

## **Employees' Trust Fund Board and its Subsidiary - 2025**

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### **1. Financial Statements**

#### **1.1 Opinion**

The audit of the consolidated financial statements of the Employees' Trust Fund Board ("Board") and its Subsidiary ("Group") for the year ended 31 December 2025 comprising the statement of financial position as at 31 December 2025 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 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 reported to Parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Board as at 31 December 2025, 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 Opinion**

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 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 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 Board'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 Board or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16 (1) of the National Audit Act, No. 19 of 2018, the Board 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 Board.

#### **1.4 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 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 Board'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 Board'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 Board 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 Board, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Board has complied with applicable written law, or other general or special directions issued by the governing body of the Board;
- Whether the Board has performed according to its powers, functions and duties; and

- Whether the resources of the Board have been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

### 1.5 Receivables

|     | <b>Audit Observation</b>                                                                                                                                                                                                                                              | <b>Management Comments</b>                                                                                                                                                                                                                                                                                                                                                                                                                                   | <b>Recommendation</b>                                                                                                    |
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| (a) | Even though an institution that obtains parking facilities for 111 vehicles should pay an amount of Rs. 2,664,000 (8,000x3x11) as a security deposit, only Rs. 1,584,000 had been deposited. The outstanding amount of Rs. 1,080,000 had not been recovered yet.      | A private financial institution that obtains parking facilities at the Navam Mawatha vehicle park has initially credited security deposits for 66 vehicles to the Monetary Board. After that, 45 new vehicles were included, and the officer dealing with this matter at the institution was informed via email and telephone to recover the security deposit of Rs. 1,080,000 and they have informed that they will take action to pay this money promptly. | Action should be taken to recover the security deposits due and to prevent such situations from occurring in the future. |
| (b) | The non-debt balance of Rs. 108,415 due from 06 officers who have retired between approximately 1.5 and 17 years and the debt balance of Rs. 3,211,035 due from 04 officers who have retired between 1.5 and 4 years had not been recovered even by 31 December 2025. | The Head of the Division has been informed in writing to recover the relevant outstanding amounts in the future.                                                                                                                                                                                                                                                                                                                                             | Action should be taken to recover the outstanding amounts.                                                               |

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

|     | <b>Refferance to Laws, Rules, Regulations etc.</b> | <b>Non-Compliance</b>                                                              | <b>Management Comments</b>                                                | <b>Recommendation</b>                                |
|-----|----------------------------------------------------|------------------------------------------------------------------------------------|---------------------------------------------------------------------------|------------------------------------------------------|
| (a) | Employees' Trust Fund Act, No. 46 of 1980          |                                                                                    |                                                                           |                                                      |
| (i) | Section16(1)                                       | Even though the employer should pay a contribution of an amount equal to three per | Many institutions that do not pay contributions are observed and measures | In accordance with the provisions of the Act, action |

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|                                                                       | centum of the total earnings of the employee to the Fund on or before the last day of the succeeding month, 20 garment factories registered with the Board between 2001 and 2019, 15 institutions providing cleaning facilities, 29 hotels and 12 canteens in Colombo and Gampaha Districts had not paid contributions for the year 2025. Out of these institutions, 51 institutions had not been subjected to field inspections. | such as conducting field inspections, inform in writing, and taking legal action are being taken to obtain contributions from those institutions. There have been issues such as staff shortages, physical absence of institutions at their addresses, and institutions being inactive for several years, and a study is being conducted regarding a mechanism to maintain these activities without delay. | should be taken to introduce a methodology to conduct field inspections of the relevant institutions and to recover contributions from all institutions that have not paid contributions. |
| (ii) Section 16.3                                                     | Even though the contributions remitted by employers to the Board should be credited to the individual accounts of each member, by 27 April 2026, an amount of Rs. 911.27 million credited to the Board by 6612 employers from 1981 to 2024 had not been so credited. A sum of Rs. 896.74 million had been available for 6,211 members for the period from 2015 to 2024.                                                           | The balance of amount not credited by 20 May 2026 is Rs. 876,405,047. To minimize this situation in the future, it has been made mandatory to remit contributions through the online method and to provide Form II Text File through the online method.                                                                                                                                                    | Action should be taken to credit contributions to member accounts in accordance with the provisions of the Act.                                                                           |
| (b) Paragraph 03 of Circular No. 01/2021 (ii) dated 27 September 2023 | Even though the Board had acquired 90 percent of the share capital of Lanka Salt Company Limited and converted it into a subsidiary company, a series of policies regarding subsidiary companies had not yet been prepared in accordance with the provisions of the Circular.                                                                                                                                                     | Sri Lanka Institute of Development Administration (SLIDA) has been given the necessary task to prepare a series of policies regarding Lanka Salt Company Limited (the subsidiary company) and the relevant task is currently underway.                                                                                                                                                                     | Action should be taken to complete the preparation of the series of policies expeditiously.                                                                                               |

