

Sri Lanka: Employees' Provident Fund: NAO detects massive misappropriation

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- **No returns on Rs. 5 billion invested in hotel complex: NAO**
- **Companies EPF invested in have lost 15% market value**
- **Fund has invested over Rs. 8.3 billion in 83 listed companies**

An audit of the Employees' Provident Fund (EPF) conducted by the National Audit Office (NAO) has shed light on a massive misappropriation of funds.

The revelation came to light in a report published by the NAO recently. The EPF is the country's largest and most widespread social security scheme.

The audit has revealed that a total of Rs. 5 billion or 56% of the investments made by the EPF in equity of unlisted companies has been invested for the construction of the Canwill Holdings' hotel complex in 2013.

However, even by the end of the first quarter of last year (2021), business activities of the hotel complex had not commenced. Therefore, the audit had concluded that no return had been received for those investments.

The fund had also lost an amount of Rs. 205 million during the year under review due to the revocation of the licence of the The Finance Company, the audit report revealed.

In addition, the NAO in its report had highlighted that even though the fund had invested Rs. 83,463 million in 83 listed companies, the market value of those investments had declined by Rs. 12,656 million or 15% up to Rs. 70,807 million by 31 December 2020.

Furthermore, dividends amounting to Rs. 466 million had been received only from two companies out of the investments in unlisted companies during the year under review.

In its response to the audit findings with regard to the investment of Rs. 5 billion in a hotel project, the EPF management had stated that Canwill Holdings had resumed the hotel construction as per the approval granted at the meeting of the Cabinet of Ministers held on 7 August 2020.

Furthermore, with regard to the losses incurred from investments made on the share market, the management admitted that the listed shares showed an unrealised loss as at the relevant date as compared with the cost.

Regarding the receiving of dividends, the EPF management had stated that West Coast Power (Pvt.) Ltd. represented the majority of the dividends earned from investments in equity of unlisted companies and its payment of dividends depended mainly on the settlements made by the Ceylon Electricity Board (CEB), therefore there was a fluctuation in the dividend income earned by investing in the unlisted shares of the fund.

The EPF was established under Act No. 15 of 1958 and it had an asset base of Rs. 2,814 billion as at end 2020. The aim of the EPF is to assure financial stability to the employee in the retirement stage of life and to reward the employee for his/her role in the country's economic growth.

Commissioner General of Labour Prabath Chandrakeerthi told The Sunday Morning that the investments from the EPF were being conducted by the Central Bank of Sri Lanka (CBSL) and the decisions with regard to those investments were also being taken by the Monetary Board of the CBSL.

"We have no involvement in the EPF investments. What we do is we get involved when we receive any complaint when an employee is not receiving the EPF money or an employer does not deposit the required EPF money," he explained.

However, attempts made by The Sunday Morning to contact CBSL Governor Ajith Nivard Cabraal with regard to what action the bank would take to recover the losses incurred due to bad investments were futile.

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