

Head -221- Department of Labour

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of Labour for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 was issued to the Accounting Officer on 29 June 2022 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report was issued to the Accounting Officer on 19 August 2022 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report of the Auditor General 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, will be tabled in parliament in due course.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Department of Labour as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

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 are 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 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

The Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that 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.

1.4 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:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.
- Evaluate the 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.
- Evaluate the overall presentation, structure and content of the financial statements including 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.

1.5 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 recommendations made by me on the financial statements of the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

(a) Balances of the Advance Accounts

Audit Observation	Comment of the Accounting Officer	Recommendation
In the statement of financial performance, advance payments were Rs.103,609,362 and it should be Rs.103,607,793. Accordingly, the difference is Rs.1,569. As per the imprest reconciliation statement the balance should have been reduced by that amount.	This offense has been committed by twice taking into account an arrear loan installment of Rs.1,569 of an officer transferred in the year 2020 into account under advance payments while preparing the statement of financial performance.	Financial statements should be prepared accurately.

(b) Deposits

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(i) As on 31 December 2021, the value of employee provident fund balances in the department deposit account without crediting individual balances was Rs.301,779,837.	The settlement of deposits with a period of more than 05 years is in a very slow state, and a method of obtaining correct information of all relevant employees is in place when referring to court actions, and a method of settlement by installments has been introduced for settling new balances. Advice were given to identify the owners and settle them due to difficulty in returning the overdue general deposits credited to the government revenue.	Action should be taken to identify the balances in the general deposit account and to credit the personal accounts without any delay.
(ii) As at 31 December 2021, the value of non-EPF monies	Due to the non-submission of requisition papers for the	Action should be taken to credit the identified

payable to the beneficiaries of the account (in the C account) was Rs.82,008,172. This included Rs.79,200,752 received through judicial and non-judicial means for compensation, Rs.149,873 to be remitted to the Pension Department, Rs.68,375 to be remitted to the Inland Revenue Department, and Rs.2,589,172 to be paid to various parties.

settlement of these amounts from the relevant divisions and persons, so far the amount has to be retained in the deposit account.

balances in the general deposit account to the respective accounts without delay.

(c) Property, Plant and Equipment

 The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
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(i) The difference between the ACA-6 statement and the ACA-2(i) statement of the financial statements was Rs.215,829,631 in the value of office buildings work in progress in the year 2021, which was not accounted for in the ACA-6 statement.	The reason for the difference of Rs.215,829,631.00 between the said value is the direct debits and direct credits made by the building department through treasury prints under that expenditure code.	Financial statements should be properly prepared and monitored by responsible officers.
(ii) Office equipment worth Rs.745,000 purchased under expenditure code 221-2-4-2104 was shown as buildings and constructions in ACA-6 statement.	The amount of Rs.745,000 mentioned under the expenditure code 221-2-4-2104 is an expenditure incurred for the installation of partition walls in the building and this has been accounted as an asset under buildings and constructions in the ACA – 6 statement.	Financial statements should be properly prepared and monitored by the responsible officers.
(iii) In the ACA-6 statement, the amount of work in progress for the year 2021 was Rs.338,726,860, but the value of work in progress given to the building department in the year 2021 was	Rs.39,356,642 has been accounted for under the office building mentioned in the residential building. Corrected in April 2022 after recognition that values should be accounted for	Financial statements should be properly prepared and monitored by the responsible officers.

Rs.384,203,502. Accordingly, under WIP.
the work in progress of Rs. Office repair expenditure
45,476,642 was understated. amount of Rs.6,652,435 is
not included in the ACA-6
statement as it has been
incurred under the 2001
expenditure code.

Although the value of V.N
897 is Rs.77,926,053, its
paid value is Rs.71,371,700.