(c) Paragraph  
02 of  
Circular No.  
01/2021 (iii)  
dated 27  
September  
2023

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| (i) | Approval of the Department of Public Enterprises had not yet been obtained for Financial and Operational Procedure Manual of the Board. | Action has been taken to update the Operational Procedure Manual with the assistances of Sri Lanka Institute of Development Administration (SLIDA) and the approved Financial Procedure Manual was submitted to the Department of Public Enterprises on 23 June 2022. | Action should be taken to obtain the Approval in accordance with the provisions of the Circular. |
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| (ii) Paragraph 20 | Even though the Circular had directed that the amount of combined allowance paid according to the employee category should be paid as per the service level, the Board had taken action contrary to that. | It has been decided to submit for approval at the next meeting of the Board of Directors regarding the payment of combined allowances according to the employee category mentioned in Schedule No. 111 as stated in Section 20 of Management Services Circular No. 01/2025. | If payments have been made contrary to the provisions of the Circular, action should be taken to recover them and ensure that such a situation does not occur in the future. |
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| (d) Paragraph<br>2.4 (b) (iii)<br>of<br>Procurement<br>Guideline<br>2024 | Even though the Procurement Committee related to the process of informing members about the benefit schemes through the Independent Television Network should have decided at the first meeting itself the dates and the manner of wide publicity, the relevant dates for the issuance of procurement documents, acceptance of bid proposals, closing and opening of bids, | Even though the dates were not decided in the first procurement, dates have been given for the tasks specified in the audit paragraph in the implementation of the procurement process. Necessary steps have been taken to rectify that error from the year 2026. | Appropriate action should be taken against the officers who acted contrary to the procurement guidelines and ensure that such a situation does not occur in the future. |
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such action had not been taken in relation to the procurement process in which Rs. 15 million had been spent.

## 1.7 Non-Compliance with Tax Regulations

|     | <b>Audit Observation</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <b>Management Comments</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>Recommendation</b>                                                                                                                                                                                                                                                                                     |
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| (a) | Even though the gratuity paid by the Board during the year 2025 was Rs. 34,507,000, in calculating the assessable income from investments, an amount of Rs. 43,821,000 had been deducted as gratuity payments. As a result, the assessable income from investments had been reduced by Rs. 9,314,000 and the income tax expense and income tax liability had been reduced by Rs. 1,303,960.                                                                                                                                                                                                                                                                                                                                                                            | The gratuity payment as per the cash flow statement is Rs. 34,507,000. Since it was the actual payment made for the gratuity for the year 2025, it has been taken into account in calculating the income tax.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | The correct value should be applied in calculating the assessable income.                                                                                                                                                                                                                                 |
| (b) | As per Section 11(I) of the Inland Revenue Act, No. 24 of 2017, "In calculating a person's income from a business or investment for a year of assessment, expenses to the extent they are incurred during the year by the person and in the production of income from the business or investment, shall be deducted". In calculating the assessable income from investments for the year 2025/2026, the Board has deducted Rs. 3,110,000 given as scholarship allowances to the Grade 5 children of the members of the Fund, which was not an expenditure related to the generation of investment income, and the assessable income from the Board's investments had been reduced by Rs. 3,110,000 and the income tax expense and income tax liability by Rs. 435,400. | As per Section 7 of the Employees' Trust Fund Act, No. 46 of 1980, the welfare of employees is a primary object and it is the legal responsibility of the Board to provide services to the members to achieve that. In order to avail a scholarship benefit, the member must have paid the contributions of the Employees' Trust Fund Board for a period of 12 consecutive months before the month in which the benefit is claimed. The provision of this benefit encourages members to pay their contributions on time, which also delays the investment income to be received to the Board. Accordingly, since there is a direct nexus between the scholarship expenses and the investment income of the Board, the scholarship expenses should be treated as allowable expenses for tax purposes. | The payment of contributions is a legal requirement of the relevant employer as per the Employees' Trust Fund Act, No. 46 of 1980 and is not dependent on scholarships provided to the children of the members. Therefore, the provisions of the Act should be followed in calculating investment income. |

