

Employees' Trust Fund Board and its Subsidiary - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the consolidated financial statements of the Employees' Trust Fund Board ("Board") and its Subsidiary ("Group") for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information, was carried out under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No.38 of 1971. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Board and the Group as at 31 December 2024 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Board is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Board.

1.4 Scope of Audit (Auditor's Responsibility for the Audit of the Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Designed and performed the appropriate audit procedures, identified and assessed the risks 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.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Board, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Board has complied with applicable written law, or other general or special directions issued by the governing body of the Board;
- Whether the Board has performed according to its powers, functions and duties; and
- Whether the resources have been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the Preparation of Financial Statements

1.5.1 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The contributions remitted by employers to the Board should be credited to the personal accounts of each member. However, the contributions amounting to Rs. 611 million credited to the Board by 5,553 employers from 1981 to the end of 2023 have not been credited to the member accounts to date, and this includes a sum of Rs. 597 million for the period 2015 to 2023. This situation has caused a mismatch between the member fund balance and the individual account balance and the members had to encounter with a unfavorable situation in withdrawing their contributions.	The balance not allocated for the period 1981-2014 is Rs. 14.547 million and this balance is mainly related to 03 employer institutions. As those institutions have been closed 35 years, 31 years and 17 years ago respectively, the membership details are not available with us to allocate that money. Consequently, the actions are taken to temporarily block the funds not allocated in relation to the period 1981 – 2014, and the total of the contributions not allocated relating to the period 2015-2023 have been reduced to Rs. 597 million as at 14 May 2025. The details of each receipt from the employers; who have not given the details of membership regarding the active institutions, have been provided to the regional offices and about 790 "C" reports relating to 150 employers presented to the Employees' Provident Fund Department of the Central Bank have been given to us. Accordingly, the actions are being taken to credit the unallocated contributions to the personal accounts of the members.	A program should be implemented to accurately identify members to whom the contributions should be credited, improve the new method of collecting membership fees, and promptly identify unidentified funds.

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| (b) | <p>There was a sum of Rs. 1.22 million related to 212 accounts being maintained without the member's name and valid ID number as at 31 December 2024, and these accounts had not been identified and credited to the members even by 30 April 2025.</p> | <p>Out of the 212 member accounts having the names and ID numbers of members in respect of unidentifiable contributions, the name of the member has been entered with respect to 3 member accounts. The contributions related to the remaining member accounts belong to the period 1981-2002, and as the records are not available related to the said period, these accounts have been acknowledged as inactive accounts and if verifiable information of the respective member is presented related to a certain occasion, the said account will be reactivated and the steps will be taken to pay money.</p> | <p>The balances should be identified and credited to accounts of the members.</p> |
| (c) | <p>Even if the contributions have been remitted to the Board by the Employers, the total balance of the suspense accounts V999 and V100 since those employers could not be identified was Rs. 6.62 million as at 31 December 2024. These funds, available from 1996 to 2022, have not been settled by crediting to the accounts of the relevant members.</p> | <p>Even if some employers have remitted contributions to the Board, the unidentified funds are credited to the suspense accounts V100 and V 999 and transferred to the relevant accounts after the receipt of the employer details due to non-receipt of the details about the employers who made those payments as scheduled. The payment details relating to the amount of Rs. 0.39 million deposited by the employers after 2020 out of that money are provided by the employers from time to time, and those payments are credited to the correct employer accounts from the V999 account in relevant cases. However, as the credits of Rs. 6.23 million made before 2006 cannot be identified at this time and as the requests are not made regarding this matter, those funds are to be withdrawn subsequent to obtaining the approval for the withdrawal of those funds by a board paper in the future.</p> | <p>- Do -</p> |

1.5.2 Lack of Evidence for Audit

	Audit Observation	Comments of the Management	Recommendation
(a)	An updated fixed assets register as at the end of the year under review was not submitted for the audit.	The actions will be taken to provide as soon as the updates are done.	The fixed asset register should be updated and maintained.
(b)	A confirmation of the balance regarding the money receivable from the Department of Posts amounting to Rs. 5.58million; which had been disclosed under other assets in the statement of financial position as at 31December of the year under review, was not submitted for the audit.	The balance confirmation letters have not been received yet and will be presented immediately after the receipt of those.	The balance confirmation letters should be promptly obtained and presented for audit.