- (iv) According to the Asset Management Circular No. 01/2017 of the Ministry of Finance and Mass Media dated on 28 June 2017, the correct information about all the assets that will be purchased and disposed from the year 2018 should be submitted to the Comptroller General at the end of the relevant quarter, even though this was not done. The administration division submits the relevant information about assets such as land, buildings and vehicles to the Comptroller General. Necessary arrangements will be made to send information about machinery and office equipment assets in future. Correct information about assets should be submitted to the Comptroller General as per the circular.
- (v) Although the acquisition cost of the machinery and equipment that had been disposed of during the reviewed year should be shown under the eliminations in the statement of non-financial assets, the sales value of Rs. 2,480,673 was stated in the ACA-6 statement, so the non-financial assets were over-calculated as at 31 December 2021. It was later ascertained that the value of Rs.2,480,673 of disposed machinery and equipment as per ACA – 6 statement was not the sale value but the cost value of the asset. As confirmed by the accountant, instead of the cost of acquisition of machinery and equipment, the sales value of Rs.2,480,673 has been removed from the accounts. Action should be taken to remove the cost of assets from the accounts.

(d) Lack of Audit Evidence

Audit evidence was not submitted in respect of the following transactions.

Audit Observation	Comment of the Accounting Officer	Recommendation
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Schedules and information were not submitted for Rs.470,736,369 out of the deposit balance of	As at 31 December 2021, Non E.P.F (C) balance lists are sent by Annexure 1 and relevant balance lists of district offices are also sent	Evidence should be submitted with the financial statement to verify account

Rs.710,278,354 as at 31 by Annexure 2 With this. And balances.
December 2021. balance list relevant to the E.P.F
account will send by e-mail.

2. Financial Review

2.1 Management of Imprests

Audit Observation	Comments of the Accounting Officer	Recommendation
In accordance with State Accounts Guideline No. 2021/03 dated 26 November 2021, paragraph 7.2, comparative figures for the year 2020 were not provided in the Imprest Reconciliation Statement.	This mistake has occurred because a column was not allocated to enter the comparative figures for the year 2020 in the imprest reconciliation statement according to the format (ACA-7) given in State Accounts Guideline No. 2021/03.	Circular instructions should be followed while preparing financial statements.

2.2 Management of Expenditure

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The total allocation of Rs.7,200,000 related to 3 expenditure code was closed according to the Cabinet memorandum dated on 28 August 2021 to reduce costs and the provision of Rs.4,400,000 related to 4 expenditure codes was not 100 percent utilized in the year 2021.	Due to the covid 19 pandemic situation, no foreign travel, closure of offices, inability to conduct training programmes and inability to spend allocations due to reduction of expenses as per Cabinet Memorandum dated on 28 August 2021.	According to F.R 50, the cost estimates should be prepared as rationally and accurately as possible.
(b) According to the Cabinet memorandum dated on 28 August 2021, Rs.441,270,000 was closed from the subjects of Program 1 to reduce expenses and as at 31 December 2021, out of the provision of Rs., 1,417,295,319 the	Due to the covid 19 pandemic situation, not being able to bear the expected expenses and closed Rs.441,270,000 from the subjects of Program 1 to reduce the expenses according to the Cabinet Memorandum dated on 28.08.2021.	According to F.R.50, the cost estimates should be prepared as rationally and accurately as possible.

Rs. 1,011,083,360 that had been made in relation to 33 expenditure codes had not been utilized. Due to that savings ranged from 50 percent to 98 percent.

- (c) The estimated budget allocation for the expenditure subject 221-1-1-0-1404 was Rs.33,000,000 and the total expenditure was Rs.74,334,386. Rs.41,334,500 had been transferred under F.R 66 and the expenditure exceeded the estimated provision by 125 percent. The assessment fee of Mehewara Piyasa building is higher than the estimated value and the increase in the renewal of the lease agreements of the district offices are the reason for this. According to F.R 50, the cost estimates should be prepared as rationally and accurately as possible.

2.3 Incurring of Liabilities and Commitments

The audit observations revealed relating to liabilities and commitments are as follows.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) According to the statement of treasury accounts on 31 December 2021, the liabilities balance was Rs.92,787,487 and the liabilities balance stated in the account statements on that date was Rs.13,301,690. Accordingly, total liabilities worth Rs.47,245,030 were not taken into accounts and liabilities worth Rs.32,240,777 were accounted less than each expenditure objects.	Such changes have occurred due to non-presentation of certain debts reported to us from our department's zonal offices, district offices, sub-offices, district factory inspection engineer offices and other departments for payment.	The department must include the correct value of the accounts held by the subjects at the end of each financial year in the financial statements.
(b) The commitment of Rs.24,562,247 recorded in the treasury statement were not stated in the statement of liabilities and commitments.	This commitment has been paid in the year 2020 itself and since the settlement of commitment has not been done through treasury account statements, it is mentioned as a further commitment in SA-92. Actions are taken to correct it.	The department should include the correct value of the accounts held by the subjects at the end of each financial year in the financial statements.

