

Head 221 – Department of Labour - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Head 221 - Department of Labour for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance and cash flow statement for the year then ended 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. The summary report containing my comments and observations on the financial statements of the Department of Labour was issued to the Accounting Officer on 30 May 2025 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Department was issued to the Accounting Officer on 30 May 2025 in terms of Section 11(2) of the Audit Act. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements of the Department of Labour as at 31 December 2024 give a true and fair view on the financial position and its financial performance and cash flows and on all the material respects in compliance with the basis of preparation of the financial statements set out in Note 01 related to the financial statements.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements is further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Emphasis of Matter - Basis of Preparation of Financial Statements

I draw attention to Note 1 to the financial statements which describes the basis of preparation of these financial statements. The financial statements have been prepared for the use of the Department of Labour, General Treasury and Parliament in accordance with the Financial Regulations 150 and 151 and Public Accounts Guideline No. 06/2024 dated 16 December 2024 as amended on 21 February 2025. Therefore, these financial statements may not be suitable for other purposes. My report is intended only for the use of the Department of Labour, General Treasury and Parliament of Sri Lanka. My opinion on this matter is not modified.

1.4 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

The Accounting Officer is responsible for preparing financial statements that give a true and fair view in all material respects in accordance with Financial Regulations 150 and 151 and Public Accounts Guidelines No. 06/2024 dated 16 December 2024 as amended on 21 February 2025, and for determining such internal control as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

In terms of Sub-section 38(1) (c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

1.5 Auditor's Responsibilities 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 summary 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 and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- 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.

I communicate with the Accounting Officer regarding, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.6 Comment on the Financial Statements

1.6.1 Accounting Deficiencies

(a) Revenue Receipts

Audit Observation	Comments of the Management	Recommendation
The Department of Labour reimburses the funds spent on the activities of the Employees' Provident Fund in the year 2024 from the Central Bank of Sri Lanka on a monthly basis, and an incorrect value was recorded as revenue in the financial statements of the Department due to crediting of the amount of Rs. 967,027,707 that had been reimbursed in that manner in the year 2024 to a revenue head.	Comments were not made.	Action should be taken as per the instructions of the General Treasury.

(b) Recurrent Expenditure

Audit Observation	Comments of the Management	Recommendation
Although the expenditure incurred through the provision for the functions of the Employees' Provident Fund should be reimbursed by the Central Bank of Sri Lanka and the amount so reimbursed should be surcharged to the relevant objects of the Department of Labour, due to non-compliance with the said procedure, the expenditure of Rs. 967,027,707 included in the financial statements of the year 2024 was also reported as expenditure of the Employees' Provident Fund.	Comments were not made.	Action should be taken as per the instructions of the General Treasury.

(c) Capital Expenditure

Audit Observation	Comments of the Management	Recommendation
The computer software worth Rs.3,777,444 purchased under the Object 221-02-04-2106 in the year 2024 were reported as purchases of assets in the Department and computer software was also reported as assets in the financial statements of the Employees Provident Fund for the year 2024.	Comments were not made.	Action should be taken as per the instructions of the General Treasury.

(d) Reconciliation statement of the Public Officers' Advance Account

Audit Observation	Comments of the Management	Recommendation
The outstanding balance of debts to be recovered from officers, who had vacated the service, were interdicted and dismissed from the service at the end of the year under review had been Rs.1,914,316, and 6 balances of Rs.384,060, out of that, had been overdue for more than 10 years.	Action will be taken to recover the outstanding balances.	Action should be taken in accordance with the Establishments Code.

2. Report on Other Legal Requirements

I express the following matters in terms of Section 6 (1) (d) of the National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year,
- (b) The following recommendations made by me on the financial statements of the preceding year had not been implemented.

3. Financial Review**3.1 Management of Expenditure**

Audit Observation	Comments of the Management	Recommendation
(a) Saving of 100% provision was observed due to not incurring any expenditure, out of provision amounting to Rs.192,500,000 allocated for 3 objects, during the year under review. resulting in a 100 percent underspending of the allocations.	The reasons for not spending provision during the year will be explained.	Estimates should be prepared correctly.