- (c) The Board had paid Rs. 292,550 as stamp duty for the year 2025 to the Inland Revenue Department. In filling Part 01 of the statement of stamp duty compounded, the Board had not correctly identified the types of instruments and all the stamp duties had been shown under the type of pay-in- slips”. Stamp duty has been deducted and remitted as per the relevant requirement in respect of salary payment and stamp duty has been properly adjusted as per the relevant provisions for other relevant payments. Types of instruments should be correctly identified.

## **2. Financial Review**

### **2.1 Financial Result**

In accordance with the consolidated financial statements presented, the financial result of the Group was Rs. 59,089 million in the year under review and the financial result of Board was a profit of Rs 58,899 million and correspondingly, the profits of the Group and Board were Rs. 55,200 million and Rs. 54,498 million respectively in the preceding year. Accordingly, the financial result of the Group had increased by Rs. 3,889 million and the financial result of the Board by Rs. 4,401 million respectively. This was due to the increase in the interest income of the Board by Rs. 6,947 million during the year under review.

## **3. Operational Review**

### **3.1 Management Inefficiencies**

|     | <b>Audit Observation</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <b>Management Comments</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <b>Recommendation</b>                                                                                                                                                                            |
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| (a) | The Board had implemented an audio-visual program covering the entire island in 2025 at a cost of Rs. 17.5 million regarding the benefits provided to active members, and the increase in expenditure was 45,340 percent, and the percentage of benefits received by members from the income earned by the Board in the year under review and the previous year was 0.5 and 0.6 percent respectively. Although the Board had incurred a high cost to make the members aware and taken prompt action, an analysis had not been made of the trend of applying for benefits at the end of the year and its progress and future actions had not been evaluated. | From the year 2025, audio-visual media is used to inform members covering the entire island. In previous years, due to low contributions to these advertisements, the advertising expenses have not increased, and by spending a large amount of money on the Board at once to provide broad advertising, the expenses have increased by 45,340 percent. The benefits obtained from these expenses cannot be evaluated in one year and are spread over many years. The benefits obtained from these advertisements are both quantitative and qualitative. Accordingly, it is expected to conduct a survey in the future to evaluate the quantitative and qualitative values obtained by the Board. | Follow-up activities should be carried out to achieve the objectives of the implementation of the program, and a report on evaluation of the relevant progress should be submitted to the audit. |

- (b) One of the two advertising hoardings installed on the Nawam Mawatha premises owned by the Board had been awarded to one institution continuously since 2016 and the other since 2022, without following the procurement procedures and action had not been taken so far to enter into an agreement with that institution.
- Even though the advertising hoardings were maintained by charging money, it was proposed to determine the price based on the government valuation since the value of this land, which has commercial value, was not sufficient. Therefore, it was proposed to determine the price based on the government valuation. Accordingly, a request letter was sent to the Valuation Department on 12 January 2026 to obtain the government valuation for the future activities of the Board. However, this could not be completed in a short time due to the shortage of valuation officers.
- A formal valuation report should be obtained and the possibility of obtaining more benefits than the institution through procurement should be investigated and action should be taken accordingly and an agreement should be entered into with the relevant party.
- (c) The Board purchased 761,478 shares of a private company in 2011, and its market value as at 31 December 2025 was Rs. 48,811,600. No dividends had been received on these investments from 2020 to 2024, and the dividend received in 2025 was Rs. 383,739. The Board did not enter into any stock market transactions with respect to this company during the period between 2020 and 2025, and the Board had not taken action to invest this amount in companies that would yield a productive benefit.
- The investment of the above company is in a hotel sector company in the long-term investment portfolio. A sum of Rs. 24.16 million has been received as dividend income from 2011 to 2020 from the investment of the company and Rs. 18 million has been earned as capital gains from the sale of shares in this company in 2011 and 2012. Since the tourism hotel sector became loss-making due to the Corona pandemic in 2020 and the economic recession in the country, dividends had not been declared from 2020 to 2024, and with the development of the tourism sector again from 2025, the company has also become profitable, and has received a dividend of Rs. 383,739. It is expected that dividends will be received in the coming years as well, and it is expected to be sold with capital gains when the market price of the company's shares reaches a high value.
- In investing funds, the Board should take action to invest funds in investments that can yield higher benefits.

