible for the administration of the ESI Scheme. The ESI scheme is a self-financed comprehensive social security scheme devised to protect the employees covered under the scheme against financial distress arising out of events of sickness, disablement or death due to employment injuries.

### 2.6 APPLICABILITY OF THE ESI SCHEME

The ESI scheme is applicable to all factories and other establishments as defined in the Act with 10 or more persons employed in such establishment and the beneficiaries' monthly wage does not exceed Rs 21,000 are covered under the scheme. Whether the employer has employed 10 or more employees, all employees employed by the employer, agnostic of the salary are reckoned.

### 2.7 MINIMUM WAGES

The purpose of minimum wages is to protect workers against unduly low pay. They help ensure a just and equitable share of the fruits of progress to all, and a minimum living wage to all who are employed and in need of such protection. Minimum wages can also be one element of a policy to overcome poverty and reduce inequality, including those between men and women, by promoting the right to equal remuneration for work of equal value and women, by

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## 3. LITERATURE REVIEW

Audits are an inevitable part for a good management system. The audits represent one of the most interesting and challenging roles of a quality assurance inspector. Audits manage and check whether the regulations are implemented efficiently to achieve set objectives. They help in measuring actions against requirements.

Compliance management is a smart and intelligent way of recording and managing the shortcomings so that they can never be repeated. This article stresses the importance of audits and the effective role of compliance management in improving our routine activities for a hurdle free system that in turn can help us in improving a company's profits. It also outlines the effective role of compliance management for the survival of an industry. This article also lays emphasis on the different stages that comprise an audit and the corrective steps that should be taken at every stage so that perfection is achieved in all aspects in a pharmaceutical industry. In short, it gives a briefing on the entire process of an audit and the effective role of compliance management in managing the audit findings for the overall development of an organization.

This paper examines latest thinking and new developments in the regulatory framework for statutory audit at European Union (EU) level. It follows an earlier paper, published in this journal. Since 1999 when the paper was drafted, even more developments have occurred both at an EU level and in the USA, which are likely to have a significant impact on statutory audit in the EU in years to come. Latest developments are reviewed in three areas: profession related issues; company law issues; and accounting and auditing standards. The paper concludes that significant advances have been made towards completion of the regulatory framework of statutory audit in the EU. What remains of concern is a lack of progress towards adoption of international auditing standards. Unless financial statements are both prepared and audited in the same way, it is difficult to see how financial information in the EU can ever be truly harmonized.

This aims to (1) examine the contribution of internal audit quality, punitive measures to accountability in statutory corporations in developing countries such as Uganda and (2) test whether internal audit quality mediates the relationship between punitive measures and accountability in Uganda's statutory corporations.

This is cross-sectional and correlational. Data were collected through a questionnaire survey conducted for 82 statutory corporations. The study's unit of analysis was a statutory corporation. Chief Internal Auditors and Chief Finance Officers were the study's unit of inquiry. Data were analyzed through correlation coefficients and linear regression using Statistical Package for Social Sciences.

The results suggest that internal audit quality and punitive measures independently predict accountability. However, punitive measures do not predict accountability in

the presence of internal audit quality. Results further indicate that internal audit quality mediates the relationship between punitive measures and accountability in Uganda's statutory corporations.

In December 2016, the updated INTOSAI standards for government auditing were enacted that provided a methodological basis for conducting various forms of public audit, in particular, public compliance auditing. The use of ISSAIs is aimed at maintaining high-quality control measures to ensure the public administration system accountability and transparency. The aim of the research is to consider the current state and prospects of introducing the public compliance auditing into the practice of the Supreme Audit Institution in Ukraine. Design/methodology/approach. The methodological basis of the study was to conduct the best practices comparative analysis in public auditing and to implement the desktop study of theoretical scientific research, open analytical data produced by governmental and non-governmental bodies. Findings. The analysis of the Accounting Chamber of Ukraine's reports proved that the control activities contained the compliance auditing elements.

#### 4. FUNCTIONAL SPECIFICATION OF AUDITING TOOL

##### 4.1 WEB BASED AUDITING PLATFORM

we will leverage our web-based platform that is comprehensive in nature which includes but not limited to Queue Management, Workflow for Compliance Checks and Processing, Real time Reporting and Controls etc., Platform can be integrated with the bill processing system through APIs for seamless data exchanges.

The deep expertise and comprehensive services around audit and compliance will not only help redesign the processes and practices but also help implement appropriate controls where and drive system enablement to sustain and improve efficiency in an ongoing basis.