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| (b) | Only a sum of Rs.258,900,994, out of the provision amounting to Rs.1,157,501,540 made for 14 Objects, had been utilized by the end of the year under review. The percentage of this saving was in the range of 44 percent to 96 percent. | The reasons for saving of provision will be explained. | Provision should be utilized with maximum efficiency. |
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3.2 Non-compliance with Laws, Rules and Regulations

	Reference to laws, rules and regulations	Non-compliance	Comments of the Chief Accounting Officer / Accounting Officer	Recommendation
(a)	(i) Public Administration Circular No. 30/2016 dated 16 December 2016	Although there were 87 vehicles owned by the Department, fuel combustion tests for 80 vehicles had not been conducted.	Fuel tests of 07 vehicles have been carried out.	Action should be taken in accordance with the Public Administration Circulars.
	(ii) Asset Management Circular 05/2020 and Public Finance Circular 01/2020	Although the vehicles of the Department that were not economically productive should be identified and disposed of, relevant measures have not been taken for that purpose.	The forward steps regarding the disposal of the relevant vehicles are scheduled to be taken on 04 July 2025.	Action should be taken as per the Asset Management Circulars.
(b)	Extraordinary Gazette No. 2142/90 dated 27 September 2019	A programme required to implement the new factory registration process in a formal manner in terms of the provisions of the Gazette had not been formulated.	Measures would be taken to formalize the process. The number that could be deployed for field duties has been limited to 08 due to the shortage of officers.	Action should be taken in accordance with the provisions of the Gazette.

3.3 Deposit Balances

	Audit Observation	Comments of the Management	Recommendation
(a)	The balance of the Tender Deposit Account of the Department as at 31 December 2024 was Rs.24,313,744, and it was revealed that a sum of Rs.16,327,781, out of that balance, had been deposits made for the construction of the "Mehewara Piyasa" Building, which had been overdue for more than 2 years.	The relevant divisions should be inquired and further clarifications should be provided in this regard and final answers should be provided.	Action should be taken to settle the balances.

- (b) There had been a balance of Rs. 821,969,675 in the General Deposit Account bearing No. 6000-0-0-23-0-58 of the Department of Labour as at 31 December 2024, and necessary action had not been taken to settle the total amount of Rs.7,022,106 in the EPF (Compensation and Gratuity) existed before 2015. The balance to be further settled as at April 2025, out of the sum of Rs. 349,186,269 existed from 2016 to 2024, had been Rs.311,596,989.
- The settlement of 96 deposits will be discussed at the Departmental Audit Committee meeting and action will be taken accordingly.
- Action should be expeditiously taken to settle the balances.
- (c) Even though the claims had been sent to the relevant districts offices as revealed in an audit test check carried out in relation to the claims accounts in three district offices belonging to the year 2024, there had been balances payable amounting to Rs.1,539,544, Rs.222,740 and Rs.403,600 in the Central Colombo, West Colombo and South Colombo offices respectively even by May 2025.
- The payments will be made after confirming the relevant information.

4. Operational Review

4.1 Vision and Mission

Audit Observation	Comments of the Management	Recommendation
<p>Although the purpose of constructing the building was to register members as per the Cabinet Memorandum dated 12 May 2008 and to file cases against employers who default the payment of membership fees, and reserve space for the Employees' Provident Fund Secretariat that makes it easier for members to access benefits, to provide with an administrative unit consisting of Central Bank officers, a Magistrate's Court to hear cases, a conference hall, and a dining hall in order to carry out all the activities under one roof, the mission was to provide space for the Employees' Provident Fund Secretariat, a meeting hall, that task had not been accomplished. However, it was observed that the Department of Inland Revenue (24th and 25th floors) and the State Pharmaceuticals Corporation (26th and 27th floors), which are not directly related to the scope of labour were using the building without charging rentals as at December 2024.</p>	<p>Although it was proposed to build the "Mehewara Piyasa" building for the purpose of providing services to both employers and employees under one roof, it has not been possible to complete the task because it has been outside the control of the Department of Labour or the Ministry in charge of the labour subject.</p>	<p>Measures should be taken to provide benefits to members and facilitate necessary activities.</p>

4.2 Abandonment of projects without finalizing them

Audit Observation	Comments of the Management	Recommendation
Although provision amounting to Rs.6,000,000 had been allocated in the year 2023 for the renovation of Koggala and Katunayake hostels and provision amounting to Rs.2,500,000 had been allocated in the year under review, the expected purpose had not been accomplished.	It will be implemented in the year 2025.	Action should be taken to complete the projects, for which provisions have been allocated.

4.3 Delays in project implementation

Audit Observation	Comments of the Management	Recommendation
(a) In the year 2023, an estimated provision of Rs.30,000,000 had been allocated for the preparation of the internal specification of the 16 th floor of “Mehewara Piyasa” Building, and provision amounting to Rs.36,880,000 had been allocated in the year under review. Due to the delay in the commencement of the procurement process until October 2024, the relevant project could not be completed in the year 2024 either.	It will be implemented in the year 2025.	Projects should be implemented without delay.
(b) Even though the building was opened on 20 August 2019 and office activities were conducted, the waste management performance programme could not be completed even by the end of the year 2024. For this, provision amounting to Rs.5,000,000 made in the year 2023 and provision amounting to Rs.13,000,000 made in the year 2024 had been saved.	The estimates related to this work are being prepared by the Department of Buildings.	The task of preparing the waste management system should be carried out.