- (c) There was a difference of Rs.119,218 between the liabilities in the statement of accounts and liability register under 03 expenditure codes. This error was occurred by a late error in entering information for the account statements. The values mentioned in the financial statements should be correctly recorded in the liability statement.

2.4 Non-compliance with Laws, Rules and Regulations

The audit observations revealed in this regard are as follows.

Reference to Laws, Rules and Regulations	Observation		Comments of the Accounting Officer	Recommendation
	Value	Non-compliance		
	Rs.			
(a) F.R.208	397,410,290	The Department of Labour had arranged to pay the total amount to the Building Department before the commencement of the contract due to that fact Rs.397,410,290 had been accounted as expenses without being spent.	Funds have been released for construction improvement works based on procurement decisions, building department's request and Engineer (Civil)'s recommendation.	Management should be followed the Financial regulations.
(b) Department of Labour Circulars (i) Sections 1.1, 1.1(3), 5.2 of the Labour Commissioner General's Circular No. 01/99 dated 11 February 1999		In collecting the arrears of contributions and surcharges of the Employees' Provident Fund, was not done according to the circular.	I would like to mention that the necessary instructions have been given to the Deputy Labour Commissioners regarding the proper conduct of investigations, calculations and notifications in the collection of arrears and surcharges.	The internal circulars of the department should be followed.

(ii) 3(iii) and 2(iii) of Departmental Circular No. 11/2000 dated 08 May 2000 of the Commissioner General of Labour.	Maintaining an updated register of open warrant cases, submission of quarterly reports to the Legal Action Division, implementation of a special program to execute open warrants, etc. were not done.	As at 31 December 2021, the revised total number of inactive cases are 4,393 and its financial value is Rs.2,162,338,383 and as at 31 December 2021, the revised total number of open warrant cases are 2,325 and its financial value should be Rs.914,663,606.	Should be acted according to the internal circulars of the department.
(c) Government Procurement Guidelines No. 4.3.1 (a) of 2006	Although the total cost estimate was to be prepared by the entity, the relevant estimate was prepared by the building department itself, which is the contractor.	The preparation of the estimate from the building department in relation to the construction works is done only as a consulting work, and the building department calls for bids and selects the contractors.	Should be Compliance with procurement guidelines.
(d) Standard Methods of Measurement of Building Works - SLS 573 (SLS-573 - Sri Lanka Standards 573)	Although the measurement work for the building construction should be done and the payment work should be done, the whole amount was paid to the building department at once without complying with that standard.	As it was departmental practice to pay the entire amount to the building department, the entire amount was paid. Arrangements will be made to make payments on advance release in future.	Should be complied to the standards in payment for construction

2.5 Irregular Transactions

Audit Observation	Comments of the Accounting Officer	Recommendation
As at 24 May 2022, formal rental agreements had not been entered into with 5 offices in relation to 129,799 square feet of 13 floors provided on a rental basis in the Mehewara Piyesa	Prepared to sign agreements for 5 floors provided on rental basis to Employees Trust Fund Board and directed to seek approval to enter into formal agreement with State Pharmaceutical Statutory Corporation. The formal agreement with the Department	Management should take steps to enter into formal rental agreements when renting out buildings.

Building.

of Community Corrections is being prepared.

Since the Employees' Provident Fund Division is a division under the Department of Labour, agreements have not been prepared. Taxes and rents are not collected from the Island Revenue Department, and formal agreements are being signed.

2.6 Issuance and Settlement of Advances

Audit Observation

As at 31 December 2021, the outstanding loan balance of officers between 2 and 4 years was Rs.781,108 and the balance over 5 years was Rs.1,186,675

Comments of the Accounting Officer

To write off the balances of 196,494 out of the loan balances not exceeding Rs.25,000 have been sent for the approval of the Secretary of the Ministry of Labour and Due to the lack of documents, the government has to incur more costs through litigation than the loan balance, and the balances have not been recovered from the officials. While certain loan balances are being charged from guarantors and wish to inform that proceedings of litigation are being carried out regarding the outstanding balance.