1.6 Money receivable and payable

1.6.1 Money receivable

	Audit Observation	Comments of the Management	Recommendation
(a)	The total outstanding tax amount to be collected from the vehicle parkers of Navam Mawatha as at 31 December 2024 was Rs. 6.79 million and a sum of Rs. 3.65 million due from 63 institutions between the years 2016 and 2024 was included therein. Since the Board has not yet taken measures to enter into agreements with the customers, it was observed that there was an obstacle to take legal actions to recover the outstanding money in a proper manner.	The instructions required to enter into agreements with the customers have been given and the actions are being taken to collect the money to be recovered.	A formal program should be implemented to recover the money receivable.
(b)	The overdue interest amount due as at 31 December 2024 in terms of the debenture investment of Rs.15 million made by the Board in a plantation company in 1994 at a fixed interest rate of 14.48 percent was Rs.26.29 million. According to the discussions held with the intervention of relevant institutions and the Department of Public Enterprises in this connection on 27 March 2023, it had been ordered to take steps to pay the outstanding amount to the Board. However, there was no definite confirmation on the recovery of this money to the Board even by the end of December 2024.	A repayment plan has been presented by the Elkaduwa Plantation Company to settle the overdue interest amount, and the steps will be taken; after studying the said plan, to implement the plan upon the agreement of both parties.	The follow-up activities should be done and the steps should be taken to recover the interest income due.

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| (c) | <p>The interest amounts due on a sum of Rs.12.17 million that had been invested in promissory notes of a company subject to the maturity in the year 2002 and on a sum of Rs.7.45 million that had been invested in debentures subject to maturity in the year 2007 were Rs.15.21 million and Rs.0.37 million respectively. Even if the District Court had issued orders on 03 October 2008 to liquidate this institution, the Board did not have any definite confirmation in respect of the recovery of these funds even by the end of December 2024. As a result, the profits payable to the members had been reduced by Rs.15.58 million.</p> | <p>Although an order had been given by the court in the year 2018 to liquidate the company, a liquidator has not been appointed to date. Also, a debtor party of the company has subsequently deposited an amount of Rs. 42.6 million to be credited to the liquidation case on a court order. A letter has been sent on 12 March 2024 seeking advice from the Attorney General about the possibility of recovering any sum; if any, from the said amount to the Employees' Trust Fund. Subsequent to the receipt of the said answers, further actions will be taken regarding this amount considering its contents.</p> |
| (d) | <p>There is a balance of Rs.5.5 million not recovered from the distress and vehicle loans given by the Board to 14 officers, and a suitable action has not been taken in this regard to date.</p> | <p>As these officers have vacated the service at present due to retirement, suspension of service, and dismissal, the steps are being taken to recover the money due from them from the final payments and the reminder letters have been sent regarding this matter.</p> |

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The actions should be taken to recover the money receivable.

1.6.2 Money payable

Audit Observation	Comments of the Management	Recommendation
(a) The total balance in the unclaimed general benefit accounts as at 31 December 2024 was Rs.7.8 million, and the value included therein related to the period between 2001 and 2023 was Rs.4.5 million. It was observed that the methodology in progress should be further developed in order to credit the balance of the previous year to the account of the member.	An amount of Rs.1.7 million has been released for 38 members from 01 January 2025 to 30 April 2025. 37 members out of the 38 members so released were the releases from the benefit money received back in December 2024, and its amount is Rs.1.6 million. Because of the subsequent increase in the interest rate initially determined for a certain financial year, the interest due under the increased interest rate	A formal program should be developed to identify the relevant profit and the steps should be taken to settle the money.

should be paid to the members for the ordinary benefit applications paid up to the date of that increase. The interest rate determined on 01 January of the following year for the years 2018, 2021 and 2023 was subsequently increased by 0.5 percent, 1.75 percent and 1 percent respectively.

