

## **Employees' Provident Fund - 2022**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Employees' Provident Fund for the year ended 31 December 2022 comprising the statement of financial positions at 31 December 2022 and the statement of income and expenditure and statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Employees' Provident Fund as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standard.

#### **1.2 Basis for Qualified Opinion**

My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### **1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Fund is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Fund.

#### **1.4 Audit Scope (Auditor's Responsibility for the Audit of the Financial Statements)**

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed identify and assess the risks of material misstatement of the financial statements, whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Fund and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Fund has complied with applicable written law, or other general or special directions issued by the governing body of the Fund;
- Whether the Fund has performed according to its powers, functions and duties; and
- Whether the resources of the Fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## **1.5 Audit Observations on the preparation of Financial Statements**

### **1.5.1 Non-Compliance with Sri Lanka Accounting Standard**

<b>Non Compliance with the reference to relevant Standard</b>	<b>Comments of Management</b>	<b>Recommendation</b>
<p>In accordance with paragraph 51 of Sri Lanka Accounting Standard No. 16, the effective lives of non-current assets had not been reviewed annually. According to the depreciation calculation schedule for the financial statements as at 31 December of the year under review, the fully depreciated asset value was Rs.159.18 million and Rs.526.83 million respectively for the Monetary Board and the Labour Department. Among those assets, the estimated error caused by not identifying the assets that are no longer used and reviewing them in accordance with Sri Lanka Accounting Standards was not corrected in accordance with Sri Lanka Accounting Standards No. 08 and the assets that were no longer used were not properly disposed.</p>	<p>Necessary actions will be taken to deal with Sri Lanka accounting standards regarding the fixed assets that have been finished depreciation in relation to the Labour Department. The committee is carrying out the survey of the relevant goods to dispose that are unusable fixed assets.</p>	<p>Should be complied with Sri Lankan accounting standards.</p>

### **1.5.2 Accounting Deficiencies**

<b>Audit Observation</b>	<b>Comments of Management</b>	<b>Recommendation</b>
<p>(a) According to the bank reconciliation statements related to 07 bank accounts submitted on 31 December 2022, as mentioned below the total unsettled for the period from 2001 to 31 December 2021 is a balance of Rs.11,515.19 million and for the year 2022 a balance of Rs.672.64 million is to be corrected or settled. Without taking the relevant steps to do so,</p>		

were continuously stated in the bank reconciliations even by 31 March 2023.

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|-------|--|--|---|
| (i)   | Cheques presented but dishonored before the year 2021, transactions not recorded in the bank statement and cash book, direct debits and credit balances totaling Rs.10,918.89 million have not been settled till now, and related to the year under review, transactions not recorded in the cash book and the sum of the direct debit and credit balances were Rs.597.54 million. | Almost all unidentified transactions related to the year 2022 have been correctly recorded in the cash book. Due to the nature of some transactions, the information for settlement is received in future periods, so the settlement of those transactions can be done naturally with some time delay. Currently working on the unsettle transactions in the bank reconciliation statements by the Employee's Provident Fund department with the support of other parties. | Action should be taken promptly to identify and rectify the defects pointed out.                      |
| (ii)  | The total value of money orders deposited but not realized, cheques not realized and cheques issued but not presented were Rs.523.39 million. In that, the total balance for more than a year is Rs.454.98 million.  | Almost all unidentified transactions related to the year 2022 have been correctly recorded in the cash book. Due to the nature of some transactions, the information for settlement is received in future periods, so the settlement of those transactions can be done naturally with some time delay. Currently working on the unsettle transactions in the bank reconciliation statements by the Employee's Provident Fund department with the support of other parties. | Action should be taken promptly to identify and rectify the defects pointed out.                      |
| (iii) | As an error occurred in the computer accounting system used, the debit balance carried forward from the year 2006 was Rs.141.32 million and the wrong balance in the cash book related to the year under review was also Rs.6.67 million.  | Almost all unidentified transactions related to the year 2022 have been correctly recorded in the cash book. Due to the nature of some transactions, the information for settlement is received in future periods, so the settlement of those transactions can be done naturally with some time delay. Currently working on the unsettle transactions in the bank reconciliation statements by the Employee's Provident Fund department with the support of other parties. | Action should be taken to promptly identify and rectify the errors in the computer accounting system. |