Recommendation

Arrangements should be made to recover outstanding debts without delay

2.7 Deposit Balances

Audit Observation

62 percent of the total balance of Rs. 710,278,354 as at 31 December 2021 in General Deposit Account 2, In other words, the overdue deposits of Rs.443,591,355 for more than 2 years had not been dealt with according to F.R. 571(2) and (3).

Comments of the Accounting Officer

Regarding deposits that exceed two years, F.R. 571 has been arranged to be carried out, This payment has been delayed due to various reasons. Crediting the money to the government revenue has been delayed as there is difficulty in bringing back the expired general deposits credited to the government revenue. Kindly informed that necessary actions have been taken regarding the deposits that have exceeded two years and can be credited to the government revenue.

Recommendation

Action should be taken to identify the balances in the general deposit account and to credit the relevant accounts without delay And balances not creditable to income should be disclosed in the notes to the financial statements.

3. Operating Review

3.1 Non- performance of Functions

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The complaints made by employees to the Commissioner General of Labour regarding the non-receipt of benefits, the number of unresolved complaints related to 2015 and 2020 referred to the Special Investigation Division as at 31 December 2021 was 96, which was 31 percent of the total number of complaints.	Out of the 128 unresolved complaints, 32 complaints have been resolved and in the case of unresolved complaints, Complaint parties did not appear for investigations, complaints investigations were delayed due to the covid-19 pandemic, and insufficient labour officers led to the existence of unsolved complaints.	Complaint Resolutions process should be expedited.
(b) As at 31 December 2021, the number of institutions running private Employees' Provident Funds approved under Section 27 of the Employees' Provident Fund Act No. 15 of 1958 was 117. On that day, the total balance of funds of 30 institutions was Rs.106,794,071,789. By failing to properly regulate the funds, not correctly identifying the number of registered institutions, exposing cases of non-payment of contributions and non-implementation of surcharges, Fraudulent receipt of money by the officials of those institutions, non-presentation of constitutions of employer institutions, non-action to investigate complaints, and number of members of the fund, non-active institutions/funds, balance of funds as on 31 December 2021 and non-recognition of arrears; Due to the non-presentation of formal information about the inspection of institutions, the lack of sufficient staff in the private employees'	Due to the covid-19 pandemic, closure of certain areas, suspension of departmental activities due to reporting of infected persons in the departmental staff, Not being able to call a significant number of staff to work due to provincial travel restrictions, Convening of the rest of the staff on a rotating basis, Inability to coordinate with external agencies due to imposed health guidelines Due to various reasons, it was not possible to carry out the investigations regarding the institutions belonging to the private employees' provident fund. However, carrying out relevant investigations under the limited task force that performs the duties of this department and reports are being updated and the lack of support from external organizations in providing the necessary information has hindered the proper performance	The sections of the Act on Private Employees' Provident Fund should be amended and regular procedures should be established to regulate and supervise its activities.

provident fund sector and the non-updation of the sections of the Act, various crises had arisen and the work of this sector had become inoperative.

- (c) Due to the lack of formal regulation, the officials of the Coconut Plantation Board had defrauded Rs.73,839,369 from the approved employees' provident fund and due to non-payment of contributions on the due date, United News Paper Company Limited had to pay surcharges of Rs.107 million for the three years 2019, 2020 and 2021.
- Under the Employees' Provident Fund Act, no powers have been delegated to the Labour Commissioner to check in this regard and the transfer of the funds to the Employees' Provident Fund is in progress. United News Paper Company Limited has conducted an investigation regarding the non-payment of subscriptions and is working to calculate the arrears of subscriptions and surcharges and collect those amounts in future.
- The sections of the Act on Private Employees' Provident Fund should be amended and regular procedures should be established to regulate and supervise its activities.