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| <p>(b) The actions had not been taken to enter into a formal rental agreement from April 2022 to December 2024 for the record room of the Board; which is being maintained on a rental basis at the Narahenpita Special Economic Center, and the outstanding amount to be paid for this period was Rs. 6.4 million.</p> | <p>The warehouse premises had been formally taken from the Narahenpita Special Economic Center Management Trust which functioned under the Thimbirigasyaya Divisional Secretary in the year 2019 for maintaining it as a record room of the Board, and the said warehouse premises is under the Urban Development Authority since April 2022. We went to the Urban Development Authority and had discussions. However, as no response was received, we have sent a reminder letter again on 17 February 2025 and gave phone calls to remind them about this again. Preparation of lease agreements for these buildings that the Board has acquired on a lease basis is done by the Lessor. Consequently, due to the delay of the Urban Development Authority, entering into this agreement has been delayed. Also, as this Board cannot pay the rent without an agreement, the fines have also been added to the fees. The discussions are currently in progress with the relevant officials of the Urban Development Authority regarding this issue of not entering into agreement.</p> | <p>The arrangements should be made to enter into a formal agreement.</p> |
| <p>(c) Although the arrangements had been made by the Annual Action Plan to reduce the time taken to pay death benefits to 40 days in the year 2024, the</p> | <p>The payments have been made for 2,872 death benefit applications in the year 2024. The payments can be done quickly for the benefit</p> | <p>The arrangements should be made to make payments to the right heirs and</p> |

actual number of days had been reported as 60. The period taken for this in the year 2023 was 60 days. The value of unclaimed death benefits for 1,295 beneficiaries as at 31 December 2024 was Rs. 27.9 million, and the said value in the previous year was Rs. 23.37 million. Although it had been decided in the Audit and Management meetings to prepare a database for members' details and complete the missing sections and update the existing system of the Board regarding dependents in order to minimize the complications regarding the nominees, it had not been implemented to date. The payments are made to the Department of Labor to obtain the details of nominees on annual basis, and the total amount that had been paid to the Commissioner General of Labor to obtain the details of nominees during the year 2024 is Rs. 111,525.

applications completed and dependents. submitted as per the instructions given, and a period of more than 40 days had been taken to make payments for incomplete applications. The claims for death benefit are made by the heirs, dependents or nominees of the member. After the death of the member, the heirs or dependents do not know the information about the institutions in which the member worked. Consequently, the submission of applications is often with shortcomings. After we point out such shortcomings to the heirs or dependents who submit the relevant applications, it takes a considerable period to complete those. Therefore, more than 40 days have been spent on death benefit payment. Even if there are vacancies at present due to retirements and transfers of the officers, the existing officers are taking efforts to make payments as quickly and accurately as possible for the applications received during the year.

1.7 Non-compliance with laws, rules, regulations and management decisions etc,

	Reference to laws, rules and regulations	Non-compliance	Comments of the management	Recommendation
(a)	Extraordinary Gazette Notification No.2311/39 dated 22 December 2022	Every employer who employs minimum 15 employees in his employment should send the contributions and monthly returns to Board via electronic system with effect from 01 February 2023 and the objective of this process was to allot the contributions to the members without delay. It was observed that half yearly returns had not been sent by 636 active institutes to board in relation	Since it is compulsory to pay the contributions to board via electronic system by the employers with more than 15 employees as per the Extraordinary Gazette Notification 2311/29 dated 22 December 2022, the awareness programs required for directing the employers for that had been conducted. With regard to 2023, the contribution amount balance which couldn't be allotted	The conducting of employer awareness programs and calling the periodical reports through other methods should be expedited.

to the contributions of Rs.141 million in 2023. Similarly, half yearly returns related to the contributions of Rs.259 million of 3,263 institutes had not been submitted to board during 2015-2022.

due to not receipt of 1405 format 11 returns in relation to active and inactive institutes from employer organizations had decreased up to Rs.117 million. Accordingly, the progress is Rs.24 million. 3,336 format 11 returns had to be further received with regard to active and inactive employer organizations during 2015 – 2022 and the contribution amount to be allotted had decreased up to Rs.171 million. The progress is Rs.88 million. As per the discussions held with Department of Employees' Provident Fund Department of Central Bank of Sri Lanka, about 790 "C" forms in relation to 150 employer institutes had been received to us and the action is being taken to credit the contributions which couldn't be allotted to the member accounts.