- (b) According to the fund's accounting policy, motor vehicles should be depreciated annually at the rate of 20 percent under the straight line method. According to the financial statements as at 31 December 2022 (relating to the Department of Labour), the cost of motor vehicles was Rs.97.20 million, and according to the depreciation calculation schedule, the cost of fully depreciated motor vehicles was Rs.36.22 million. Accordingly, although the depreciation should be calculated for the motor vehicles which cost was Rs.60.98 million, the depreciation was not calculated and accounted for the year 2020, 2021 and 2022.
- There are problems from previous years regarding the calculation of depreciation of fixed assets, disposal of assets, calculation of the effective life of fixed assets, identification of assets that can be further used and I expect to work in the future to solve those problems.
- Depreciation of fixed assets should be accounted according to the accounting policy.
- (c) During the year under review, Rs.97.18 million incurred for the improvement of District Labour Offices was shown in the unfinished work account of internal construction of Mehewarapiyasa.
- A portion of the provision set aside for the Employees' Provident Fund has been spent to the Regional Offices on construction the purpose of creating Employees' Provident Fund windows and providing services to the public.
- Action should be taken to present the capital expenditure correctly in the financial statement.

### 1.5.3 Un reconciled Control Accounts or Records

Item	As per Financial Statements (Rs.Million)	As per corresponding Record (Rs.Million)	Difference (Rs.Million)	Comments of Management	Recommendation
Property, plant and equipment	1,130.30	713.38	416.92	Correct balances will be identified through the future expected fixed asset revaluation.	Arrangements should be made to reconcile the data included in the financial statements with the data included in the corresponding reports.

## 1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of Management	Recommendation
(a) Labour Department Circular No. 01/99 dated on 11 February 1999	<p>In relation to the year 2022, in Alpitoya District Labour Office, there were 88 cases in which it took 20 to 321 days to issue the first notice of collection of surcharges and contributions and send the final notice, and 45 cases which took 26 to 225 days in relation to Maharagama District Labour Office were also observed during the sample audit. Furthermore, there were 74 cases related to the Elpitiya District Labour Office and 62 cases related to the Maharagama District Labour Office, although the first notices had been issued but the final notices had not been issued.</p> <p>Notices were sent to the Alpitoya and Maharagama district Labour offices to collect arrears of contributions and surcharges and Rs.33 million and Rs.142 million were to be collected in 92 and 89 cases respectively.</p>	<p>Due to the transport and fuel crisis in the past, there was a delay in issuing announcements due to the reasons such as reporting to work in shift mode, power cuts by the government and other difficulties that occur during normal working hours.</p>	<p>Action should be taken to provide optimal service to the members by sending notices without delay.</p>
(b) Para 2.1 of PED Circular No. 8/2019 dated on 17 December 2019	<p>Not registered with the State e-Procurement System.</p>	<p>The relevant application for registration has been sent to the State E-Procurement Secretariat office.</p>	<p>Should be followed the circular terms.</p>
(c) F.R 877 (2) (c) published by State Finance Circular No. 01/2020 dated on 28 August 2020	<p>The annual performance report along with the certified financial statements of the fund was not submitted in circular terms.</p>	<p>No comments.</p>	<p>Should be followed terms of State finance circulars.</p>

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to a profit of Rs.314,052 million and the corresponding profit in the preceding year amounted to Rs.340,728 million. Therefore a deterioration amounting to Rs.26,676Million of the financial result was observed. The reasons for the deterioration was due to, though the interest income of the fund increased by Rs.55,591 million compared to the previous year, the loss recognized on the adjustment of the fair value of financial instruments was Rs.40,878 million.

### 2.2 Trend Analysis of major Income items

Description	Year 2022	Year 2021	Income Increase/(Decrease)	
	(Rs.Million)	(Rs.Million)	(Rs. Million)	%
(a) Interest income				
(i) Treasury bonds	325,423	285,052	40,371	14
(ii) Treasury bills	15,272	256	15,016	5,866
(iii) Fixed deposits	4,225	3,857	368	10
(iv) Repurchase Agreements	1,421	544	877	161
(v) Debentures –Listed	2,291	3,153	(862)	-27
(vi) Debentures -Unlisted	637	816	(179)	-22
(b) Dividend Income – Ordinary shares				
(i) Listed	3,570	4,057	(487)	-12
(ii) Unlisted	3,957	2,628	1,329	51

In the year 2022, interest income from the investments in treasury bonds, fixed deposits and repurchase agreements had grown by 14 percent, 10 percent and 161 percent, respectively, compared to the previous year. Further, interest income from the investment in treasury bills had grown by 5866 percent. However, interest income from debenture listed and unlisted investments had declined by 27 and 22 percent respectively. However, the total interest income of the fund had grown by 18.8 percent compared to the previous year.