3.2 Delays in the Execution of Projects

Audit Observation	Comments of the Accounting Officer	Recommendation
Out of the floors where offices are set up in the building of Mehewara Piyasa, the internal construction and partitioning of 20 floors had not been done. Rs.460,326,053 was paid to the building department for the internal construction and partition works of 9 floors by 31 December 2021, but those works were not completed by 02 March 2022.	Only the interior construction works of the ground floor, 4th, 5th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 28th, 29th and 30th floors of the Mehewara Piyasa building have been assigned to the Labour Department. Currently, the interior constructions of 8th, 9th, 10th, 11th, 12th, 13th and 14th floors are being prepared.	Internal construction work should be carried out promptly and efforts should be made to maintain office work effectively and efficiently.

3.3 Projects without Progress despite the release of Money

Audit Observation	Comments of the Accounting Officer	Recommendation
As at December 31, 2021, the value of the work that has been paid for construction and improvement works but not completed work was Rs.13,120,430,059.	Will answer Later - Engineer (Civil)	Construction and improvement projects should be expedited and used effectively.

3.4 Procurements

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) 13 contracts worth Rs.397,410,290 were awarded in the year 2021 for completion from the Building Department. The following facts were revealed in this regard.</p> <p>(i) In accordance with Chapter 3 of the Government Procurement Guidelines 2006, contracts were awarded directly to the Department of Buildings without using a formal procurement process.</p> <p>(ii) Contract agreements as per 8.9.3 of the Procurement Guidelines and performance bonds as per 5.4.8 were not submitted for audit.</p> <p>(iii) The building department had awarded the subcontract to the subcontractors for less than the estimated amount. The amount lost by awarding the contract directly to the building department was Rs.370.04 million, while it could have been done at a lower cost if a contractor had been called for bids.</p> <p>(iv) In preparing estimates, based on records (BSR, SSR) and year were not included in the estimates.</p>	<p>According to F.R 787, as the responsibility for the implementation of all the designs and works of the government lies with the building department, therefore the construction work done by that department.</p> <p>To enter into agreement with the contract agencies selected by the Building Department to perform the work and the acceptance letter will be issued to the concerned institution and the performance bond will be obtained.</p> <p>In the case of construction and repairs done by the Building Department, funds must be given to start the work. As after the release of that amount, they will proceed to perform the preliminary work from the subcontractors and at that time the entire amount was released as the department had the funds as well as the provisions.</p> <p>Would like to inform that the building department will give only the estimate to our department.</p>	<p>Should comply with government procurement guidelines.</p> <p>Should comply with government procurement guidelines</p> <p>When spending government money, the management should work to use it more effectively with minimal cost in accordance with the rules and regulations.</p> <p>Should be mentioned in the list based on the schedule (BSR, SSR, HSR) and should be prepared using the code numbers used to identify the engineering estimate.</p>

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|-----|---|---|---|
| (v) | The building department will include a 5 percent management fee in preparing the estimate and award the contract to a subcontractor for less than the estimate. As the total estimated value is paid before the commencement of works, a higher contract value and an additional management fee had to bear. | Will answers later - Engineer (Civil). | When spending government money, the management should work to use it more effectively with minimal cost in accordance with the rules and regulations. |
| (b) | According to the agreement reached on 03 October 2013 with the private construction company that built the 'Mehewara Piyasa' building, it was agreed to complete the construction work in 36 months, but by the decision of the Cabinet No.CP/19/0761/101/046 dated on 27 March 2019, Arrangements were made to extend the time subject to the payment of late fees till 30 April 2019. However, as at 31 December 2021, late fees were not charged as per the agreement. As stated in the 2020 audit report, Rs.21,772,797 as late fees for 13 Interim Payment Certificates (IPC) had been paid to the respective private construction company in the year 2020, but no late fees had been collected from the company regarding the delay of the contract. | According to the Cabinet Memorandum issued by the Ministry of Labour and Trade Union Relations bearing Serial No. 15/2018 dated on 12 June 2018, as per the contractual terms of the project, late fees have not been collected from the construction contractor. The amount of Rs.21,772,797 paid as late charges for 13 Interim payment Certificates has been paid due to delay in release of money related to Interim payment Certificates. Payment of late charges has been made as per CBM/Adm1/14/2017/8 of Civil Engineer and in terms of Cl.57 paragraph of the contract agreement dated on 07 July 2021. | According to the the relevant cabinet decision, arrangements should be made to charge late fees. |