(b) Financial Regulations of Democratic Socialist Republic of Sri Lanka

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| (i) | 396 (d) | No action had been taken as per Financial Regulations in relation to 16 cheques worth of Rs.0.7 million exceeding 06 months from issuance. | The steps are being taken in relation to 16 cheques worth of Rs.0.7 million in the cheques list not presented for payment. | The action should be taken as per Financial Regulations. |
| (ii) | 756 (4) | Though the excess usable goods identified in the board of survey can be provided to another institute for usage, 48 tab computers and 92 monitors had been idle in the store without taking action in that manner. | When any good becomes unnecessary, it is provided to a technical college or government training school subsequent to the recommendation of the disposal committee. It is due to be expedited these disposal activities. | -Do- |

(iii) 756 (6)	Even though the board of survey activities with regard to 2024 should be completed before 15 March 2025 and relevant board of survey reports should be submitted before 31 March 2025, the board of survey activities had not been completed even up to 30 April 2025. Similarly, the measures in relation to the deficits and surpluses disclosed from board of survey report for 2023 had not been taken so far.	As per Financial Regulation 756 (6), the annual board of survey pertaining to 2024 had been commenced on 04 April 2025. Since it is in the final stage presently; the action will be taken to submit board of survey report prior to 31 May. Similarly, the action will be taken in relation to the deficits and surpluses disclosed from board of survey report for 2023.	-Do-
(iv) 1646 (d)	Even though the daily running charts of each month with the original copies of monthly summaries on running should be submitted to Auditor General before 15 of next month after end of every month, no action had been taken in that manner pertaining to 52 vehicles.	A running charts book is generally used about 03 months period of time and the vehicle running chart books are not provided to Transport Division at the end of every month. The running chart books received to us will be referred after completion the summaries in due course.	-Do-
(c) Paragraph 2.7 of Chapter 11 of the Establishments Code of Democratic Socialist Republic of Sri Lanka	The approval should be taken by Secretary of relevant ministry from the Director General of Establishments for taking action outside the prevailing procedure in order to recruit the officers who had not fulfilled the required qualification; no action had been taken accordingly.	The answers had not been provided.	The action should be taken as per the Establishments Code.
(d) Public Administration Circular No.30/2016 dated 29 November 2016			
(i) Paragraph 3.1	Though the consumption of fuel must be re-tested after a	Even though the fuel consumption of the vehicles	The action should be taken as per the

	period of 12 months from each fuel test or after running a distance of 25,000km or after carrying out a major repair to the engine, whichever occurs first, no action had been taken accordingly in relation to 52 vehicles.	attached to head office, it had been completely checked up to now and the test in relation to the vehicles attached to the regional offices couldn't be carried out due to abundance of daily duties and the action will be taken immediately.	circular provisions.
(ii)	Paragraph 5.1	Though the amount of fuel and the running distance shall be included daily in the log book, no action had been taken accordingly.	The fuel supply to the vehicles of board is performed through full tank fuel with an officer gone to a registered filling station with driver. At that incident, the fuel of vehicle and the running distance is not balanced after providing a voucher to driver. If it will do so, a contradiction would arise between fuel filled and the running distance.
(iii)	Paragraph 06	The running charts for official vehicles had not been submitted to the audit.	A format is filled for attached vehicles and the action will be taken to submit to the audit in the future.

2. Financial Review

2.1 Financial Result

In accordance with the consolidated financial statements presented, the financial result of the group was Rs.55,200 million in the year under review and the financial result of board is a profit of Rs.54,498 million and correspondingly, the profit of the group and board were Rs.57,133 million and Rs.55,942 million respectively in the preceding year. Accordingly, it was observed a deterioration of Rs.193.3 million and Rs.144.3 million of the financial result of the group and board respectively. The decrease of interest income of group and board by Rs.2, 561 million had caused for this.