- (d) The Board had purchased 3,302,188 shares of Sri Lanka Telecom Company Limited in the year 2002 at a cost of Rs.2,224,218,565. The amount of dividends received on these shares during the past 5 years was Rs.13,241,773. Although the sale of the shares of Sri Lanka Telecom Company has been stopped since 2008 on the instructions of the General Treasury and a period of 17 years has elapsed, the Board continues to maintain these shares without making capital gains. Maintaining the funds of this Fund consisting of contributions of the members for a long time had affected the level of benefits available to the members.
- Written instructions of the General Treasury have been received by the letter dated 25 February 2008 not to sell shares of Sri Lanka Telecom without the prior approval of the Ministry of Finance as this would affect the ownership of the Government. Therefore, the sale of shares with capital gains in the market was stopped. The actual cost of these shares was Rs. 110,340,299.24 and the actual cost per share was Rs. 33.41. The market price of SLT as at 30 April 2026 was Rs. 86.00. These shares were recorded at a high market value of Rs. 107.25 on 02 February 2026. The Board has to retain the shares without capital gains for a period of 17 years.
- In investing funds, the Board should take action to invest funds in investments that can yield higher benefits.
- (e) As per the agreement reached between the Bank of Ceylon and the Board in terms of the letter dated 06 August 2006, two deposits of Rs. 10 million and Rs. 490 million are maintained in the Bank of Ceylon for the purpose of providing cheque collection facilities. The Board had not paid attention to obtaining relatively high market interest on these deposits which have been maintained for almost 20 years. In keeping an amount of Rs. 500 million in the Bank of Ceylon continuously for such a long period, the Board had lost the opportunity to obtain a higher benefit.
- Rs.500 million has been invested in fixed deposits and repurchase agreements on an annual renewal basis as per an agreement between the Bank of Ceylon and the Board for the convenience of maintaining a main contribution collection account of the Board. At the time of annual renewal, these investments are invested in the Bank of Ceylon at a more advantageous interest rate by comparing the interest rate prevailing on that date in the 3 State Banks for repurchases and fixed deposits. A monthly service charge of Rs. 100,000 is paid by the Board from the year 2005 to the present for providing the facility.
- Since a monthly service charge of Rs. 100,000 is also paid, the Board should look into the possibility of obtaining a higher benefit and take action to invest funds in a suitable investment avenue accordingly.