3.5 Management Weaknesses

----- Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) Although one of the main functions of the Department is	Due to the spread of the Covid-19 pandemic in the year 2021, there	Should take proper actions to settle the

to provide benefits to the owners of the Employees' Provident Fund, part of the provident funds that should be credited to the employees' contribution accounts have not been credited to those accounts for a long time due to various reasons. This had been credited to the general deposit account of the Department of Labour and the Commissioner account maintained by the Central Bank of Sri Lanka. As at 31 December 2021, the balance of the Central Bank of Sri Lanka's Labour Commissioner's Account was Rs.9,933,449,163 and by September 2021, the old balance between 5-25 years that was not settled in the Labour Commissioner's Contribution Account was Rs.4,583,817,783.

were delays in bringing relevant information from the district offices. The settlement of the Labour Commissioner's account is a tripartite cooperation between the Labour Department, the Central Bank of Sri Lanka and the employer's side, but would like to inform that the lack of sufficient support from the employer's side affects the delay in the settlement. Also, the fact that the "C" reports sent to the Central Bank of Sri Lanka have not been settled till now is also a reason for the large balance in the "Labour Commissioner" account.

outstanding contributions.

- (b) In order to settle the balance in the Central Bank of Sri Lanka's Labour Commissioner's account, a special project had been started to correct the accounts of institutions that have been credited with more than Rs. 10 million in the year 2018 and account to single accounts. A fund of Rs.920,118,836 belonging to 23 institutions should have been settled from this project. As at 7 September 2021, only Rs.44,046,527 had been settled out of Rs.262,810,466 that should have been settled in 10 institutions belonging to 09 regions. Accordingly, the percentage of non-settlement was in the range of 52 percent

In my above letter dated on 27.03.2022, I referred to you the progress of the account settlement project of companies with contribution balances of more than 10 million rupees, which was started in the year 2018, and due to the Covid-19 pandemic that lasted almost throughout the year 2021, I kindly mention that it is not possible to implement those activities promptly. I would also like to further mention that the settlements are currently being carried out.

Should take proper actions to settle the outstanding contributions.

to 100 percent and the unsettled value was Rs. 218,763,939.

- (c) As at 31 December 2021, there were 5,151 inactive cases with a financial value of Rs.3,108,693,249 and 2,822 open warrant cases with a financial value of Rs.879,249,210. These cases remained inactive for a period of 1 to 30 years from cases assigned for non-receipt of claim benefits of private sector and semi-public sector employees.
- As at 31 December 2021, the revised total number of inactive cases is 4,393 and its financial value is Rs.2,162,338,383 and as at 31 December 2021, the revised total number of open warrant cases is 2,325 and its financial value is Rs.914,663,606. And according to the revised data, as of March 31, 2022, the total number of inactive cases is 4,596 and its financial value is Rs.1,738,630,576 and the total number of open warrants is 2,958 and its financial value is Rs. 642,956,437.
- The legal actions taken to get the benefits of the rights should be expedited and the rights of the employees should be provided
- (d) The amount of EPF money recovered through litigation for more than 10 years from the courts belonging to Colombo district and not credited to individual accounts was Rs.127,700,262. The main functions of the Labour Department are not being fulfilled as the information about the payment to the relevant beneficiaries has not been entered and steps have been taken to prosecute, and the vision of the Ministry of Labour has also been adversely affected.
- As at 31 December 2021, the number of cases assigned by the Employees' Provident Fund against external institutions in the courts is 12,535 and its financial value was Rs.10,625,616,120. Also, as at 31 December 2021, the number of cases assigned by external institutions against the fund in the courts is 75 and its financial value was Rs. 233,966,799.
- Immediate action should be taken together with the Central Bank to settle the unsettle contributions.
- (e) There was arrears of Rs.171,463,000 rent from the offices established in the Mehewara Piyasa building from the date of establishment to 31 December 2021. The unused space available for more than 2 years is 102,725 square feet, of which the monthly assessed rent of 39,180 square feet was
- From the date of establishment of the Mehewara piyasa building, the related rents have been processed from the relevant institutions. The 17th floor is reserved to the State Ministry of Foreign Employment Promotion and Market Diversification
- Action should be taken to speed up the installation of offices in vacant spaces, Also taking prompt action to get rental income by providing on rental basis.