3. Operating Review

3.1 Management Inefficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	A stock of uniforms worth of Rs.3.5 million purchased for distribution among the staff of board from 2018 to 2024 on not	The action is taken to dispose the excess uniforms which are not utilized from the stores by following the approved disposal process in every 03	It should be purchased having accurately identify the requirement and

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| <p>accurately estimation the purchasing requirements in 2018 had been kept idly in the stores without utilization between 02-06 years.</p> | <p>or 04 years. Similarly, the uniform stocks disposal activities collected from 2018 to 2022 is being carried out presently.</p> | <p>prepare the estimates.</p> |
| <p>(b) In accordance with a request made by board, a land in extent of 0.1012 hectares in Siribopura 90 Grama Niladhari Division in Hambanthota Divisional Secretariat Division in Hambanthota District had been transferred to board by Land Commissioner General after publishing by the government gazette on 03 July 2020. From 2020 to 2024, though the lease rental of Rs.240,000 had been annually paid, no action had been taken so far to utilize for the relevant objective.</p> | <p>A land in extent of 0.1012 hectares in Siribopura 90 Grama Niladhari Division in Hambanthota Divisional Secretariat Division in Hambanthota District had been transferred to board on 30 years lease by a government gazette notification dated 03 July 2020. Since the construction of buildings had been limited by sub paragraphs of serial number 07.01 of serial number (02) of National Budget Circular No.03/2022 amidst Corona pandemic occurred in 2020 and other economic crisis, it couldn't be used for the building constructions and it couldn't be effectively utilized so far amidst such restrictions.</p> | <p>The action should be taken in the future to utilize for the objective purchased.</p> |
| <p>(c) As per the concurrence reached on 06 August 2006 between Bank of Ceylon and Employees' Trust Fund Board for providing facilities of collecting cheques, Rs.10 million in repurchases and Rs.490 million in fixed deposits had been invested. An amount of Rs.100,000 is monthly paid to Bank of Ceylon by the Board for providing such facilities. No action had been taken to amend the agreements or take other appropriate actions for obtaining a higher benefit rate to the Board in relation to these deposits being maintained for more than 10 years.</p> | <p>As per the agreement entered into between Bank of Ceylon and board it had been invested Rs.500 million in fixed assets and repurchases on annually renewal basis. When the investment is annually renewed, it had been invested in Bank of Ceylon under more favourable interest rate having compared the interest rates prevailed on that date in 03 state banks for repurchases and fixed deposits. The transactions worth of Rs.7, 049 million for 496,027 cheques in 2024 had been performed through this account which is main bank account maintained for the collection of the contributions received to board through cheques. Apart from that, the value of 1,583 dishonoured cheques in relation to account was Rs.30.5 million in that year. The special facilities for maintaining this bank account had been provided by Bank of Ceylon. A monthly service charge of Rs.100, 000 had been paid by board without any</p> | <p>The action should be taken to invest in the ways with higher benefit rates provided to board.</p> |

increase as agreed in 2005 for the services such as bringing cheques of Bank of Ceylon twice per day and handing over of bank statements and dishonoured cheques to board provided by bank and special facilities.

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| (d) | <p>A tripartite agreement had been entered into between Information and Communication Technology Agency of Sri Lanka and Ivoll Technology private Company by board on 29 March 2021 with an objective of developing of efficiency and effectiveness of operating process of Finance Division of board and absorption of the accounting system with core system projects of board. Even though it had been agreed as per the agreements to provide maintenance and service activities for one year from completion of period of agreement in August 2021 to August 2022, it had been entered into a supportive and maintenance agreement on 27 February 2025 after completion of the period of agreement. An additional expense of Rs.705,820 had been paid by board to the company for a problematic situation arisen in accounting system in 2024. An amount of Rs.5.65 million had been paid as annual licences fee for usage of software from 2022 to 2024. The activities of integrating with the core systems which is the objective of the company had not been fully completed.</p> | <p>Presently, a maintenance agreement had been entered into with private company. Accordingly, the maintenance agreement will be implemented with effect from 17 February 2025. When implementation of Core System had been started, the action will be taken to integrate that system with Accpac system. Core System.</p> | <p>The measures should be taken to expeditiously fulfil the objectives.</p> |
| (e) | <p>The registration as the primary dealer of Central Bank of Sri Lanka had not been fully completed for obtaining the direct bidding facility in the auction of securities as main institute which invests the funds in the</p> | <p>After considering the facts such as difficulties prevailed for obtaining the approval for facility, limits of capital expenses to be incurred, prevailing restrictions for recruitment of new staff, recruitment of qualified capable officers in that field existing salary</p> | <p>The management should take action to implement the regulations of the Committee on Public Enterprises.</p> |

government securities scales, retention and inconvenience for recommended at the meeting of recruitment again and issues for Committee on Public Enterprises providing other relevant infrastructure facilities, this facility is given by held on 26 August 2016. Peoples' Bank which is a state bank without any expense and engagement of additional employees.

