

Head 193 - Ministry of Labour and Foreign Employment - 2024

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 2024 comprising the statement of financial position as at 31 December 2024 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 summery report containing my comments and observations on the financial statements of the Ministry was issued to the Chief Accounting Officer on 24 June 2025 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 23 June 2025 in terms of Section 11(2) of the Audit Act. 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 2024, and its financial performance and cash flows for the year then ended in accordance with the basis of preparation of the financial statements set out in Note 1.

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 Emphasis of matter - Basis of preparation of financial statements

The attention is drawn to Note 1 to the financial statements, which describes the basis of preparation of the financial statements. The financial statements have been prepared for the use of the Treasury and Parliament of the Ministry of Labour and Foreign Employment in accordance with Government Financial Regulations 150 and 151 and Public Accounts Guideline No. 6/2024 dated 16 December 2024, as amended on 21 February 2025. Accordingly, these financial statements may not be suitable for other purposes. My report is intended only for the use of the Ministry, the Treasury and the Parliament of Sri Lanka. My opinion on this matter is not modified.

1.4 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 Government Financial Regulations 150 and 151 and Public Accounts Guideline No. 6/2024 dated 16 December 2024 as amended on 21 February 2025 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.

1.5 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.

1.6 Commenting on financial statements

1.6.1 Accounting deficiencies

(a) Reconciliation statement on the advance account for Public officials

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(i) there was a loan balance of Rs.206,501 due from three officers who had left the service of the National Productivity Secretariat and Rs.114,575 remained to be recovered from an officer of the Labor Division as of 31 December 2024.	Action will be taken to collect the loan balance.	Action should be taken to collect the loan balance.
(ii) There was a disaster loan balance of Rs.230,300 which was due from an officer who died on 29 December 2022 while serving in the Labor Department remained uncollected as of 31 December 2024.	Action will be taken to collect the loan balance from the guarantors.	-Do-

(b) Failure to maintain records

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Although a register of losses was maintained in the labour sector in accordance with Financial Regulation 110, it had not been updated.	Actions will be taken to prevent this situation in the future.	Actions should be taken to maintain a register of losses.

2 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.

3. Financial review

3.1 Non-compliance with laws, rules and regulations

Reference to laws, rules and regulations	Observation		Comments of the Chief Accounting Officer	Recommendation
	Value Rs.	Non-compliance		
(a) Code of Establishments of the Democratic Socialist Republic of Sri Lanka Chapter XLVII		In the Jayagamu Sri Lanka programme, the agreement entered into with the relevant event manager stipulated that a musical performance should be held at the expense of the program manager as per condition 3.1.1 (IX) and that a dinner should be held for all officers participating in the program as per condition (X) thereof. This is observed as an encouragement to act contrary to the regulations on the conduct and discipline of officers of Category II of the Establishments Code.	Actions have been taken to organize the nightly friendly meeting to appreciate the dedication and service rendered by the officers.	Actions should be taken in accordance with existing rules and regulations.

(b) Financial Regulation 104 (1)	Although investigations should be initiated immediately after a loss or damage occurs to determine its extent and causes and to determine those responsible persons and investigations had not been conducted although there has been a delay of almost 2 years regarding the damage to the cab that was involved in the accident on the Southern Expressway on 20 May 2023.	The notice has been issued to complete the investigation on or before 31 July 2025.	Actions should be taken to act according to Financial regulations.
(c) Administrati on Circular No. 30/2016 dated 16 December 2016			
(i) Section 3.1	Fuel combustion tests had not been conducted for 17 vehicles owned by the Ministry.	Actions will be taken to conduct fuel combustion tests on vehicles as scheduled in 2025 and report the facts to the audit.	Action should be taken to act as per the circular.
(ii) Section 06	Drivers assigned to all official vehicles had not maintained records of the transportation services performed for duty during the month.	Necessary instructions have been given to maintain transport service records in the future.	-Do-

3.2 Irregular transactions

Audit Observation

Comments of the Chief Recommendation Accounting Officer

The Minister of Labour and Foreign Employment had approved the holding of three (03) programs in the Southern, Northern and Western

Due to practical difficulties in organizing this program in the Jaffna District, it was decided to hold it in the North-East

Actions should be taken to examine the reasons for not acting in accordance with the

Provinces in accordance with the Cabinet Memorandum submitted on 26 June 2024 to “conduct a Migrant Workers’ Day program to recognize the great contribution made by migrant workers” in overcoming the economic crisis. It was observed that instead of organizing the event in the Northern Province, a festival was organized and held in Kurunegala (North Western Province) on 21 July 2024 and this process is observed to be contrary to the decision of the Cabinet of Ministers.

Province, but it has not been possible to submit a Cabinet note in this regard.

recommendation of the Cabinet of Ministers.