Also, regarding the dividend income of the fund, compared to the previous year, the dividend income from listed companies had decreased by 12 percent, while the dividend income from unlisted companies had grown by 51 percent.

### 2.3 Ratio Analysis

According to the information presented below are some important ratios of the fund for the year under review and the previous year.

Ratios	2022	2021
(i) Net profit ratio (%)	83.52	87.35
(ii) Rate of return on average investment (%)	9.12	10.78
(iii) Rate of return on members' balance (%)	8.21	8.21

**3. Operational Review**  
**3.1 Management Inefficiencies**

Audit Observation	Comments of Management	Recommendation
(a) No dividend income was received from the year 2019 to the year under review for the ordinary shares investments of Rs.9,087.68 million made in 11 listed companies.	Due to the Easter Sunday attack in 2019, the Covid-19 pandemic situation in 2020-2021 and the macro economic difficulties and political instability in 2022, the operations of the companies concerned were significantly disrupted.	Action should be taken to make investment in optimal investment so that members can get high returns.
(b) Dividend incomes related to the years 2021 and 2022 were not received for the ordinary share investments of Rs.7,329.84 million made in 08 listed companies.	The fact that 06 companies reported losses in the years 2021 and 2022 and the restrictions associated with the pandemic situation that spread further in the year 2021 and the disruption of the business operations of the companies due to the macro-economic and political instability in the year 2022 may also lead to the non-declaration of dividends.	Action should be taken to make investment in optimal investment so that members can get high returns.
(c) In the year 2010, the fund had not received any income for the investment of Rs.500 million made to an airline company.	This is a company that is almost entirely under the ownership of the government, and is running on the financial provisions provided by the government through the treasury due to continuous losses.	Action should be taken to make investment in optimal investment so that members can get high returns.
(d) On 31 December 2021, the fund had lost Rs.205.49 million due to the cancellation of the license of “The Finance Company”.	Following the cancellation of the lease business license issued to this company by the Central Bank of Sri Lanka on 22 May 2020, the stock transactions of this company were suspended by the Colombo Stock Market on 28 December 2020. Therefore, in the event of liquidation of the company, the fund may receive its investment, or part, as residual value.	Action should be taken to make investment in optimal investment so that members can get high returns.



- (e) Rs.5,000 million that is 53 percent of the equity investment of unlisted companies was invested in the construction of a hotel complex in the year 2013, and although the construction work of the Grand Hyatt Colombo project related to the construction of the hotel complex was resumed in July 2020, the necessary procurement actions are still required. The Board of Directors was given the necessary powers to collect also through the Cabinet Paper No. 21/2278/306/100 dated on 04 January 2022. Accordingly, although the construction work of the hotel complex should be completed by 27 December 2021 as planned, the construction work had not been completed by the date of audit. Accordingly, even though 9 years have passed since the actual investment, the fund has not received any benefit from the investment till now.
- Although it was decided to restart the construction by the relevant cabinet paper, it was stated that there were problems in obtaining the necessary financial provisions and obtaining foreign exchange, and as a result, Hotel Complex had called for proposals in October 2021 to obtain foreign investment. The company had informed that it could not be implemented under the foreign exchange crisis and economic conditions in the country.
- Making optimal investments that minimize risk so that members can get high returns while making investments.
- (f) Regarding the unrecognized advances of Rs.4.8 million included in the previous payments received before the year 2016, the confirmation documents were not submitted and the said advances were not settled.
- The department does not have enough information to settle this remaining balance. In this regard, the Monetary Board Advisory Audit Committee (AAC) and the Monetary Board will be informed about it, and taking into account their observations, relevant adjustments will be made while preparing the financial statements for the year 2023.
- Action should be taken to identify and settle the balances.
- (g) 1,428 institutions registered in the Maharagama District Labour Office had not paid their contributions since the date of registration, but it was not
- Actions have been taken so far to collect arrears of contributions from 46 institutions and no actions have been taken to collect the contributions related to 21
- A proper program for collecting arrears and surcharges should be prepared and arrangements should be

identified whether those institutions were closed or stopped operating activities. 81 institutions that were newly registered in the years 2021 and 2022 had not paid their contributions since the date of registration.

institutions out of 81 newly registered institutions in the years 2021 and 2022.

made to provide optimal service to the members.