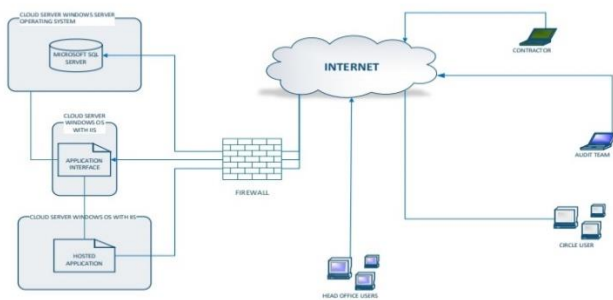


Fig -1: Solution Architecture

##### 4.2 VALUE PROPOSITION

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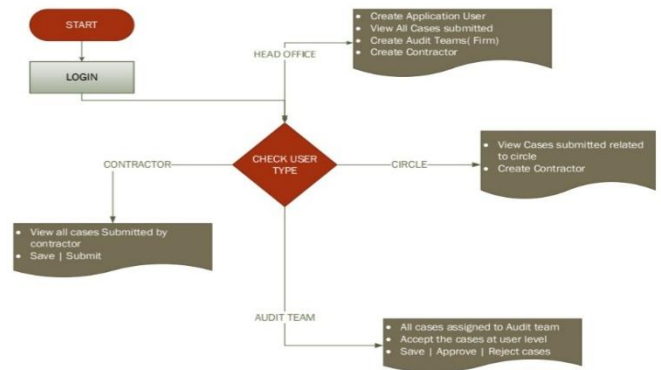


Fig -1: Value Proposition

### 5. STATUTORY COMPLIANCE AUDITING THROUGH ONLINE TOOL

#### 5.1 NEED FOR ONLINE AUDITING SERVICE

In India many of the organization are not following the labor laws and not compiling the statutory provisions. Monitoring of statutory compliance is very much needed in this period. The government has to make such measure to ensure employee's or labor's welfare. Protecting or guarding physically alone is not a safety, protecting a labor socially is also a kind of safety.

**5.2 SCOPE OF AUDIT** While conducting the audit, the Labor Law Auditor must cover all labor legislation applicable to an establishment. Scope of the Labor Law audit differs from business to business. For Example, if a particular piece of labor law does not apply to a specific business, the same should be disclosed in the report of the auditor. Similarly, certain factories in remote areas may not have the facilities of Employees State Insurance Corporation. In such cases, there is no need to ensure compliance of the ESI Act.

#### 5.3 BENEFITS OF AUDIT

##### 5.3.1 BENEFITS TO THE EMPLOYEE:

- Social Security of workers/employees will get increased.
- It ensures timely payment of wages, gratuity, bonus, overtime, compensation etc. of the workers
- It boosts the morale of the employees.

##### 5.3.2 Benefits to Employer:

- It helps to increase productivity. Higher productivity higher will be profits.
- It also helps in preventing strikes by employees, lockouts etc.

#### 5.4 IMPORTANCE OF LABOUR LAWS COMPLIANCE:

The scope of labor compliance is not limited to filing returns and maintaining statutory deposits and records by the employer but it covers the various other aspects as well. Here is the importance of Labor Law:

- It improves the relation between the employer and employees thereby minimizing the industrial disputes.
- It is in the interest of the workers to prevent them from exploitation by their employees and management.

- It helps workers in getting fair wages.
- Reduction of conflicts and strikes etc.
- Promotes healthy environment conditions in the industrial system.
- Provides compensation to workers, who are victims of accidents.

#### 5.5 ASSESSMENTS & INTERNAL AUDITS:

Authorized inspectors or enforcement officers of government departments are required to audit the remittances and returns for each completed year in order to check for any discrepancies or possible violations. These audits are called 'Assessments'. Once the assessment is completed and found to be in order, the organization will receive a closure certificate.

### 6. RESULT AND DISCUSSION

The scope of labor compliance is not limited to filing returns and maintaining statutory deposits and records by the employer but it covers the various other aspects as well.

It improves the relation between the employer and employees thereby minimizing the industrial disputes.

- It is in the interest of the workers to prevent them from exploitation by their employees and management.
- It helps workers in getting fair wages.
- Reduction of conflicts and strikes etc.
- Promotes healthy environment conditions in the industrial system.
- Provides compensation to workers, who are victims of accidents.

#### 6.1 OUTCOMES:

Evaluation of client's statutory compliance records such as Registrations, License, Registers, Periodical Returns & Renewals.

- Evaluation of any associated vendor statutory record.
- Identify potential statutory risk areas and provide ideas on how to minimize them.
- Preparation of report highlighting the area of non-compliance. Discussion of recommendation with management.

#### 7.2 BENEFITS TO EMPLOYERS:

- Periodical Statutory Compliance Audit will ensure compliance of past defaults.
- Strict compliance of Industrial legislations is ensured by every establishment, which, in turn, reduce or even eliminate penalties/damages/fines/ that may be imposed by the Government.
- Employer reputation in the Industry/business world certainly increases.
- A business that fulfils regulatory business compliance through successful corporate compliance management generally gets signed quickly and easily whenever needed.

### 3. CONCLUSIONS

Labor Law is so vast and deep that no business can afford the risk of non-compliance of labor law in today's time and therefore this aspect of the business has become serious. To avert the adverse consequences of non-compliance, now most of the companies prefer opting for labor law consultants to manage their compliances.

The principle of completeness requires the auditor to consider all relevant audit evidence before issuing a report. The principle of objectivity requires the auditor to apply professional judgement and skepticism in order to ensure that all reports are factually correct and that findings or conclusions are presented in a relevant and balanced manner. The principle of timeliness implies preparing the report in due time. The principle of a contradictory process implies checking the accuracy of facts with the audited entity and incorporating responses from responsible officials as appropriate. In both form and content, a compliance audit report shall conform to all these principles.

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