### 3.2 Operational Inefficiencies

|     | <b>Audit Observation</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <b>Management Comments</b>                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>Recommendation</b>                                                   |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|
| (a) | <p>The total number of self-employed members registered with the Board at the end of the year under review was 45,400 and the number of migrant members who had obtained membership was 328. In the previous year, this number was 44,494. In the year 2025, the number of members recruited from 16 Regional Offices and the Head Office was 1226, and the number of members recruited from the Anuradhapura, Badulla, Galle, Jaffna, Kandy, Ratnapura and Vavuniya offices was less than 30. The number of inactive self-employed and migrants was 26814 and 162 respectively at the end of the year under review. It had been planned to activate 500 inactive self-employed members during the year. However, only 195 members, or about 39 percent, had been activated.</p> | <p>Written instructions have been given to the relevant divisions to prepare and implement a plan that includes strategies to increase active membership participation. The Internal Audit Division has been instructed to monitor this progress.</p>                                                                                                                                                                                                                  | <p>Strategies should be launched to increase membership.</p>            |
| (b) | <p>It had been decided to provide an opportunity to study one course out of 100 selected vocational courses for the children of members who have passed G.C.E. (A/L) subject to a maximum of Rs. 50,000. Although an amount of Rs. 42 million had been allocated in the annual budget to pay for 840 students from the year 2023, the progress in achieving the desired objectives of the Board remained at a low level due to the number of applications received in the years 2023/2024</p>                                                                                                                                                                                                                                                                                    | <p>The benefit amount provided to the selected children has been increased through the introduction of the Nipunatha Saviya and Vishwa Yathra schemes, and actions have been taken to increase the awareness of the members about this scheme through electronic media, print media and awareness programs, and it is expected to make widespread awareness in this regard in the future. It is expected that in the long term, more children will apply for this.</p> | <p>The measures taken to achieve the objectives should be developed</p> |

being 373 and in the years 2024/2025 being 84.

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| (c) | Even though the total number of employers registered with the Board as at 31 December 2025 was 235,624, the number of active employers was 84,491 or 35.8 percent at the end of the year under review. It was observed during the audit that the Board should further enhance the measures taken to further increase the number of active employers and identify new employers. | The Board has introduced various strategies to increase the number of members and relevant information has been advertised through the website of the Board, local newspapers, and advertising programs and sending notices to clients by post. After preparing a systematic plan over 05 years through the Regional Offices of the Board, the necessary activities have already been initiated to further increase the number of active employers and identify new employers.                                                               | A methodology should be introduced to monitor the activity of registered employers on a timely basis and it should be updated on a timely basis.                                                                  |
| (d) | The Committee on Public Enterprises held on 26 August 2016 had ordered that holding the post of Chairman and Executive Officer of the Board by the same person should be changed through an amendment to the Act. Although a period of 08 years has passed, it was unable to expedite the task and make the relevant amendment.                                                 | Action has been taken since 2021 to amend Section 5(2) of the Act and at present, the Board has been informed on 14 October 2025 to submit the relevant documents to the Ministry of Finance to obtain a new Cabinet approval for the future work related to the proposed amended Bill. Accordingly, the relevant Cabinet Memorandum was submitted to the Board of Directors in November 2025 and after obtaining the approval, the relevant draft Memorandum was submitted to the Secretary to the Ministry of Finance on 17 December 2025. | Action should be taken to implement the recommendations of Committee on Public Enterprises promptly.                                                                                                              |
| (e) | The total outstanding amount due from the persons who are parking vehicles at the Navam Mawatha vehicle park as at 31 December 2025 was Rs. 6,858,325, and although 90 days have passed, the outstanding amount is Rs. 3,950,000. There are 78 institutions that park vehicles on a monthly rental basis.                                                                       | In order to prevent the creation of outstanding installments, it is expected that a process for obtaining parking facilities will be developed through a methodology of making payments at the beginning of each month and making prepayments for these parking facilities.                                                                                                                                                                                                                                                                  | Measures should be taken to enter into agreements with all institutions that park vehicles on a monthly rental basis and to collect all the rents due and to prevent such a situation from arising in the future. |

However, the Board had taken action to enter into agreements with only one institution.

