

Head 221 Department of Labour

1. Financial Statements

1.1 Qualified Opinion

Head 221- The audit of the financial statements of the Department of Labour 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 Department was issued to the Accounting Officer on 09 July 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 Department was issued to the Accounting Officer on 23 July 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.

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 2023, 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 responsibilities 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 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 Department 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) 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

Audit Observation	Comments of the Accounting Officer	Recommendation
(i) At the end of the year under review, the balance of debt due from retired and dismissed officers was Rs.2,202,325, of which a balance of Rs.129,316 was over 20 years.	By this loan balance, a loan balance of Rs.514,775 has been charged so far as at 31 December 2023.	Continuous action should be taken to recover the outstanding balances.
(ii) The loan balances to be collected from the suspended officers was Rs.957,800 of which Rs.61,050 balances were between 1-3 years and Rs.138,040 balances were between 3-5 years.	A debt balance of Rs.514,775 has been collected from the debt balance of the retired, dismissed, terminated and suspended officers as at 31 December 2023. Due balances are not recoverable due to lack of guarantors, inability to confirm residence of certain officers, inability to file lawsuits due to high cost.	Continuous action should be taken to recover the outstanding balances.
(iii) Outstanding balances of 12 retired officers were exceeded more than 3 years.	That the irrecoverable loan balances will be written off from these loan balances before 31.12.2024 as per (4) (i) of State Finance Circular 01/2024 dated 29.05.2024 to deal with the outstanding balances.	Continuous action should be taken to recover the dues and the remaining balance should be dealt with as per the circular provisions.
(iv) The balance of debt due from 6 deceased officers was Rs.513,432 among that Rs.379,472 was between 1-3 years and Rs.133,960 was between 3-5 years.	That the irrecoverable loan balances will be written off from these loan balances before 31.12.2024 as per (4) (i) of State Finance Circular 01/2024 dated 29.05.2024 to deal with the outstanding balances.	Maximum actions should be taken to collect the loan balances and regarding the remaining balances should be dealt with as per circular provisions.

(b) Deposits

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>(i) The balance of the department's tender deposit account as at 31 December 2023 was Rs.68,566,929 and in that balance Rs.67,098,666 were overdue deposits of more than two years. Out of the said deposit balance, the balance of Rs.67,018,647 was revealed to be the deposit made for the construction of the Mehewara Piyasa building.</p>	<p>As at 31 December 2023 in the tender deposit account of the department was Rs.68,566,929 and in that balance, the amount of Rs.67,098,666 is the balance exceeding 02 years. Out of that, from the deposit balance of Rs.67,018,647 related to the construction of the Mehewara Piyasa building, there is currently a balance of Rs.16,327,781 remaining.</p>	<p>Deposit account balances should be dealt with as per financial regulations.</p>
<p>(ii) During the year under review, the unsettled deposit balance of Rs.894,089,604 in the general deposit accounts belonging to the Labour Department and District Labour Offices was held without crediting the respective individual accounts. Among these balances, the balance over 10 years was Rs.71,131,941 and the balance over 2 years was Rs.177,155,982.</p>	<p>That the Magistrate Courts of Colombo have appointed a fixed committee for the settlement of the collections received through the Employees' Provident Fund recovery division to the General Deposit Account and formal procedures are already being prepared for the settlement of the balance over 02 years.</p>	<p>General deposit balances should be settled and actions should be taken to make payments to members.</p>

(c) Property, Plant and Equipment

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>Assets worth Rs.22,462,587 purchased under the Information System Empowerment Project of the Employees' Provident Fund Division were recorded as asset purchases of the department in the year 2023, and were also reported as assets in the financial statements of the Employees' Provident Fund in the year 2023.</p>	<p>Steps will be taken to provide answers as soon as possible as instructions have been sought from the Department of State Accounts in this regard.</p>	<p>Arrangements should be made to settle the asset balances.</p>

(d) Imprest Balance

Audit Observation	Comment of the Accounting Officer	Recommendation
A difference of Rs.193,403 was observed between the balance of credits made to Advance 'B' Account by other heads in the Advance Reconciliation Statement and the credits as per Treasury Statements.	That this error has occurred in the calculation of debits and credits made to Advance B account by other heads and arrangements will be made to avoid such errors from now on.	The imprest balances should be properly accounted for.

(f) Non-maintenance of Registers and Books

Audit Observation	Comment of the Accounting Officer	Recommendation
Records of Losses It was observed that although the department had maintained a document related to losses damages, the information of the district and regional offices had not been kept up-to-date in that document.	That the department maintains a register of damages and losses, and Actions are taking to update and maintain the information in the district and regional offices.	Documents should be maintained up to date.

