

## **Head 193- Ministry of Labour and Foreign Employment**

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### **1. Financial Statements**

#### **1.1 Opinion**

Head 193 The audit of the financial statements of the Ministry of Labour and Foreign Employment for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 Ministry was issued to the Chief Accounting Officer on 31 May 2024 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Ministry was issued to the Chief Accounting Officer on 28 June 2024 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

The financial statements give a true and fair view of the financial position of the Ministry of Labour and Foreign Employment as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

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

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 Chief Accounting Officer are 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 Ministry 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 Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Ministry 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 Ministry'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 Chief 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) and Section 38 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) Reconciliation Statements on Advances to Public Officers Account

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
(i) A balance of Rs.1,746,710 should be collected from the officers who have left the service of the Labour division, Foreign Employment Division and National Productivity Secretariat office on 31 December 2023. It was observed that there are balances of Rs.393,914 between 5 and 10 years and Rs.138,501 between 10 and 20 years.	Actions have been taken to collect the debt by informing the through Divisional Secretaries, village officials and some balances are being collected.	Appropriate action should be taken to recover the loan balances.
(ii) The disaster loan balance of Rs.230,300 of an officer who died on 29 December 2022 while working in the labour department had not been recovered by 31 December 2023.	After informing the family members about the disaster loan balance of Rs.230,300, It has been verbally informed to settle but it has not been settled yet. However, as per Section 4.5 of Chapter xxiv of the Establishment Code, the guarantors have been informed about the recovery by the guarantors by now and actions will be taken to recover.	Appropriate action should be taken to recover the loan balance.

**2. Financial Review**

**2.1 Management of Expenditure**

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
100 percent savings of Rs.16,400,000 was observed, provided for 4 capital expenditure codes. Meanwhile, there was a provision of Rs.5,000,000 provided for setting up the office of the National Institute of Labour Studies and a provision of Rs.10,000,000 provided for the allocation of internal rooms on the 17th floor.	That although provision was made for allotment of internal rooms on the 17th floor, this provision was remained as the work was to be done at minimum cost.	The provision made should be used with maximum efficiency.

**2.2 Non-compliance with Laws, Rules and Regulations**

Reference to Laws, Rules and Regulations	Observation Value Rs.	Non-compliance	Comments of the Chief Accounting Officer	Recommendation	
(a)	F.R 104(4)	1,665,178	Although a full investigation report related to the loss should be submitted within 3 months from the date of loss / from the date of its detection, even though more than 2 years have passed since the financial fraud of Rs.5,133,519 in the salary processing of the National Productivity Secretariat office. No action had been taken to dealt with in this regard. And an amount of Rs.1,665,178 had to be recovered.	In relation to the above financial fraud, an initial report was prepared by a committee appointed by the former director according to F.R. 104 and the report was received for the related activities and the recovery activities related to the financial fraud will be carried out according to the orders given by the court.	Institutional investigations regarding losses should be done in accordance with F.R.

<p>(b) F.R 610 and State Accounts Circular bearing No. 30/94 dated on 20 April 1994</p>	<p>An allocation of USD 40,000 had been approved in the year 2021 to establish organic fertilizer production projects in three districts under the assistance of the Asian Productivity Organization aids. Without complying with the circular instructions, 28,000 US Dollars (Rs.5,699,900) of this aid money were held in the bank accounts of the Productivity Secretariat office.</p>	<p>Under this, all the aid money for the projects carried out so far had been directed to the bank accounts of the National Productivity Secretariat office by the Asian Productivity Organization. However, as pointed out in the audit, arrangements have been made by now to get the foreign aid money to the National Productivity Secretariat office through the Treasury by creating relevant expenditure heads, received for the projects.</p>	<p>Foreign aid should be dealt with in accordance with financial regulations and circulars.</p>
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### 3. Operating Review