3.2 Operational Inefficiencies

Audit Observation	Comments of the management	Recommendation
(a) 45 quick response QR –Code Scanners, 21 QR –Code printers and 14 Document Scanners purchased in 2023 at a cost of Rs.2.33 million, Rs.2.48 million and Rs.10.8 million respectively had been kept in the stores without utilization.	It had been scheduled to commence operations acceptance sessions of new value system project for board in second half in 2023. ICTA had emphasized that the relevant hardware devices should be purchased when these operating sessions will be started. Accordingly, though this purchase should be carried out after making procurements on the approval of line ministry, the operating acceptance sessions couldn't be commenced within the stipulated period of time as scheduled. Presently, the processes in relation to mapping of business methods and preparation of operating environment are carried out with the all divisions of the system. Currently, 80 percent of documentation of business processes with regard to Enforcement Module which takes more weightage in the core system had been completed. The approval of Board of Directors had been obtained for restarting the activities related to the project immediately in order to fulfil the decisive operating requirement. After the activities of system had been succeeded, above all hardware will be utilized.	The measures should be taken to utilize the equipment purchased for the objective.
(b) It had been planned to complete the project activities in October 2021 having entered into agreement on 27 November 2016 between board and Information and Communication Technology Agency of Sri Lanka for	The facts such as non-completion of the project activities within the stipulated period, issues of the project management and ICTA institute, Covid pandemic situation, taking considerable time for completion for different demands, completion of	The necessary measures should be promptly taken to convert this into live operating process.

enhancement of the functions and services of board by utilization of the modern technology. The scheduled time had been amended from time to time and it couldn't be converted into a live operating process after completing the project activities even in April 2025. Similarly, though an expense of Rs.145.7 million had been incurred for purchase of hardware which had been identified as essential prior to commencement of the project, equipment worth of Rs.18.6 million out of that had been idle in the stores even up to the end of March 2025. The board had failed so far to fulfil the objectives after completion of establishment of service units, accurately transferring the data from the prevailing system to new system, non-allotted contributions and activities related to Lanka Clear.

Before commencement of the operations acceptance sessions of project, it had been introduced by annual action plan to complete 98 percent of mapping of business processes and completion of preparation of the operating environment, the Chairman had reported that the progress of that is 80 percent presently.

several other major changes before live implementation the system and identification of issues and faults within the system at the inspection of system before starting QAT had affected. The operating acceptance sessions had been scheduled to be started in second half of 2023. It had been emphasized by ICTA which held the project management that relevant Hardware Devices should be purchased for that. In addition, a critical requirement of Laptop computers, PC computers and ADF scanners due to severe shortage of accessories in board. Those are purchased for fulfilment of both facts such as Hardware Core System and the daily activities and though other all machines except the machines in above mentioned paragraph No.2.2.4 had been already used now, it had supported to increase the effectiveness of board.¹¹ Document Scanners remained in the stores on 09.05.2025 will be used in the implementation of the plan indicated in above paragraph No.2.2.4 (b). Subsequent to making success the activities of system, it is necessary to use all QR Code Scanners and QR Code Printers.