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| (f) | <p>As at 31 December 2025, the value of unclaimed death benefits was Rs. 29.5 million for 1,327 beneficiaries and the balance of Rs. 27.9 million for 1,295 beneficiaries in the previous year. The information of the heirs, dependents and nominees of the members had not been updated and action had not been taken to pay the relevant benefits.</p> | <p>Out of the above balance, Rs. 742,217 has been released in the year 2026 in respect of 09 people.</p> <p>These account balances arise because, in making payments to the member account balances belonging to deceased members of our Board, not all the heirs or nominees of the deceased have submitted applications to withdraw the benefit money. The annual unclaimed death benefit balance has gradually increased due to the fact that we do not have personal information on most of the heirs or nominees, as well as their being abroad. This will allow several heirs of deceased members to enjoy benefits even if this balance increases annually.</p> | <p>The information of the heirs and dependents of the members should be updated promptly and the relevant benefits should be paid.</p>                                                   |
| (g) | <p>The total balance of unclaimed general benefit accounts as at 31 December 2025 was Rs. 9.029 million, of which Rs. 4.6 million was from the period 2001 to 2024. Action had not been taken to settle these balances or to credit them back to the member account.</p>                                                                                  | <p>By 30 April 2026, an amount of Rs. 3,374,534.75 had been paid to 40 beneficiaries. A further balance of Rs. 5,654,629 remained for 448 beneficiaries. Due to the inability to contact the beneficiaries to release the funds through telephone messages and letters and the lack of interest of the beneficiaries, this money could not be released. Value of money to be received from each 280 out of the 448 beneficiaries, that is 60%, represents a balance of more than Rs. 5,000.00. Beneficiaries are being informed in this regard by making telephone calls and making settlements.</p>                                                                   | <p>Action should be taken to identify the relevant beneficiaries promptly and expedite payments and to credit the balances to member accounts for which information cannot be found.</p> |

### 3.3 Idle or Underutilized Property, Plant and Equipment

| Audit Observation                                                                                                                                                                                                                     | Management Comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Recommendation                                                                                                                                                                                                                        |
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| (a) 21 QR Code Printers worth Rs. 2,478,000 and 44 QR Code Scanners worth Rs. 2,277,572 purchased in 2023 for the new computer system project had been remained idle in the warehouse for three and a half years without being used.  | This project had been planned to commence in the second half of 2023. It was not possible to commence the operational acceptance sessions within the scheduled time as planned. Since ICTA had continuously drawn attention to the need to purchase the relevant hardware devices, the procurement has been carried out after obtaining the approval of the Line Ministry. The need for these machines will arise after the commencement of this project and it is planned to use them accordingly. | Officers in charge of the relevant project should investigate the reasons for the failure to carry out the relevant tasks, take appropriate measures, and promptly take actions to utilize the relevant assets for specific purposes. |
| (b) The two-storey building located on Navam Mawatha, owned by the Board, with a cost value of Rs. 21.41 million and an area of 19319 square feet, had not been utilized for generating any investment income as at 31 December 2025. | The building located on the Navam Mawatha land is used for the staff accommodation facilities of the vehicle park and related storage facilities and vehicle park related activities. This is used as a vehicle park due to the need for parking vehicles with a roof over a part of the building. At present, our Fund is in discussions with the Urban Development Authority to initiate building and investment projects.                                                                        | The possibilities of using the relevant building more effectively should be examined and action should be taken accordingly.                                                                                                          |

### 3.4 Delays in Projects or Capital Work

| Audit Observation                                                                                                                                                                                                                                                                                                                                                                                                 | Management Comments                                                                                                                                                                                                                                                                                                                                                     | Recommendation                                                                                                                        |
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| Even though a Memorandum of Understanding was entered into in November 2016 with the aim of completing it within 3 years in collaboration with the Information and Communication Technology Agency of Sri Lanka to develop a member-centered system to increase the efficiency and productivity of the functions and services of the Board, it has not been possible to officially implement the system live even | The delay in completing the project within the planned period of time was due to the delay caused by the Covid situation, the significant time taken to complete the Change Request (CR), several other major changes that had to be completed before the system went live, issues and errors in the system in examining the system before the commencement of OAT, and | Action should be taken to expedite the process of making the system a live operational process and to achieve the desired objectives. |

by now. Due to the non-completion of the project work within the planned time, the services of an IT consultant had also been obtained for a period of one year and an amount of Rs. 2,400,000 had been paid as allowances and the total cost incurred by the Board for the project by the end of December 2025 was Rs. 193 million. Since the project has not been successfully completed, the Board had not taken action to enter into a new agreement up to date.

the project management. An IT consultant was recruited for the project for a period of one year in 2024 and it was identified that there was a contradiction between the current business needs of the Board and the new system, and therefore the commencement of the OAT process could not be done as planned.

Since the Board of Directors of ICTA has decided to transfer the operational responsibility of the project to our Board, it is expected to take the relevant actions to enter into a new agreement after receiving the relevant approvals.