- (h) 15,000 cards were spent at a cost of Rs.12.61 million and 35accounts balance checking machines(KIOSK) were purchased at a cost of Rs.17.67 million for the project started for issuing new identity cards and re-registration to the members of the fund. These 15,000 purchased cards were not used for the related purposes and were kept idle in the IT department even on the date of audit and 2 machines out of 35 machines had been disposed.25 Out of the remaining 33 idle machines, had been brought to the head office for disposal. It was observed that the money of the fund has been wasted due to the fact that proper needs have not been identified and assets have been purchased and utilized efficiently for this project which is not currently in operation.
- Although 15,000 KIOSK ID Cards are printed to check the balance of members, one card costs Rs.600, in consultation with E-wis, the computer programs were revised so that the balance can be checked through KIOSK machines using fingerprints at no extra charge.35 KIOSK machines were installed throughout island wide and after more than 05 years, their effective life span was reviewed and depreciation was adjusted and currently 14 machines have been brought to the head office and 08 Finger Print Scanner machines which can be further used in the districts according to their needs. It has been distributed to 08 Labour offices.
- Projects should be started with a proper plan and study. And efforts should be made to bear expenses effectively incurring the expenses from the members' fund
- (i) 12 Logitech Quick Cameras purchased in 2017 and 35 out of 50 Logitech Quick Cameras purchased at a cost of Rs.1.7 million in 2019 for the photo and fingerprint project and 2 out of 24 laptops purchased at a cost of Rs.3.3 million in 2018 are still inactive it was observed during the inspection of stock books.
- I am also informed that those devices which were retained for continuous service supply in the departments where 24 computers and Logitech Quick Camera are used were distributed separately to the offices as per the requirement.
- Projects should be started with a good plan and study and effective expenditure should be made while incurring expenses from the members' fund.

### 3.2 Operational Inefficiencies

Audit Observation	Comments of Management	Recommendation
(a) As at 31 December of the year under review, out of Rs.3,380,616.83 million in the members account balance of the fund, Rs.63,571 million remained un credited to each member's account due to various reasons. The following observations are made in this regard.		
(i) The amount of Rs.11,123 million retained in the Central Bank of Sri Lanka as at December 31 of the year under review from the amount recovered from litigations against employers in the Labour Commissioner's account in the members' fund and Rs.334 million held in a general deposit account of the Department of Labour until such litigations are recovered and settled had not been credited to each member's account.	Presence of contributions referred without "C" records as well as contributions referred with incomplete or discrepant "C" records. Since the year 1994, the unnumbered contributions of employers have been retained in the Labour Commissioner account under temporary employer numbers named "Z", and the balances in this account cannot be credited to individual member accounts.	An efficient system for the settlement of unpaid contributions should be developed promptly.
(ii) The balance of Rs.49,365 million as at 31 December of the year under review in the account named "Current Year Contribution Number 01" maintained separately in the name of the employers was not distributed to the respective members. In the years 2013, 2016 and 2017, the orders of the Committee of Public Accounts had ordered that existing accounts without crediting members' accounts should be promptly settled. And an age	We would like to declare that the Employees' Provident Fund Department has taken the best possible actions to settle the balance in the employer's contribution account, arrange payment methods for the payment of contributions so that the contributions do not accumulate in the respective account and expedite the updating of the contributions to the respective individual member accounts.	An efficient system for the settlement of unpaid contributions should be developed promptly.

analysis was not submitted to the audit to confirm which years' balances are in this balance.

- (iii) Rs.980 million as at 31 December of the year under review as benefits withheld and unclaimed benefits to members due to various reasons despite adequate steps being taken to settle them and Rs.2,232 million as U/P O/P contributions and Rs.463 million as U/P O/P benefit payments remained to be further settled under the members' fund.
- The intervention and support of the Department of Labour is needed to settle these balances in the above accounts And also It is further informed that no matter what steps are taken by the E.P.F Department and the Labour Department, it is practically impossible to settle the balances of the said accounts until the members inform us of the correct information about their bank accounts through the Labour Department.
- An efficient system for the settlement of unpaid contributions should be developed promptly.
- (b) During the examination of the applications submitted for obtaining the employee's provident benefits due to the deceased members, the number of unpaid death benefit applications held at the head office as at 20 June of the year under review was 1,101, of which 220 applications were filed between 10 and 15 years from the date of submission of applications and 27 applications between 4 and 13 years and 8 applications between 6 and 10 years and 210 applications had been rejected. The value of these unpaid death benefits was not disclosed in the financial statements and the progress was not satisfactory.
- Even if the deceased members benefit applications are submitted, in cases where sufficient information is not submitted in the file for correct verification of the member or beneficiaries and in cases where the member or beneficiaries are not correctly verified, the applications will be rejected after informing the concerned beneficiaries with the approval of the Labour Commissioner (Employees Provident Fund).
- I further kindly inform that when the concerned beneficiaries submit correct and sufficient information regarding the rejected applications, the rejected files will be removed from the computer system and necessary arrangements will be made to pay the benefits to the beneficiaries.
- A successful program should be implemented to provide immediate benefits to the deceased members.
- (c) 53 out of 55 computer chairs and office chairs, Heavy duty photocopier, 22 out of 30 laptops, 10 out of 20 photocopiers and 06 out of 90
- Since it is the responsibility of the administration to streamline the distribution of resources to all sections of the entire Labour Department, I kindly point out that
- Purchases from the fund of the Employees' Provident Fund should be used for the purposes of the fund itself.