Rs.6,981,000. (Excluding floors 4, 5, 28-31) Accordingly, a rental income of Rs. 83,772,000 had been lost for the year 2021.

- (f) 36,741 square feet of unused space in the General Secretariat of Labour building has been lying idle for a period of 10 months to 02 years. A rental income of Rs.62,481,000 had been lost for the year 2021. No rent was charged from the Employees' Trust Fund Board, which was established in 1,336 square feet on the ground floor, and a small sum of Rs.225 was charged monthly as rent from the Postal Department, which was established in 840 square feet.
- (g) The Ratnapura District Labour Office was established in a rented building due to the threat of landslides and was repaired by the Building Department at an estimated cost of Rs.11,177,000. The no-risk certificate obtained by the Building Research Organization prior to the commencement of repairs and the implementation of short-term recommendations were not submitted to the audit.
- (h) The procurement committee had given recommendations for awarding 17 construction works worth Rs.77,067,802 which were not included in the procurement plan of the year 2021. Information related to the contracts awarded to the Building Department since 01 January 2018 has been requested on 29 March 2022,
- From September 2020 to August 2021, the office of the Commissioner of Workers' Compensation was maintained on the 7th floor of the General Secretariat of Labour building. From August 2021, the floor remained vacant and from 01 July 2022, it has been reserved for the State Ministry of Industry.
- A certificate confirming that there is no danger has not been obtained by the Building Research Organization before starting the repair work. Meanwhile, it has been informed that the building department does not have the knowledge for short-term recommendations in the survey report, and that expert knowledge should be obtained from the building research organization.
- I would like to inform you that since the construction works were the essential works identified in each case and requested from the relevant district offices, they are the works that could not be identified precisely during the preparation of the 2021 procurement plan.
- Actions should be taken to expedite setting up of offices in vacant premises and to generate rental income by providing them on rental basis.
- During the construction/renovation of buildings in dangerous places, the recommendations should be implemented subject to the relevant laws and quality reports should be obtained.
- The procurement plan should be properly prepared and acted upon and the information requested by the audit should be submitted by the accounting officer.

but no response has been received so far.

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| <p>(i) Information required to confirm the ownership, existence, amount, value and use of non-financial assets was requested in the letter No. LSW/B/LD/01/2022/INF21 dated on 15 March 2022, but the information was not submitted to the audit.</p> | <p>Information on non-financial assets is included in the CIGAS program and the detailed document on values by type of fixed assets is over 700 pages and is difficult to print, so a soft copy can be provided.</p> | <p>According to section 7 of the National Audit Act, the information requested by the Auditor-General must be correctly submitted by the accounting officer.</p> |
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4. Good Governance

4.1 Internal Audit

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
<p>(a) Due to non- monitoring of the Common Evidence register maintained by the labour offices of the department, during the internal audit investigations, there had been huge time delays in sending notices, filing cases, taking action on petitions.</p>	<p>During the relevant period (2020 – 2021) due to the covid-19 situation in the country, all the staff were not called at the same time. Also, due to the movement restrictions that continued during the relevant period, it was practically difficult to summon the department employees to perform their duties as well as the employees who needed to handle the complaints at the same time. Also, the postal work for prosecution was also blocked due to the above facts.</p>	<p>The management should pay attention to the matters pointed out by the internal audit and take formal actions.</p>
<p>(b) There were 503 pending petitions pending investigation in 03 Zonal Labour Offices and the period of delay ranged from 458 days to 1146 days.</p>		<p>Actions should be taken by paying attention to the matters pointed out by the internal audit.</p>

5. Human Resource Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) As at 31 December of the year under review, the approved number of employees in the department was 3,121, but the actual number of employees was 2,593 and there were 528 vacancies.	Although there are 528 vacancies as at 31 December 2021, the vacancies in the Sri Lanka Administrative Service, Sri Lanka Engineering Service and Public Management Service are to be filled by the Ministry of Public Administration and the vacancies of departmental officers are filled by the Department.	Efforts should be made to maintain the human resource optimally and efficiently so that the desired role of the department can be implemented more efficiently.