### 3.5 Human Resource Management

| Audit Observation                                                                                                                                                                                                                                                                                                                                                                          | Management Comments                                                                                                                                                                                                                                                  | Recommendation                                                                                                                                                                                  |
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| (a) In the inspection of the personal file of the officer recruited to the post of Deputy General Manager (Member Services) in the year 2021, the relevant service certificates for awarding marks for his service experience had not been filed.                                                                                                                                          | A reply letter to the letter sent to the Head of the place of work where the officer recruited to the post of Deputy General Manager (Member Services) in the year 2021 to certify his service experience has been sent. Accordingly, further action is being taken. | The reasons for not filing the service certificates should be examined and necessary action should be taken accordingly.                                                                        |
| (b) Even though in terms of Sections 1:10 of Chapter II of the Establishments Code, an Appointing Authority shall not antedate an appointment on any grounds without the approval of the Director General of Establishments, the date of appointment of a person appointed as an Assistant Administrative Officer from 01 September 2020 had been antedated with effect from 01 June 2016. | The Ministry of Finance, Planning and Economic Development has given recommendations to correct the antedate the date of promotion of the Assistant Administrative Officer appointed on 01 September 2020 and further action is being taken accordingly.             | Investigations should be made regarding taking actions contrary to the provisions of the Establishments Code and necessary action should be taken against the responsible officers accordingly. |

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| (c) | Even though the officer recommended for an acting appointment as per section 13.1.2 of Chapter II of the Establishments Code should have all the qualifications as per the approved Scheme of Recruitment, an officer who was attending to duties in a Junior Management Level Grade II post had been appointed to act in the post of Manager (Benefit Administration) (MM 1-3) with effect from 22 December 2021. | Recommendations of the Ministry of Finance, Planning and Economic Development has been received to rectify the acting of the post of Manager (Benefit Administration) given to the Junior Manager Level officer and accordingly, action will be taken to solve the issue in the future as per the decision of the Board of Directors.                        | Investigations should be made regarding taking actions contrary to the provisions of the Establishments Code and necessary action should be taken against the responsible officers accordingly. |
| (d) | Even though the approved cadre for the Internal Audit Division is 15, the actual cadre as at 31 December 2025 was 05. The post of Assistant General Manager (Internal Auditor) has been vacant since before 2023, and only 03 officers from the currently attached staff had fulfilled the necessary qualifications.                                                                                               | It is expected that the Head of the Internal Audit Division will prepare a plan regarding the future performance of the Division and provide the necessary information in writing to the Administration and Human Resources Division for future recruitment based on its staff requirements, and action will be taken to fill the vacancies in the services. | Qualified officers should be recruited for the vacant posts immediately.                                                                                                                        |

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

##### **4.1 Annual Action Plan and Progress of Targeted Activities.**

|     | <b>Audit Observation</b>                                                                                                                                                                                                                                                                                         | <b>Management Comments</b>                                                                                                                                                                                                                                                                                                                                  | <b>Recommendation</b>                                                                                                                               |
|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|
| (a) | Even though it was planned to establish service desks to provide service facilities to the members of the Fund, it had not been implemented so far.                                                                                                                                                              | A consultant has been selected to carry out this work and the relevant agreement is being analyzed to enter into a contract with him. It is expected that the work will commence as soon as it is completed.                                                                                                                                                | Immediate action should be taken to establish the planned service desks.                                                                            |
| (b) | The preparation of a new performance appraisal system included in the plan for the Administration and Human Resources Division included in the Action Plan for the year under review and obtaining the approval of the Department of Public Enterprises and the preparation of an electronic gate system for the | A new Key Performance Indicator system (KPI) has been prepared considering the performance appraisal of all the functions implemented in the entire institution and the approval of the Board of Directors has been obtained, and necessary action will be taken to implement the performance appraisal system properly after obtaining the approval of the | Approvals should be obtained in relation to the new performance appraisal system and the system should be promptly established and implemented, and |

