Employees' Provident Fund - 2024
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1. Financial Statement

1.1 Qualified Opinion

The audit of the financial statements of the Employees' Provident Fund for the year ended 31 December 2024 comprising the statement of financial position at 31 December 2024 and the statement of income and expenditure, statement of changes in equity of the members and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information 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 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

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 the sub-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 Scope of Audit (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 to 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.

- Obtain 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

Non Compliance with the reference to relevant Standard	Comments of the Management	Recommendation
According to the schedule for the calculation of depreciation for financial statements as at 31 December of the year under review, the value of fully depreciated fixed assets were Rs. 696 million and Rs. 160 million respectively for the Department of Labor and the Employee Provident Fund Division of the Central Bank of Sri Lanka. The actions had not been taken to identify the assets that are still in use among those assets and to correct the estimation error; occurred due to not reviewing the useful life of assets accurately in accordance with paragraph 51 of Sri Lanka Accounting Standard No. 16, as per the Sri Lanka Accounting Standard No. 08 and to properly dispose the assets that were no longer in use.	It has been planned to take the required policy measures to make rectifications in accordance with accounting standards for fully depreciated fixed assets, and to review the useful life of non-current assets as required as well as to report the financial values of the assets based on those accounting estimates.	The proceedings should be made in accordance with Sri Lanka Accounting Standards.

1.5.2 Accounting Deficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	According to the bank reconciliation statements prepared as at 31 December 2024 for 09 bank accounts maintained by the Fund, the total of net balances amounting to Rs. 3900 million remained as balances not settled subsequent to making adjustments as transactions recorded in the cash book but not recorded in the bank statement, transactions recorded in the bank statement but not recorded in the cash book, dishonored cheques, direct debits/credits, the balance existed as an error in the computer accounting system since 2006, money orders and cheques deposited but not realized and cheques issued but not presented related to the period from 2001 to 31 December 2024. Out of this, a net balance of Rs. 1,581 million had not been settled even by January 2025.	The required measures are being taken to settle the respective transactions.	The management should give attention to settle the transactions of this bank accounts existing from a long time.
(b)	According to financial statements as at 31 December 2024, the cost of motor vehicle was Rs. 97.20 million, accumulated depreciation was Rs. 56.09 million and the net value was Rs. 41.11 million. As these balances have remained unchanged in the financial statements since 2018, it was observed that the motor vehicle amounted to Rs. 41.11 million had not been taken for the calculation of depreciation since 2018.	Once it is identified whether it was a purchase done by the Department by examining the registration books of all vehicles currently owned by the department regarding the assets purchased under the E.P.F, the arrangements will be made to check the payment information and identify the purchasing cost as well as to correct this difference accordingly.	As per the standard of depreciating the fixed assets of the Fund, the fixed assets depreciations should be accounted.
(c)	According to the financial statements as at 31 December 2024, the cost of motor vehicles was Rs. 97 million. As per the information provided to the audit, the number of motor vehicles owned by the Fund as per CIGAS software is 23. The total of its cost was Rs.75 million and a difference of Rs.22 million was observed.	All the vehicles belonging to the department can be identified and the correct number of vehicles can be presented in the financial statements based on the Object of acquiring those vehicles or their transfers. The actual costs of the vehicles can already be identified through the SIGAS system, and the steps are taken to initiate corrections by recognizing these vehicles in the entire register.	All the assets that were financed should be included in the statement of financial position of the Fund.

(d)	The balance of Rs. 298 million in the "Mehewara Piyesa Interior Design Work in Progress" account as at 31 December 2024 should be capitalized as office fixtures and depreciation should be accounted. However, such things had not been done.	The works in progress account will be examined and the actual fixed assets will be identified, as well as the steps will be taken to account those in the future.	The fixed assets should be capitalized and depreciations should be calculated from the date they become available for use.

1.5.3 Control Accounts or Records not reconciled

Item	Value as per Financial Statements (Rs. Mn)	Value as per corresponding Record (Rs. Mn)	Difference (Rs. Mn)	Comments of the Management	Recommendation
The balances of five subaccounts included in the member account balance.	92,069	43,907.6	48,162 (This included an unidentified difference of Rs.15,447 million)	The Individual accounts are maintained on cash basis while transactions are recorded on accrual basis in the general ledger. Therefore, there is a difference in the balances of these two systems on any given time by nature. The accounts in both systems have been compared on daily basis in order to confirm that daily transactions occurring in the member account balances of both systems are accurately recorded.	The actions should be taken to settle the balances not further identified through the reconciliation statements.