2. Financial Review

2.1 Management of Expenditure

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) It was observed that hundred percent of provision savings due to no expenditure was incurred during the year under review from the provisions of Rs.126,000,000 made in relation to 2 expenditure codes.	Related to expenditure code 221-1-1-2-2104-66 documents required to pay the final bill related to the construction of the Mehewara Piyasa building have not been approved and sent by the project consulting firm, Due to this, this provisions and as per the national budget circular 3/2022 related to the expenditure code of 221-1-1-2-2102-11, it was not possible to make use of this provision due to the limitation of capital expenditure and no need of urgent purchase.	The allocated provisions should be well utilized.

- (b) Only Rs.102,105,930 had been utilized out of the provision of Rs.1,381,150,000 provided to 14 expenditure codes by the end of the year under review. The percentage of this balance ranged from 48 percent to 97 percent.
- Delay in preparation of procurement documents and inability to perform planned works as expected. As per the National Budget Circular 3/2022 due to the limitation of capital expenditure and there was no need for urgent purchases.
- The allocated provisions should be used efficiently and effectively.

2.2 Non-compliance with Laws, Rules and Regulations

Reference to Laws, Rules and Regulations	Observation		Comments of the Accounting Officer	Recommendation
	Value	Non-compliance		
(a) F.R. 770(4)	Rs.	A special survey board was appointed to identify dilapidated and unusable vehicles in government institutions and vehicles that are in running condition but are not economically productive or should be recognized the vehicles that are to be disposed due to some other special reasons, but this had not been done.	According to the provisions of Asset Management Circular 05/2020 and State Finance Circular 01/2020, a committee of five persons has been appointed on 30.05.2024 to deal with the vehicles that have been taken out of service in the Department of Labour, and further work will be carried out regarding the disposal of vehicles.	It should be acted in accordance with financial regulations.
(b) 8.9.3 of the Code of Procurement Guidelines		Although formal contract agreements should be entered into during the awarding of contracts, in 09 cases the Department of Labour had paid money for the contracts amounting to Rs.480,719,000 which was the pre-estimated amount of the Building Department. Department	No money or provision will be made to the Department of Buildings as the consulting services firms and contractors are selected by the Department of Labour following procurement guidelines.	It should be done in accordance with Procurement guideline.

of Building had transferred these works to the sub-contractors to the amount of Rs.272,689,000. This difference in cost was attributed to obtaining of service activities, but there was no proper supervision by the Department of Labour.

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| (c) | Chapter 3 of code of Procurement Guidelines | 22 contracts worth Rs.346,651,027 were directly awarded to the Department of Building on 22 occasions without following the procurement guidelines for carrying out the necessary construction work in the Department of Labour and Regional Offices. | From the year 2023, the Department of Labour has stopped directly awarding construction works as before by giving money or allocation to the Department of Buildings and to obtain only the consultancy service from the Department of Building and to pay the consultancy fees for the same to that department and the Department of Labour has made efforts to select contractors through the procurement system. | It should be done in accordance with Procurement guideline. |
| (d) | Special Gazette No. 2142/90 dated on 27 September 2019 | As per the provisions of the gazette, the process of factory registration and steam boiler registration was minimal. | Already done satisfactorily, registration documents are being maintained at District Factory Inspector Engineer office level and reminders are being sent through e-mail and post to increase registration. And also preliminary study is being done to include other data including boiler registration of District factory inspector engineer office as one module of the Department of Labour data system. | The boiler registration process should be done properly. |

2.3 Recovery of Taxes on Contracts

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) An amount of Rs.60,005,000 was paid on 31 March 2022 for the first floor of the interior construction of the Labour Secretariat building of the Department of Labour. Although Rs.37,632,000 of the money given to this project which was allocated for the interior construction of the 12th and 16th floors of the Mehewara Piyasa building, and a contract of Rs.99,637,000 were transferred and added, no progress was observed in that work until 31 December 2023.	According to the report of the progress review meeting held by all the parties together on 08.01.2024, a physical progress of 95% has been achieved so far. However, the newly supplied and installed aluminum window frames which were found to be defective during the construction acceptance inspection were not initially identified. At present, the tasks such as the installation of Manageable Switches that can be connected to the fiber internet supply identified with the new technology have been resolved promptly and the work necessary to be completed is currently being done.	Construction contracts should be done with proper supervision.

3. Operating Review

3.1 Projects abandoned without completing

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) An amount of Rs.72,000,000 had been paid to the Department of Building on 30 December 2021 for the interior construction of the 04th floor cafeteria in Mehewara piyasa., this work had not been done by 31 December 2023, and out of this amount, Rs. 67,957,507 had been transferred back to the Department of Labour. The expected tasks of the project have not been fulfilled so far.	Rs.72,000,000 has been given to prepare the internal structure of the canteen on the 04th floor of the Mehewara Piyasa building, and out of that amount Rs.3,968,000 has been used to set up partitions in the main operating room of the Mehewara Piyasa Building. The remaining amount has been returned by the Department of Building on 31.12.2023.	Expected task should be fulfilled through the project.