4.4 Projects not Made Progress despite Funds were Released

Audit Observation	Comments of the Management	Recommendation
An amount of Rs. 11,177,000 had been paid to the Department of Buildings based on a preliminary estimate for the repairs of the Ratnapura District Labour Office in the year 2019. A cost of Rs.1,922,500 had been included in the preliminary estimate for the repair of the roof and	Comments had not been made.	Should be inquired in relation to not making necessary arrangements regarding the cost and the repair work

ceiling, and the nature of the repairs had not been analyzed in the preliminary estimate, and there was no clear reference to the wood, asbestos, etc. to be used. Water was leaked from the roof through the ceiling during rainy seasons by August 2024, the time of the audit. Even though electricity outages were occurring due to water leakages through the electric fan at the dining area, the management had informed the Department of Buildings about this and had taken necessary action.

and the work should be completed.

4.5 Management Weaknesses

Audit Observation	Comments of the Management	Recommendation
(a) It was observed during an audit test check carried out in relation to the credit records maintained in the Department (CC10), that the credit balances of 9 officers were not recorded correctly and were recorded incorrectly in 9 instances due to not maintaining the records properly.	Answers were not provided.	Records should be maintained properly and accurately.
(b) Although provision amounting to Rs.139,270,000 were allocated for 7 goods and works procurement tasks without prior study and evaluation, it was not possible to complete those tasks in the year 2024 due to problems with the lands, suspension due to a PPP method, and introduction of a digital method.	It is scheduled to complete in the year 2025.	The tasks of the Department should be carried out with proper study and evaluation.
(c) Although the Hambantota District Labour Office and Circuit Bungalow had been renovated in the year 2023 by incurring a sum of Rs.7,855,576, they remained unused due to non-procurement of the necessary furniture and equipment.	Action will be taken to pay attention to allocate adequate provision for these purchases in the preparation of estimates for the year 2026.	Assets should be managed properly.
(d) In the selection of a suitable location for conducting Ja Ela Labour Office, it was observed that there were issues such as sufficient space had not been available for parking vehicles, neglecting the necessary facilities for the access of disabled persons, etc., and it was observed that the relevant lease agreement was limited to a period of one year.	Action will be taken in the future to include the lease out space for relevant lease agreements.	Suitable locations should be selected to carry out office activities.

It was observed that the Department may face a disadvantageous situation in the future for legal proceedings due to not mentioning the lease out space in the schedule of the relevant lease agreements that were signed.

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| (e) | The registered institutions according to the documents for the 13 jurisdictions belonging to the Ratnapura District Labour Office were distributed to labour officers. However, there were discrepancies between the information in the computer system and the documented information. It was observed during the audit that a computer system with proper control and management was not in place for field duties, inquiring in to the complaints on judicial duties, following up of reports, issuing announcements, preparing summaries and duties related to housing loans. Even though it was reported that inspections of institutions were carried out according to the books and documents of this office, information in the computer system had not been updated. | The data related to the 13 jurisdictions belonging to the Ratnapura District Labour Office is being systematically corrected. | Computer systems and information should be maintained correctly. |
| (f) | In 2017, the files of the Ratnapura District Labour Office were destroyed by floods and therefore the documents could not be found. Therefore, arrangements had been made to credit an amount of Rs.7,254,381 to the government revenue, and arrangements had not been made to maintain an information system even though the office premises was located in a risky environment. | Action will be taken in the future. | Arrangements should be made to secure the files. |

5. Human Resource Management

Audit Observation	Comments of the Management	Recommendation
(a) The percentage of vacancies in senior level officers was 42 percent and the percentage of vacancies in the tertiary level was 25 percent as at 31 December 2024. It was observed that the prevailing of a higher percentage of vacancies may cause practical problems in decision-making, assuming responsibilities, monitoring and guiding within the organizational hierarchy.	Further action is being taken.	Necessary arrangements should be made for recruitment and employee management should be carried out.

- (b) The Department was engaged in duties related to about 14 acts of the labour sector, investigations, and daily public relations, and the existence of vacancies in the management service had hampered its efficiency.
- Steps will be taken to fill the vacancies.
- Steps should be taken to manage the functions related to the vacant posts.