

Shrama Wasana Fund – 2016

The audit of financial statements of the Shrama Wasana Fund for the year ended 31 December 2016, comprising the statement of financial position as at 31 December 2016 and the statement of comprehensive income, statement of changes in Fund ,the cash flow statement and a summary of significant accounting policies and other explanatory 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 Section 13(1) of the Finance Act, No. 38 of 1971 and Section 12(4) of the Shrama Wasana Fund Act, No 12 of 1998. My comments and observations which I consider should be published with the Annual Report of the Fund in terms of Section 14(2)(c) of the Finance Act appear in this report.

1.2 Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1.3 Auditor’s Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund’s preparation and fair presentation of the financial statements 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 Fund’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and the extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report the financial statements give a true and fair view of the financial position of the Shrama Wasana Fund as at 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Public Sector Accounting Standards

The Accounting Principle used in the measuring of the stock remained by 31 December 2016 in terms of Paragraph 47 of Sri Lanka Accounting Standard 09 ,had not been disclosed in financial statements.

2.2.2 Lack of Evidence for Audit

Even though, 2692 spectacles valued at Rs.2,422,800 had been distributed in the year under review, the evidences of confirmation of those distribution was not presented to audit.

2.2.3 Accounts Receivable and Payable

The following observations are made.

- (a) Action had not been taken to settle the legal aids payable amounting to Rs.140,000 brought forward from the year 2013 even by 31 December 2016.
- (b) A sum of Rs.324,079,521 which had been credited to the Consolidated Fund in terms of Section 13(3) of the Act, in respect of the sale of Shrama Wasana Lottery by the National Lottery Board had been shown as receivables in the financial statements by 31 December in the year under review. However, receipt of the total amount had been at an uncertain condition due to those money is released from the Treasury by reviewing the progress of the income, expenditure estimates and progress of the performances of the Fund in granting of those money.

2.3 Non-compliance with Laws, Rules Regulations and Management Decisions

The following Non-compliance with Laws, Rules Regulations were observed .

Reference to Laws, Rules, Regulations, Management Decisions etc.	Non-compliance
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(a) Shrama Wasana Fund Act, No.12 of 1998 (i) Section 6(a)	The management had not prepared a methodology to identify the employees for whom benefits should be granted.
(ii) Sections 13(1) ,13(2) and 13 (3)	A mutual agreement had not been reached between the Lotteries Board and the Srama Wasana Fund on the category and the number of lotteries to be printed each year, the manner in which the lotteries are to be drawn, prizes awarded and how the unclaimed prizes are dealt with, and the expenditure to be incurred for the conduct of a lottery including the value of the prizes awarded for each lottery.
(b) Financial Regulation 272 (1) and (2) of the Democratic Socialist Republic of Sri Lanka	Even though a voucher relating to an expenditure amounting to Rs.341,940 paid for a vehicle repair had been misplaced due to weaknesses in the internal control of the Fund, action in terms of the financial regulation had not been taken in that connection.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Fund for the year under review amounted to a surplus of Rs. 28,264,114 as compared with the corresponding surplus of Rs. 38,493,632 for the preceding year, thus indicating a deterioration of Rs.10,229,518 in the financial result of the year under review as compared with the preceding year. The increase in the expenditure in the achievement of the objectives of the Fund by Rs.11,438,200 and administrative expenditure by Rs.1,842,428 had been the main reasons for this deterioration.

An analysis of the financial results of the year under review and the 04 preceding years revealed that the surplus of the Fund in the year 2012 amounted to Rs.47,201,339 had been continuously deteriorated by Rs.28,264,114 by the year 2016. However, the contribution of the Fund amounted to Rs.48,677,411 in the year 2012 in re- adjusting the employee emoluments and depreciations for non-current assets to the financial result it had been increased by Rs.59,390,283 in the year 2013., the contribution had continuously decreased from the year 2014 and it had been Rs.33,488,296 in the year under review.

3.2 Analytical Financial Review

The expenditure incurred for increase the lottery income and promotion and propaganda activities for make aware of the employees on the objectives of the Fund had been increased by 641 per cent in the year 2015 and 310 per cent in the year under review. Nevertheless, the increase of the sale of lottery as compared with it, had been 4.54 per cent in the year 2015 and it had been decreased by 3.98 per cent in the year under review.

4. Operating Review

4.1 Performance

The main objectives of the Fund in terms of the Shrama Wasand Fund Act, No.12 of 1998 are as follows.

- Promotion of welfare of the workers and Providing employees with medical facilities and other assistance during emergencies.
- When a place of work closes down without the prior notice to the employees, grant financial benefits and other benefits to them.
- Granting temporary relief to employees when enquiries are held against them.
- Granting financial and other forms of assistance to employees or their dependents at the instances of disaster
- Presentation of awards to those who have made an outstanding contribution to workers welfare.

The matters revealed in the examination of the Action Plan and the progress reports prepared for the achievement of those objectives were as follows.

- (a) According to the Action Plan of the year 2016, distribution of artificial limbs and 02 compensation programmes expected to be achieved by spending Rs. 3.2 million had not been implemented during the year under review.
- (b) The progress of 03 programmes out of 09 programmes which should have been implemented and completed in the year under review had ranged a low level from 02 per cent to 10 per cent and the progress of 03 programmes had ranged between 50 per cent to 70 per cent.

4.2 Management Activities

The management of the Fund had granted a sum of Rs.600,000 for the construction of a Net ball court to the Investment Promotion Zone at Katunayake without being established whether select a contractor by following an accurate procurement procedure and without being obtained an estimate prepared for the construction.

4.3 Operating Activities

Even though a sum of Rs.612,798 had been spent only for publish advertisements for the conduct of a programme in the year 2016 under the theme of “ A power to your labour disabled at the work place”(Weda Bimedee Abaditha vu obage Shramayata saviyak) for the granting of an artificial limb to whom lost a foot or a hand in an accident faced at the work place, that programme had not been conducted even by 30 March 2017.

5. Accountability and Good Governance

5.1 Internal Audit

The post of Internal Auditor had been vacant from 12 November 2013 to the year under review included in the approved cadre for the Fund. The management had not paid attention to strengthen the internal audit by recruiting an Officer for that post.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman from time to time. Special attention is needed in respect of the following areas of control.

Areas of Systems and Controls

Observations

(a) Budgetary Control	The significant variances existed between budgeted and actual figures had been minimized and the budget had not been made use of as an instrument of management control.
(b) Operating Control	The Fund had conduct of programmes without obtaining the approval of the Board of Directors.
(c) Accounting	The source documents had not been used in the accounting of transactions.
(d) Stock Control	Purchases of the Fund had not been entered in the stock books and those books had not been updated.