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| (b) | Although Rs.31,000,000 was paid on 17 February 2022 based on the estimate presented by the Department of Building to improve the service facilities of the Kegalle District Labour Office, the said work has not been completed so far. | This work was stopped midway due to the Covid pandemic situation and economic crisis in the country. Then due to the increase in the price of goods and raw materials in the market, the estimates will be revised only for the essential works to be done and the service facilities on the ground floor of the building will be improved. | Arrangements should be made to finish the provisions provided tasks. |
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With the rest of the allocation, the necessary procurement work is being done to prepare a public waiting area and after the completion of the work, the remaining money will be handed over to the Department of Labour.

3.2 Delays in the Execution of Projects

Audit Observation

Out of 06 construction contracts worth Rs.127,687,802 assigned to the Department of Building in the year 2021, 4 works worth Rs.48,663,802 were not completed. The task of interior design of the 4th floor canteen, which was offered on a cost estimate of Rs.72,000,000, was not completed, and from that allocation, an allocation of Rs.3,968,000 was made for the partitioning of the main operating room of the building.

Comments of the Accounting Officer

That the ongoing works will be completed by the end of this year.

Recommendation

The works assigned to the Department of Building should be completed.

3.3 Assets Management

Audit Observation

- (a) In order to fulfill the printing functions of the department, a printing machine was purchased in December 2007 at a cost of

Comments of the Accounting Officer

Since the Department of Labour did not have qualified officers to operate the equipment mentioned here, A request was submitted to the Department of

Recommendation

Actions should be taken to use the resources of the department with

Rs.21,884,083 and in addition to that there were a working computer, a laptop computer, a binding machine and a paper cutter. Due to the lack of permanent staff and raw materials to perform the duties of the printing department of this press, the said resources remained underutilized from the year 2018.

Management Services to approve new positions and it was informed that it would be considered during the staff review and no positive response was received.

maximum efficiency.

- (b) Although the Hambantota District Labour Office and Tourist Bungalow had been repaired at a cost of Rs.7,855,576, the Tourist Bungalow remained unused due to non-procurement of necessary wooden furniture and equipment.
- As per the National Budget Circular 03/2022, the purchase of goods has been temporarily suspended, so procurement activities have not been done to buy wooden furniture and equipment for Hambantota District Labour Office and Tourist Bungalow. Also, since instructions have been received to provide the office buildings that are not currently being used for the establishment of other offices, further work will be done accordingly.
- The resources of the department should be used efficiently and effectively.

3.4 Management Weaknesses

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Although an allocation of Rs.11,727,646 was released to the Gampaha District Secretary on 27 December 2023, with an estimated cost of Rs.4,000,000 for the preparation of partitioning and networking system in the new Gampaha District Labour Office. That task was not completed until May 2024.	The remaining amount of Rs.7,559,023 related to this work was given to the Gampaha District Secretary in the year 2024. As mentioned earlier, this work is being carried out in connection with the consultancy firm as a variation related to the construction of the Gampaha District Secretariat building. By 25.06.2024, the progress is about 40%.	Actions should be taken to complete the Provisions provided task.
(b) In the year 2023, Rs.6,000,000 had been allocated for the repairs of the toilet system in the Koggala hostel, but the said tasks were not completed.	As per the National Budget Circular 03/2022 only essential works should be done, the essential works to be done in the Koggala hostel were done by the building maintenance department at a cost of Rs.90,140. Regarding the repair works to be done in the offices belonging to the Department of Labour, the defects	Allocation and utilization of provisions should be done properly.

in the Katunayake dormitory were not urgent repairs, so the repair work was not done in the year 2023. However, after studying all the repair works to be done in that building, all the work will be considered as one project and will be done in the year 2024.

- (c) Although there is an approved allocation of Rs.55,000,000 for the purpose of providing facilities such as public facilities and waste management, name boards, visitor ID cards, it was revealed that the preparation of estimates and negotiations are still in the stages of quotations.
- As the functioning of public facilities such as canteen on 04th floor, 31st floor of the mission building under the partnership of public and private sectors, is changing. And since the floors of the General Secretariat of Labour are to be given to other institutions, the proposed plan for waste management should be revised by now as the number of staff will increase.
 - That the work of preparing name boards is currently being done.
 - That no organization has submitted the price even though the price has been invited several times for the purpose of setting up the visitor ID card system.
- Arrangements should be made to carry out the provision provided tasks properly.

5. Good Governance

5.1 Rendering of Services to the Public

Audit Observation	Comments of the Accounting Officer	Recommendation
As per Annexure 01 of Public Administration Circular No. 02/2018 dated 24 January 2018, the role of signing annual performance agreements for all staff was not completed.	<p>The services provided by the Planning Research Training and Publication Division are monitored by the progress operational tests conducted annually in each office and the monthly reports obtained from the Employee Provident Fund Data System.</p> <p>And that a committee has been appointed and work is being done to prepare a specific system of performance evaluation and progress appreciation for staff officers and regional labour offices.</p>	Should proceed as per circular provisions.