#### 3.1 Vision and Mission

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
<p>(a) Although measures have been taken to perform the tasks of policy, program formulation, implementation and follow-up evaluation related to the subjects of the institutions under the Ministry and the administration of the Employees' Provident Fund and to perform the duties which are stated as the main functions of the Ministry, The following roles were not formally completed.</p>		

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| (i)   | Implementation of National Manpower and Employment Policy in Sri Lanka.  | The Sri Lanka's National Policy On emigration For Jobs and Action Plan were approved by the Cabinet on 12.09.2023 and it was started on 25.10.2023. The National Advisory Committee on emigration for Employment, which is the monitoring mechanism at the national level for the implementation of the national policy, has been established by now and several awareness programs have been conducted for the relevant parties   | Actions should be taken to fulfill the objectives and the roles.  |
| (ii)  | Amendment of sections and Regulations of the Employees' Provident Fund Act No. 15 of 1958 for the Administration of Private Provident Funds. | A committee has been appointed to regulate the activities required for the amendment of the Act and to carry out the necessary activities to increase the provisions. That this is expected to amend the sections and regulations of the Act and to streamline the process of filing lawsuits.   | Necessary rules should be framed for the administration of funds. |
| (iii) | Implementation of special programs for the people who are returning to the island after working abroad to start businesses.                  | A multi-purpose loan scheme has been introduced to start businesses for migrant workers returning to Sri Lanka after completing their foreign employment.<br><br>Development plans are prepared for identified family units that require special attention to go abroad.<br><br>A training program on entrepreneurship development and financial literacy for field officers who contribute to the emigrant workers to return to the society in the southern province, as a pilot program, business plans were prepared for 29 emigrant workers in the southern province. Organizing by International Organization for | A formal program should be implemented.                           |

Migration (IOM) and Sri Lanka Institute of Helvitas in coordination with our ministry.

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| (iv) | Amendment of Foreign Employment Bureau Act No. 21 of 1985.                 | Cabinet approval for the amendment of the Act was obtained for the first time on 24.04.2023. By now, the Drafting Department has prepared the basic draft and after revising that basic draft from time to time, a discussion on the amendments was held on 14.05.2024 for the last time. After providing the Attorney General's clearance report to the final draft, the approval of the Cabinet can be obtained again and submitted for parliamentary approval.  | Ordinances should be amended according to the needs of the time. |
| (v)  | Reforms in labour laws to suit current needs. (Unified Labour Law Reforms) | 7 rounds of discussions were conducted between trade unions, employers and including other interested parties for the reform of labour laws to suit the current needs. The approval of the cabinet has been obtained On 07.08.2023, to amend 13 existing acts and to prepare an Employment Act with new matters to be included to suit the current world of work. The preliminary draft prepared by a committee is being monitored by the Drafting Department. As soon as the final draft is received, the approval of the cabinet can be obtained and submitted for parliamentary approval. | Necessary amendments should be done.                             |

### 3.2 Non-achievement of expected Output Level

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
(a) The development officers of the foreign employment department throughout the	Development officers prepare development plans and care plans for	The labour protection program should be

island wide are conducting registration under the "Labour protection" program according to the wishes of the workers, but it was not confirmed what benefits the families of the registered workers will receive under this program.

registered labour families under this program as required.

conducted in a formal and effective manner.

Development Plans - According to the foreign worker's goal of going abroad, the necessary support is provided to prepare and a follow-up is being done on its implementation.

Care Plans - When going abroad for jobs, women with unmarried children between the ages of 2-18 years must submit a suitable plan for the care of minor children. In addition to this, care plans will be prepared and implemented in order to save those who may be at risk to the society.

(b) It was revealed that the compensation process has been delayed because the Civil Procedure Code, the Criminal Procedure Code and the Evidence Ordinance Act should be applied and fair and justice opportunities should be given to both parties under the provisions of the Workmen's Compensation Ordinance No. 19 of 1934, in proceedings in the workers' Compensation Court on behalf of an employee who suffers an accident or death. According to the information related to the 52 files submitted to the audit in the year 2023, it was observed that cases were called 20-43 times over a period of 4-12 years. Among these, there were 08 files related to fatal accidents, but the related processes had not been completed.