3.3 Fraudulent transactions

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Although during the procurement process for the selection of an Event Manager to conduct a series of mobile services called Jayagamu Sri Lanka (Glocal Fair) covering 24 districts across the island, the Procurement Committee of the Ministry of Labour and Foreign Employment had received information regarding the company registration from the Companies Registry Department, despite that information, two institutions with different names, controlled by the same Board of Directors, had been selected. Accordingly, the selection of an Event Manager by the Ministry Procurement Committee had been carried out irregularly.	the Procurement Committee has taken actions to make recommendations with the participation of the committee appointed to select an institution from among the registered suppliers to be entrusted with the relevant task.	Actions should be taken to follow the Procurement guidelines.
(b) Although proposals had been submitted on 05 December 2023 that the above program would be implemented on a self-financing basis actions had not been taken to submit a cost estimate. Although it was stated that 20 booths should be	It was agreed with the observation	Necessary action should be taken regarding non-compliance with procurement agreements and contracts.

provided to foreign employment agencies on a cash basis and that money should be obtained from the agencies for this, the Ministry had informed the Bureau in writing to pay for it from the cess tax revenue of the Foreign Employment Bureau.

4. Operational review

4.1 Failure to achieve the desired output level

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Although policy formulation, program planning, implementation, monitoring and follow-up have been provided in relation to labor aspects based on the government's national policy, it was observed that the unified Labor Law Reform had not been completed to suit current needs and only 2 new law amendments had been made in the year 2024.	Since it was decided that it would be appropriate to prepare a single employment bill and pass it in Parliament, the further progress of those amendments was stopped and everything was included in a new bill that was planned to be prepared as 13 bills with the approval of the Cabinet of Ministers.	Policy formulation related to labor issues should be efficient.
(b) Although the Ministry is committed to providing public services required by its scope in an efficient and public-friendly manner, the implementation of benefit payment decisions of the Employees Provident Fund of the Department of Labor is at a level of 50-74 percent and the complaint management system of the Department of Labor is not functioning properly.	The office enters complaints into the database and constantly monitors them.	Efforts should be made to provide public services efficiently.
(c) Although it has been stated that necessary positive steps should be introduced and implemented to register trade unions and utilize the activities of all trade unions in the public and private	Only the relevant trade unions are made aware in accordance with the provisions of the Act regarding the cancellation of trade unions and the general public is not informed and information regarding all registered	Actions should be taken to develop a system to make aware of the general public.

sectors for the development of trade unions is posted on the website. the country, there is no mechanism to cancel the registration of trade unions registered under the Trade Union Ordinance No. 14 of 1935, implemented by the Department of Labor and to inform the public about the situation when the necessary measures have not been taken to renew their activities.

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| (d) | Although the Ministry has been assigned a role to implement the National Manpower and Employment Policy, the National Manpower and Employment Policy has not been formulated by the year 2025. | The National Council for Human Resources Development will implement future activities related to the National Human Resources and Employment Policy. | The policy should be implemented again with suitable revisions. |
| (e) | Although the main task of the Ministry has been stated to be to reform all methods and procedures using modern management methods and technology in a manner that will help ensure the performance of the Ministry's duties while avoiding waste and corruption, there have been delays in obtaining updated information due to the long time taken in following the workers' compensation payment process in accordance with the provisions of the Compensation Ordinance and the lack of necessary steps to computerize the files of the Compensation Commissioner's Office. | It has not been possible to achieve this so far due to the fact that computers and devices are not sufficient and are not functioning properly for computerizing file information and these activities will be able to be accomplished after purchasing computers and devices in the future. | Necessary steps should be taken to computerize the information. |

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| (f) | it was found in a sample inspection conducted in the Western Province on the initial plans and progress of the development officers attached to the National Productivity Secretariat for the year 2024 that the objectives of empowering small-scale businesses through productivity concepts, improving public sector processes, conducting 5s certification programs and conducting productivity promotion programs had not been adequately achieved. | Information on the processes and improved processes for performing relevant functions is available. | Actions should be taken to reach the performance level as per the target. |
| (g) | Although it is the Ministry's objective to increase the flexibility of labor laws and procedures, out of the 20 ordinances implemented by the Department of Labor, only 5 ordinances existing and the necessary amendments to the remaining ordinances to bring them into line with the current situation have been slow. | The necessary steps are being taken to amend the Act. | Actions should be taken to amend the laws and regulations related to the scope of labor to suit the present. |

4.2 Uneconomic transactions

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Although the Productivity Secretariat had spent Rs.5,434,095 on the maintenance of the ebreeze computer system, which was procured by the Productivity Secretariat in 2015 at an initial cost of Rs.1,465,200 by the end of 2024 the amount spent had not been economically effective due to the fact that the computer system was not used for educational program management, event planning, etc.	It is expected that this matter will be reviewed again when extending the contract for the component used for general office duties.	Steps should be taken to use the resources with maximum efficiency.

5. Human Resource Management

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) It was observed that the Productivity Development Officers attached to the District and Divisional Secretariats had been engaged in the service of the same office for more than 5 years and the officers who required transfers had lost opportunities due to the fact that the transfers of officers were not carried out in a formal manner.	Actions had been taken to commence the work to implement the internal transfer procedure for the year 2026 and there is no obstacle to applying for the annual transfer procedure for development officers in addition to the internal transfer procedure and the transfers have been granted to the officers who received those annual transfers.	Actions should be taken to formalise the transfer system.
(b) Officers had been appointed on an acting basis and on a contract basis to the position of Director General, the Chief Executive Officer of the two institutions affiliated to the Ministry, the National Institute of Labour Studies and the National Institute of Occupational Safety and Health.	The request for this was forwarded to the Prime Minister's Secretariat Special Committee on 27 February 2025 and 24 March 2025.	Actions should be taken to appoint the Permanent officers for chief executive positions.