- printers were purchased under the head of Employees Provident Fund. The stock itself had been used for Labour Department's needs.
- those resources have been used in the hope of increasing the efficiency of the entire Labour Department.
- (d) An agreement was entered into with a private institution on 09 January 2020 to settle the outstanding balances in 07 bank accounts and according to the terms of the agreement, the final report had to be submitted within 08 weeks from the agreed date, but the desired objectives of the project were to be achieved by the date of this report was not possible.
- An interim report of the special project started in January 2020 with the participation of a private audit firm has been submitted on 30 October 2020 to settle outstanding balances in bank reconciliation statements from 2001 to 2018. In the years 2022 and 2023, efforts are being made to obtain a data file with a common identification code after several discussions with the officials of the Bank of Ceylon under the leadership of the General Manager of the Bank of Ceylon to obtain the related data independently.
- The management should focus on ending the problem of non-settlement of these bank accounts which has been going on for a long time without any further delay.
- (e) According to Section 15 of the Employees' Provident Fund Act No. 15 of 1958, the employer of an employee to whom the Act applies must deduct the employee's monthly contribution from the employee's earnings and pay it to the fund before the last day of the following months. But in 2021 and 2022, 102 and 95 institutions, respectively, had not paid their contributions since the date of registration, in the sample audits conducted in connection with the payment of contributions by newly registered institutions.
- No comments.
- Actions should be taken to recover the contributions as per the recommendations of the Act.
- (f) At the end of the year under review, the total number of cases assigned by the fund against external institutions to recover Rs.10,503 million was 13,760, and the total number of
- The relevant district and sub-offices have called and given information on the cases assigned by the fund against the external institutions in the courts and the information related to the cases assigned by the external
- Actions should be taken to complete the legal proceedings quickly and to recover the arrears.

cases assigned by the external institutions against the fund for a total value of Rs.201.35 million was 62. Out of these 62 cases, 32 cases were filed against the fund by one private institution in 2015 and 2019. At the end of the year, there were 3,309 and 2015 inactive and open warrant cases respectively and the amount to be recovered was Rs.1,823.36 million and Rs.533.82 million.

institutions against the fund in the courts has been given by the legal action section. Therefore, I am kindly informed that there is no amendment.

#### **4. Accountability and Good Governance**

##### **4.1 Internal Audit**

###### **Audit Observation**

The Employees' Provident Fund had not established an independent internal audit division and The internal audit of the Central Bank of Sri Lanka's Employees' Provident Fund Division is performed by the Internal Audit Division of the Central Bank of Sri Lanka. Although the approved staff of the Internal Audit Division of the Department of Labour, which administers the Fund, was 14, the actual number was limited to 8. Although the Committee on Public Accounts had continuously ordered since the year 2013 that the internal audit of the department should be strengthened in a situation where the fund manages a members' fund of about Rs.3.4 trillion, by the end of the year under review, the staff vacancies and the audit work of the fund had to be completed. There were no actions taken to pay more attention. The approved internal audit plan prepared for the year 2022 of the fund and the internal audit reports issued in relation to the year were also not submitted to the Auditor General.

###### **Comments of Management**

It is desirable to establish an independent audit and management committee, and only the administrative work of this fund is done under this department and the financial administration is carried out under the Monetary Board of the Central Bank of Sri Lanka. Herefore it is not possible to set up an independent audit and management committee in terms of my powers as the head of the department.

###### **Recommendation**

Necessary actions should be taken to establish an internal audit division.