In accordance with the Workers' Compensation Ordinance act, in the event of an accident or occupational disease in the course of employment, the compensation due under the Compensation Act can be recovered immediately without delay if the employer agrees to pay the compensation. In cases where the respondent does not agree, court action is required and delays occur.

The process of compensation to workers affected by calamities should be streamlined and efficient.

(c) Although the court decided that the compensation should be entitled to the aggrieved party while working, due to the employer's non-payment of compensation according to the relevant order, the amount of unpaid compensation to the

In cases of non-payment of compensation on the order of the Workers' Compensation Court, a warrant is issued under the Workers' Compensation Ordinance to seize the respondent's property. The

The process of compensation to workers affected by calamities should be streamlined and efficient.

employees was Rs.12,344,117 as at 31 December 2023, due to 54 cases. Among this, there were 11 cases that exceeded 10 years after the warrants were issued, 22 cases between 5-10 years and 11 cases between 1-4 years.

jurisdiction to execute the said warrant lies with the Magistrate Court in the area where the respondent resides. Workers' Compensation Commissioner according to the Magistrate's powers, the decision given by the Workers' Compensation Commissioner will be considered as a decision given by a Magistrate's Court in the relevant area and implemented by the Registrar of the relevant court. Accordingly, the requesting party should come forward and provide support to the fiscal officers in the Magistrate's Court for activities such as pointing out the property of the respondent, auctioning the prohibited property and collecting compensation. It has not been possible to recover the compensation related to 54 warrant cases due to the non-appearance of the applicants for those activities.

- (d) Although the compensation due to the minor children of employees who die due to fatal accidents at work should be invested in a fixed deposit in the name of Commissioner of Compensation in the National Savings Bank until they attain the age of majority and release to them on reaching the age of majority; In this way, the value of un exempted fixed deposits in relation to the 110 minor accounts was Rs.638,296 even though they reached the age of 40 years. As per balance confirmations of the said accounts on 28 October 2021, the value with interest was Rs.3,383,043. Turned age of 18 in the year 2021 but the amount of Rs.235,000 not released and turned age of 18 in the year 2022, the value of fixed deposit not released was Rs.375,000.

The fixed deposit value of Rs.614,996 related to the 109 minors who have reached full age by now nearly 40 years not released and related to those accounts value with interest is Rs.3,351,582 Turned age 18 in year 2021, there were 02 files not released, Worth of those files is Rs.200,000 Turned age 18 in year 2022, value of fixed deposit not released, related to 02 files is Rs.150,000 It is not possible to release the compensation due to reasons such as non-presentation of national identity cards to prove the identity of the persons entitled to compensation, deficiencies in the documents, inability to identify the current addresses

Necessary actions should be taken to release the compensation.

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| <p>(e) Claims made to the Commissioner of Workers' Compensation for compensation by a worker or his dependents related to fatal and non-fatal accidents, the lawsuits will be reached when the employer does not respond favorably within 6 weeks, However, in the inspection of 35 files, there were 11 cases where it took 11 to 115 months for the client to apply for litigation and summon the first case.</p> | <p>At the time of court appearance, the respondent should be named correctly, information must be properly recorded and an accurate medical certificate should be presented. Or there may be a rejection at the compensation court or at the appellate court, so time has been spent to get the accurate information before going to court.</p> | <p>Necessary actions should be taken to expedite the process of compensation to the aggrieved workers.</p> |
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### 3.3 Foreign Aid Projects

