

Settlement Guarantee Fund– 2017

The audit of financial statements of the Settlement Guarantee Fund of the Securities and Exchange Commission of Sri Lanka for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Paragraph 11 (d) of the Deed of Trust No.1376 dated 21/22 May 1998 relating to establishment of Settlement Guarantee Fund in terms of the Securities and Exchange Commission of Sri Lanka Act, No. 36 of 1987.

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 the 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 judgment, 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 the financial statements.

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

2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Settlement Guarantee Fund of the Securities and Exchange Commission of Sri Lanka as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

3. Financial and Operating Review

3.1 Financial Results

According to the financial statements presented, the activities of the Fund for the year ended 31 December 2017 had resulted in a surplus of Rs.76, 294,618 as compared with the corresponding surplus of Rs. 59, 400,435 for the preceding year thus indicating an increase in the surplus by Rs.16, 894,183. The reason for that was the increase in interest income.

3.2 Fund

3.2.1 Objectives

The objectives of the fund are,

- (a) to collect and provide (in the absolute discretion of the Trustees) funds for the purpose of Guaranteeing the Settlement of Trades between the Clearing Members of the Central Depository System insofar as it shall continue to function as an entity providing the function of a Central Share Depository and Clearing and Settlement facility , and
- (b) to undertake all such ventures and adopt all other measures and undertake all other activities towards the achievement of the aforesaid objects and purpose (a) above without limitation.

3.2.2 Functions of the Fund

Disputes between the Clearing Members of the Central Depository System had not been reported as per Paragraph 5 (a) of the Deed of Trust No. 1376 dated 21/22 May 1998 and as such no compensation payments had been made up to 31 December 2017.