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|     | Navam Mawatha vehicle parking center had not been completed so far.                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Department of Public Enterprises in the future. Preliminary actions are being taken to carry out the procurement activities required to install an electronic gate system for the Navam Mawatha vehicle parking center.                                                                                                                                                                                                                            | an electronic gate system should be established and implemented.                                                |
| (c) | As disclosed in the Annual Report 2024, it is stated that the Board has provided facilities to members to know the balance of their personal account through a short message. It has been reported to the audit that out of the active members of 2.6 million, 35,662 have registered with the Board to avail this service at present. Awareness on this method to obtain the facility of knowing whether one is an active member through the electronic service in applying for benefits was at a level that needed to be further developed. | Actions have been taken to provide e-service facilities to members through direct awareness of members and audio-visual media. As a result, 1938 new members have been registered within a period of 3 months and actions are being taken to inform the relevant Divisions in writing to take necessary steps to further increase. It is expected that the progress of this will be obtained quarterly and submitted to the National Audit Office. | Necessary action should be taken promptly to register members to receive relevant services by making them aware |

## 4.2 Internal Audit

|     | Audit Observation                                                                                                                                                                                                                                                                                                        | Management Comments                                                                                                                                                                                                                                                                | Recommendation                                                                                                                                                                                            |
|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (a) | Even though copies of internal audit reports should be submitted to the Auditor General in accordance with Section 134(3) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka, copies of the audit reports issued in relation to the year under review had not been submitted in this manner. | The Internal Audit Division has been given the necessary instructions to make corrections from the year 2026 and actions are being taken to submit the relevant reports as scheduled.                                                                                              | It should be ensured that necessary action is taken in relation to actions taken in contravention of the provisions of Circulars and the relevant reports are submitted in a timely manner in the future. |
| (b) | Even though the Internal Audit Division had conducted a one hundred percent audit of the pre-audit activities related to incentive allowances, bonuses and leave allowances for the staff of the Board, it had not performed the tasks of checking whether the                                                           | Since 2026, an internal audit plan has been prepared including the matters pointed out by the National Audit Office and instructions have been given to conduct audits as per the recommendation of the Audit and Management Committee and the approval of the Board of Directors. | Special attention should be paid to areas not covered by internal audit and necessary plans should be prepared and implemented to                                                                         |

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| <p>assets of the Board were protected from all types of losses, checking the fixed asset register and annual board of survey, checking their performance in fulfilling the responsibilities assigned to the Divisions of the Board, evaluating the Regional offices, updating the risk register and conducting evaluations .</p> | <p>The progress of the plan will be provided to the National Audit Office in a timely manner.</p> <p>examine the relevant areas.</p> |
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| <p>(c) Even though at least 04 Audit and Management Committee meetings should be held per year as per paragraph 4.2 of Circular No. 01/2021 dated 17 November 2021, only 02 committee meetings had been held during the year under review.</p> | <p>Necessary instructions have been given to hold Audit and Management Committee meetings as scheduled from the year 2026. The Audit and Management Committee meeting for the first quarter of the year 2026 has been held and the Audit and Management Committee meeting for the second quarter is planned to be held in June.</p> <p>Action should be taken in future to avoid these situations by acting in accordance with the provisions of the Circular.</p> |
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#### 4.3 Cyber Security Measures

| Audit Observation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Management Comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Recommendation                                                                                                                        |
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| <p>Ministry of Technology Circular No. MOT/2023/01 dated 02 May 2023 had introduced that all Government institutions should adhere to the Cyber Security Policy introduced to protect information assets from unauthorized access, interception, modification, or destruction to ensure the confidentiality, utility and reliability of information assets. In accordance with the criteria of the Circular, the establishment of Information Security Committees within the Board, the establishment of Risk Management Committees, the maintenance of Information Asset Register and the IT Asset Register, etc. had not been completed up to date.</p> | <p>Drafts are being prepared for the establishment of the Information Security Committee and the Risk Management Committee within the Board and preparations are being made to implement it after obtaining the relevant approval. A consultation is required from SLCERT regarding the preparation of the Information Asset Register and it is planned to prepare it thereafter. The Asset Register is currently being prepared. Budgetary provisions have been obtained for the year 2026 to purchase software to efficiently obtain, update and maintain the IT Asset Register.</p> | <p>Necessary Committees should be appointed and documents should be maintained in accordance with the provisions of the Circular.</p> |