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

	Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a)	**Labor Department Circulars**			
	(i) Labor Department Circular No. 01/99 dated 11 February 1999	(a) The contributions in arrears and the surcharges amounting to Rs.142,822,152 to be recovered from the employer related to 101 cases where a period of 22 to 1250 days had been spent to send the final notice subsequent to the issuance of the first notice of collecting surcharges and contributions after carrying out the institutional inspection activities of Ja-Ela District Labour Office, as well as the provident funds in arrears and the relevant surcharges amounting to Rs.66,455,624 to be recovered from the employer in relation to 111 cases which had taken 21 to 406 days related to the Rathnapura District Labour Office in relation to the period from 2022 to 2024 had not been collected.	These delays occurred due to the matters such as the institution made payments directly to the Central Bank after preparing notices to recover the outstanding amounts, the first notice being returned as the addresses given were incorrect, members' names and numbers in D 66 or C reports provided were not correct, and the address and name of the institution had to be amended.	The notices for the recovery of contributions and surcharges should be sent without delay, and a optimum service should be provided to the members by taking relevant actions.
		(b) Although the first notice for the recovery of surcharges and contributions had been issued, final notices had not been issued in 32 cases for a sum of Rs.7,518,257 to be recovered from the Ratnapura District Labour Office and in 15 cases for a sum of Rs. 79,229,959 to be recovered from the Central Colombo District Labour Office.	- DO -	- DO -
	(ii) Section 1(IV) of the Labor Department	According to the monitoring data system of the Fund, there were 5199 active registered institutions and	Around 20 institutions are inspected per month by a labor officer, and	The institutions not inspected for a long period should

	Circular No. 6/2000 dated 10 February 2000	1159 inactive/closed institutions related to the Ja-Ela Labour Office Division, and 4322 active registered institutions and 851 inactive/closed institutions related to Rathnapura District Labour Office Division as at 20 September 2024. Although the instructions had been given by the circular that the institutions not inspected for a long time should be selected for inspection, only 1093 and 1166 institutions out of the above institutions had been inspected respectively from the year 2015 until the date of audit. An inspection had not been carried out for 83 percent and 78 percent from the total number of institutions.	05 inactive institutions are selected by the Assistant Labor Commissioner and given for the inspection. This has been caused as the reports taken during these inspections are not included in the computer system.	be inspected and an optimum service should be provided to the members.
(b)	Section 15 of the Employees' Provident Fund Act No. 15 of 1958	(a) Although the contributions related to employees of certain institution must be remitted to the Fund before the last day of the following month after the end of each month, 1104, 631 and 6 institutions registered within the area of the Ja-Ela, Rathnapura and Central Colombo District Labor Office respectively had not paid the relevant contributions since the date of their registration related to the district labor offices. The follow-up activities also had not been done on this matter.	The appropriate steps have been taken to identify institutions that had not paid contributions from the registered institutions and to carry out follow-up activities through labor officers.	The follow-up activities should be done systematically.
		(b) Among the registered institutions belonged to the area of the Ja-Ela and Ratnapura District Labor Offices, 1924 institutions and 1689 institutions were identified respectively as not paid contributions to the Fund continuously since the year 2005, and the said institutions had not been inspected by the Labor Officers on periodical basis.		

2. Financial Review

2.1 Financial Result

The operating result of the year under review was a profit of Rs. 511,063 million and the corresponding profit of the previous year was Rs. 479,040 million. Accordingly, an improvement of Rs. 32,023 million was observed in the operating result. The increase in the interest income of the Fund by Rs. 12,709 million compared to the previous year, and the recognition of a profit of Rs. 17,806 million from fair value adjustment of financial instruments had contributed to this growth.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	An amount of Rs. 5,000 million as the shares of unlisted companies had been invested in the year 2013 for the hotel complex scheduled to be constructed, and although 11 years had passed since the investment was made, the construction activities have not been started to date. Consequently, no benefit from the investment has been received by the Fund.	The Expression of Interests were invited by the Public Enterprises Reform Unit under the Ministry of Finance, Economic Reforms and National Policies from the investors to sell the company in October 2023, out of which 06 Indian and Sri Lankan companies had been qualified to submit their proposals by February 2024. The Employees Provident Fund held discussions with the General Treasury to sell this investment under the Public Enterprises Reform process. However, the responses have not been received for the inquiries subsequent made in this regard.	The optimum investments that minimize the risk should be made, and efforts should be taken to recover the invested amount.
(b)	The number of employers not registered with the Employees' Provident Fund and only registered with the Employees' Trust Fund Board was 22,764 as at 31 December 2024 and the total amount of contributions received from those employers to the Employees' Trust Fund Board as at that date was Rs. 505million. Consequently, there were 22,246 institutions having 1-10 employees and there were 518 institutions having 10-254 employees. Accordingly, an appropriate process had not been prepared in coordination with the Board to identify the employers who should be registered with the Fund but have defaulted to register.	The actions are being taken to identify the employers covered by the Employees' Provident Fund Act and to register them with the Fund through labour officers in charge of the areas where their institutions are located.	The actions should be taken to register the institutions that should be registered with the Fund in accordance with the Act, through effective coordination between the two institutions.