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
<p>(a) The Asian Productivity Organization had agreed to grant an aid of USD 90,000 for the project of distributing medical equipment to Mahiyangana and Theldeniya hospitals. For the implementation of this project, 63,000 USD was received in advance in the year 2021. USD 27,000 received for another project (fertilizer project) was spent to complete the project. Although the medical equipment distribution project was completed in April 2023, due to the delay in the reimbursement process, Until now, it was not possible to reimburse this amount. Due to the necessary procurement activities were not organized promptly, therefore it was not possible to purchase two basically planned items, and in a situation where the foreign exchange rate continued to decline from the year 2021 to the year 2023, an expense of USD 2,221 had to be incurred more than the approved aid amount.</p>	<p>The amount of USD 27,000, which was spent by other projects for the distribution of medical equipment to Mahiyangana and Theldeniya hospitals with the support of Asian Productivity Organization aids, has now been reimbursed to the Treasury by the Asian Productivity Organization in terms of state account circulars.</p>	<p>Expenditure incurred more than the approved provision should be dealt with.</p>

- (b) In the year 2021, the Asian Productivity Organization had given 28,000 USD as an advance out of the approved aid amount of 40,000 USD for the implementation of an organic fertilizer project. The procurement activities of this project had been delayed until December 2022 and Out of the aid money Rs.2,091,854 was spent on a project at Mahiyangana Base Hospital and Rs.31,960 was on a project at Theldeniya Hospital. Out of the rest, Rs.1,671,874 was spent to buy air tickets to go for overseas training in Thailand and Pakistan and the expected objectives of the project were not fulfilled.
- It was submitted to the General Assembly of the Asian Productivity Organization to further extend the period of this project from July 2022, which could not be completed from June 2021, and it was approved on 04.07.2022. However, the amount of US\$ 28000 received for that project in the year 2022 was spent on the Mahiangana Base Hospital project and Theldeniya Hospital project which were in operation at the time of the year-end accounting. The rest of the money was spent on buying air tickets. However, for the remaining USD 12,000 of this organic fertilizer project, work items have now been completed. Accordingly, the remaining amount has been billed for reimbursement and forwarded to the Asian Productivity Organization dated 08/04/2024.
- Foreign aid money should be spent to achieve desired objectives.

### 3.4 Uneconomic Transactions

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(a) For the maintenance of the e- breeze computer system, which was procured at an initial cost of Rs.1,465,200 in 2015, the productivity secretariat had spent Rs.4,852,095 by the end of the year 2023. The system was used for human resource management and SMS services at the head office. The amount used for this purpose was not economically effective due to the non-use of this software effectively due to the non-use of the productivity secretarial development officers working throughout the island in more effective activities such as administration, training, leave management.</p>	<p>At present the e -breeze system is fully used for leave management and additionally for mail management from May this year. In addition, the necessary activities to use the system for warehouse management activities are being carried out. Also, the e-breeze system has been connected to the fingerprint machine and now, instead of manually summarizing the leave, efforts are being made to get the officers' leave summary reports through the system. In the future, it is expected to be used for the progress of productivity development officers across the island wide.</p>	<p>Resources should be used effectively.</p>

- (b) For the Setsiripaya Second Phase, 10th Floor Premises, where the productivity Secretariat office is maintained, the cost per square foot for rent and service charges for the period from January 2023 to January 2025 had increased by 50 percent. For this, the institute had contracted with a private company. The monthly rent is Rs.3,548,342 from the year 2023 and the annual rent value is Rs.30,578,901. In order to reduce the above rents, attention was not paid to obtaining a premises from the space owned by the Department of Labour under the Ministry of Labour and Foreign Employment.
- In the meeting to inquire about the progress of the Ministry's main output areas on 30.04.2024 under the chairmanship of the Minister of Labour and Foreign Employment, After carrying out the repairs to be done in the General Secretariat of Labour building, it was discussed about moving of the National Productivity Secretariat office to that premises.
- It should be done in such a way that costs are minimized.

### 3.5 Management Weaknesses

The following observations are made.

#### **Audit Observation**

Due to the fact that administrative information such as date of submission of applications for compensation, nature of accident, date of summons, date of trial, deposit of compensation money etc. is not included in a computer system, files and documents should be physically checked to verify the information. Due to this, it is difficult to get the information in the files quickly and also there is a risk of not being able to get the information due to misplacing a file.