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| <p>(c) Though it had been mentioned that 87 percent of total investments should be invested in the government securities as per paragraph 4.1 of Investment Policy Statement of the Board, the investment in the government securities was 95, 97 and 93 percent in year 2023, 2022 and 2024 respectively. The attention had not been paid to amend the terms in the Investment Policy Statement in relation to exceeding these limits.</p> | <p>In accordance with paragraph 4.1 of Investment Policy Statement of board, it should be utilized about 87 percent in the government securities, maximum 05 percent in other fixed income securities, 02 percent in short-term repurchases and maximum 06 percent in the equity investment (shares and unit trust) as per asset allocation. It had been pointed out by asset allocation that it can be invested 6 percent and 5 percent in maximum in risky shares/unit trusts investments comparatively and investments with other fixed revenue respectively and the</p> | <p>The steps should be taken to amend the investment policy publication regulations of board.</p> |
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opportunity is given to make investments in the government securities or short-term investments (repurchase agreements) from such excess funds without obstruction in the event of taking such investments lower value than their maximum limits at any time. Accordingly, the objective of identification of this asset allocation is to provide the opportunities for the management of the investment portfolio practically and by minimizing the risk.

- (d) As per the annual action plan in the year under review, it had been planned to register 700 self-employed persons, it had been mentioned the actual registration as 328 as per progress reports. In accordance with the information obtained from member service unit to the audit, the total registered self-employed persons within year are 565. Accordingly, the contradiction had been observed with the number shown by the progress reports. In accordance with the information obtained from the audit, more than 50 self-employed persons had been recruited by only head office and 03 regional offices and less than 10 persons had been recruited by 09 regional offices. At the end of year under review, number of registered self-employed persons and migrant workers of board is 43,332 and since such number was 42,753 in the preceding year, new membership is 579. Even though the answers had been provided to observations of audit reports in the preceding year that a project report in relation to recruitment and promotion of migrant employees is being drafted, the answers had been given for the observations of audit reports in the preceding year. The progress related to that had not been submitted to the audit.
- The number of self-employed persons and migrant workers at the end of year under review should be 44,495 as per the computer system and such number should be mentioned as 43,915 in the preceding year. In the year under review, 580 self-employed persons and migrant workers had been recruited.
- A formal method should be prepared and implemented for registration of the self-employed persons.

- (e) The total contribution of Rs.505.34 million had been sent to board by 22,764 employers registered only in Employees' Trust Fund without obtaining the membership of Employees' Provident Fund. A suitable method had not been prepared by board for this. The measures to be taken by board for this is in a level to be further developed.
- Under existing methodology, the accounts are prepared for the Employees' Trust Fund under the employer number itself provided to the employers as per the provisions of Employees' Provident Fund Act No.15 of 1958 by Employees' Provident Fund Division of Department of Labour. In addition, new employer accounts are prepared based on the information obtained from the field investigations carried out by our regional offices and on the requests of the employers. The collection of the contributions after registering under a temporary number until an employer number will be obtained under Employees' Provident Fund to such employers and subsequently, an employee number is obtained under permanent employee provident fund. After that, the balance of temporary account is transferred to that having registered under that number. Similarly, the identification of the employee provident fund in relation to the amount accounted under the said number is frequently carried out and a methodology is implemented for that. Subsequently, such institutions are registered under employee provident fund and a methodology for identification of an accurate employer number by us is functioned and the amount paid under the relevant numbers is referred to employee provident fund as per the requests made frequently by regional offices and employers. A report including the information of employer institutes which make payments under relevant number and it is provided to Labour offices located in the jurisdiction of such regional offices by each regional office and it is objective of referring to get employee provident numbers for such numbers.
- The steps should be taken to credit to accurate employer accounts after obtaining the information.

- (f) Since a firewall is not functioned in the regional offices and the board does not have a network which can perform a centralized management, the board had not planned to improve the networking infrastructure to obstruct the unnecessary accesses to the network by regional offices and it had not been completely finished so far.
- Since a firewall is not functioned in the regional offices and the board does not have a network which can perform a centralized management, it has required to immediately implement a methodology to obstruct the unnecessary accesses to the network by regional offices and control the cyber threats. A program had been commenced to connect the head office, regional offices and data centres of board by SD WAN to fill these requirements. The providing of firewall protection, for overall computer network, obstruction the access for unnecessary websites, coverage the offices belonging to board through connection, bringing the computer network under centralized management, increase the speed and reliability of the computer network and providing access through regional offices to core system can be performed through that and it had been successfully commenced by covering the all offices of board currently.
- The necessary step should be immediately taken.