(c)	An agreement had been entered into with a private institution on 09 January 2020 to settle the outstanding bank account balances that have existed since 2001 in the bank reconciliation statements of the Fund. Although the final report had to be submitted within 08 weeks from the date of the agreement, the desired objectives of the respective project had not been achieved even by the date of this report. However, 50 per cent of the contracted amount i.e Rs. 1.5 million had been paid by 31 December 2020.	The objective could not be achieved within the expected time frame due to complications of the originally planned methodology, and a new approach for that matter was followed and data have already been collected for certain extent, and possibility to settle the balances from 2006 to 2017 is being considered.	The complications with the main bank account should be resolved by proceeding as per the agreement.

3.2 Operational Inefficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	The amount of Rs. 13,393 million recovered by filing lawsuits against the employers in the account held in the name of "Commissioner General of Labour" and retained in the Central Bank of Sri Lanka, the amount of Rs. 388 million that had been retained in a General Deposit Account of the Department of Labour, the balance of Rs. 74,849 million held in the account named "Current Year Contribution No.01", the balance of Rs. 1,074 million held as Retained Benefits and Unclaimed Benefits to members due to various reasons, the balance of Rs. 2,753 million as Shortfall or Excess Contributions and the balance of Rs.514 million as Shortfall or Excess Refund Payments in the member account of the Fund as at 31 December 2024 had not been settled by identifying the respective members who should receive those. The Committee on Public Accounts had also directed in the years 2013, 2016 and 2017 to expeditiously settle the aforesaid accounts, which had been maintained without crediting to the members' accounts.	There are difficulties in crediting these balances to individual accounts due to the contributions referred without "C" reports and the contributions referred with incomplete or discrepant "C" reports. In order to settle these balances, the measures have been implemented including informing employers about contribution detail reports with discrepancies in member names and numbers, imposing a 2 per cent surcharge on the total amount for erroneous "C" reports, collecting detail reports on contribution through online method, and introducing automated methods for updating member accounts.	The actions should be taken promptly to settle the unsettled contributions.
(b)	Although every employer institution registered with the Employees Provident Fund should be supervised by assigning to a District Labour	Although it had been informed during the staff meetings and discussions held during the said period that the relevant	The information should be updated and the actions

Office and a Labour Officer, over 81,987 employer institutions registered with the Fund related to the 24 Zones of the Department of Labour had not been separated into sub-zones according to the Employees Provident Fund Monitoring Database as of 22 November 2024 and 76,306 institutions out of those were observed as active institutions and 7,335 institutions as inactive institutions. Although labour officers had been nominated for only 631 of those active institutions, it was observed that a supervision was not being carried out in respect of those institutions due to non-nomination of a labour officer for 75,675 institutions.	labor offices should enter the information about the sub-zones of all the institutions registered without entering the sub-zone code (including the old D forms) in the monitoring data system, it is observed that the said activities have not been completed due to various reasons. Further, a project report has been prepared in order to register the unregistered institutions to update the list of institutions and this list of institutions is to be updated accordingly.	should be taken to provide optimal service to the members.

3.3 Procurement Management

	Audit Observation	Comments of the Management	Recommendation
(a)	Even if there was a possibility; at the time of purchasing toners in the year 2024, for calling quotations to directly purchase the toners through the toner agencies in accordance with the terms of the service agreements of the printers for which the toners are used as per the Sections 3.5 and 3.6 (c) ii of the Procurement Guidelines 2006, those agencies had been ignored during the calling for quotations.	The purchase has been done according to the shopping method. The toners have been purchased from the relevant agency for the printers in the warranty period, and the other machines have been decided to be purchased from the selected institutions.	The procurements should be planned in optimum manner and the funds should be utilized effectively when incurring expenses from member funds.
(b)	As per the Sections 5.3.2 and 5.3.4 (b) of the Procurement Guidelines 2006, it had been stated that a copy of the Value Added Tax (VAT) registration certificates was required to be submitted with the bid. However, 550 units of 06 types of toner had been purchased from two unregistered suppliers for a sum of Rs. 7,507,500 in the year 2024. Also, 225 units of 04 types of toner had been purchased from three suppliers without manufacturer's authority in the year 2024 for a sum of Rs. 2,702,500 without checking whether there was a manufacturer's authority indicating that the bidder had been duly authorized to supply the goods.	The VAT registration certificate is not used in bid evaluation and does not influence on the procurement decisions.	The proceedings should be done in line with the procurement guidelines.