#### **Comments of the Chief Accounting Officer**

Separate records of all compensation courts are maintained up-to-date.

#### **Recommendation**

Actions should be taken to facilitate administrative work by computerizing information.

#### 4. Good Governance

##### 4.1 Rendering of Services to the Public

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
According to Section 13(1) of Part IV of the Workers' Compensation Amendment Act No. 10 of 2005, the amount of compensation deposited to the Commissioner of Compensation should be distributed to the persons entitled to it, but the compensation amount of Rs.4,689,859 held in the general deposit account was not distributed by 31 December 2023.	The compensation deposited to the Commissioner of Compensation, but not yet distributed, held in the general deposit account is Rs.3,074,493. In this amount, there is an amount of Rs.1,155,996 which has been deposited in relation to 04 files for more than 06 months.	Arrangements should be made to provide the benefits to the aggrieved labours promptly.

##### 4.2 Internal Audit

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>								
(a) Although appointments made in terms of section 40 of the National Audit Act to ensure that the responsibility of the Chief Accounting Officers is fulfilled in terms of sections 38 (b) and (e) of the National Audit Act And internal audits should be conducted as per F.R.133 and 134, But in the year 2023, it was not observed that formal internal audit programs had been implemented in the National Institute of Occupational Safety and Health, Shrama Vasana Fund, and National Institute of Labour Studies under the supervision of the Ministry.	<p>The internal audits of the following institutions have been conducted for the year 2023, as follows.</p> <table border="1"><thead><tr><th><u>Institute</u></th><th><u>Number of audits conducted</u></th></tr></thead><tbody><tr><td>Department of Manpower and Employment</td><td>13</td></tr><tr><td>National Institute for Occupational Safety and Health</td><td>01</td></tr><tr><td>National institute of Labour Studies</td><td>02</td></tr></tbody></table> <p>Also, through the quarterly reports of the Chief Internal Auditor in the year 2023 and in the Audit and Management Committee, the financial and organizational activities of these institutions have been monitored.</p> <p>Audits have not been conducted in</p>	<u>Institute</u>	<u>Number of audits conducted</u>	Department of Manpower and Employment	13	National Institute for Occupational Safety and Health	01	National institute of Labour Studies	02	Internal audit should be done properly.
<u>Institute</u>	<u>Number of audits conducted</u>									
Department of Manpower and Employment	13									
National Institute for Occupational Safety and Health	01									
National institute of Labour Studies	02									

the year 2023 as the post of Internal Auditor of Shrama Vasana Fund under the Ministry of Labour and Foreign Employment is vacant. The arrangements are being made to fill the said vacancy. The financial and organizational affairs of this institution have been monitored through the quarterly reports of the Chief Internal Auditor and within the Audit and Management Committee of the Ministry and the Audit and Management Committee of Shrama Vasana Fund.

**5. Human Resource Management  
Audit Observation**

Since 2015, there has been a shortage of officials for the position of Additional Commissioner of Workers' Compensation, a judicial officer appointed by the Judicial Service Commission of the Workers' Compensation Commissioner's Office, and Assistant Compensation Commissioner (Administration), a position in the Sri Lanka Administrative Service.

**Comments of the Chief Accounting Officer**

There are 03 Judicial Officer Posts in the Workmen's Compensation Commissioner's Office. These are the posts of Workers' Compensation Commissioner/Additional Magistrate, Additional Workers' Compensation Commissioner/Additional Magistrate and Deputy Workers' Compensation Commissioner/Additional Magistrate. The appointing authority for these posts is the Judicial Service Commission and decisions regarding the appointment are made by the Judicial Service Commission.

The post of Assistant Workers' Compensation Commissioner (Administration) is a post related to the Sri Lanka Administrative Service and no appointment has been made for that post for a long time by the relevant authorities.

**Recommendation**

Necessary action should be taken to recruit officers.