

Shrama Wasana Fund - 2017

The audit of financial statements of the Shrama Wasana Fund 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 equity, 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.

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 2017 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 following observations are made.

(a) Sri Lanka Public Sector Accounting Standard No.01

Even though, the maturity period of the fixed deposits of the Fund amounting to Rs.103 million had less than twelve months, contrary to the section 76 of the standard No.01 those investment had been shown as non-current assets in the Financial Position Report.

(b) Sri Lanka Public Sector Accounting Standard No.02

Even though, the increase of other receivable in the Cash Flow Statement in 2017 should be shown as Rs.28,488,838, but it had been shown as Rs.33,552,553 and overstated by Rs.5,063,715.

(c) Sri Lanka Public Sector Accounting Standard No.07

In terms of section 65 of the standard No. 07 the useful life time of non-current assests had not been received annually and fourteen assets items costing Rs.926,125 were further in use despite being fully depreciated. Accordingly, action had not been taken to revise the error in the estimation in accordance with the Sri Lanka Public Sector Accounting Standard No.03.

(d) Sri Lanka Public Sector Accounting Standard No.08

Even though, had not been fulfilled required conditions for a provision in terms of section 22 of the standard a sum of Rs.5,924,524 had been allocated in the Financial Position Statement for 03 programmes in 2017, such as welfare programmes of the Fund, for legal assistances and scholarships.

2.2.2 Accounting Policies

Amortization had not been made in the useful lifetime for an assets identified as an intangible assets in the Statement of Financial Position valued for Rs.33,000.

2.2.3 Accounting Deficiencies

The following observations are made.

- (a) Staff expenses of Rs.225,490 incurred in the year under review had been shown under non-current assets instead of accounted under expenses of the Fund. As such, annual surplus of the Fund and non-current assets had been overstated by same amount.
- (b) Depreciation of six assets items using by the Fund had been understated by a sum of Rs.25,839 in the year under review.
- (c) A sum of Rs.295,175 incurred for preparation of a Corporate Plan for the Fund for 05 years period of 2018 – 2022 had been shown as Research and Development Assets under the Current Assets instead of recognized as an expenses in the statement of financial performance.

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

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

Reference to Laws, Rules and Regulations.

Non-compliance

- (a) Financial Regulation 237 (c)

Receipt for payment of Rs.12,000 paid to a private entity for accommodation facilities at the eye clinic held in Nuwara Eliya District had not been furnished with the settlement of advance.

- (b) Sub section (a) and sub section 13 (2) of section 7(2)1 of Shrama Wasana Fund Act No. 12 of 1998

Even though a Lottery named shrama wasana had to be conducted action had not been taken to do so but had issued “Jathika Sampatha” a lottery.

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. 13,155,579 as compared with the corresponding surplus of Rs. 28,264,114 for the preceding year, thus indicating a deterioration of Rs.15,108,535 in the financial result of the year under review as compared with the preceding year. The decrease in the expenditure in the achievement of the objectives of the Fund by Rs.89,155 and the increase in the administrative expenditure by Rs.3,657,555 and the decrease of annual Lottery income by Rs.19,062,791 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 2013 amounted to Rs.57,537,862 had continuously deteriorated to Rs.13,155,579 by the year 2017. However, the contribution of the Fund in re-adjusting the employee emoluments and depreciations for non-current assets to the financial result the contribution of Rs.59,973,904 in the year 2013 had continuously decreased and was Rs.24,416,576 in the year under review.

4. Operating Review

4.1 Performance

4.1.1 Planning

The following observations are made.

- (a) It had been noted as a main weakness of the fund had not a definite idea regarding the identification of beneficiaries each welfare programme in the corporate plan prepared in relevant to the period 2013-2017 by the Fund. The Fund had not taken strategies to minimize this weakness and it had been noted that the same weakness still being continued in the corporate plan prepared for the 2018-2022 period. It had been observed that, basic reason to have issues on selecting beneficiaries being the objective widely mentioned in the section 6(a) of the Fund Act. No.12 of 1998.
- (b) Even though it had been mentioned in the corporate plan of the fund relevant to the period 2013 to 2017 that having large number of Non – Government Organizations are an opportunity to the fund to provide welfare for employees, but action had not been taken to identify strategies to build up coordination with those Non-Government Organizations to use the opportunity.

4.1.2 Activity and Review

The following observations are made with regards to the achievement of Goals in the action plan for the year under review.

- (a) Even though planned to conduct 28 awareness programmes costing Rs.1.5 million, conducted only 06 programmes costed Rs.900,000. It was sixty per cent from the total allocation.
- (b) Even though a sum of Rs.7 million had been allocated to pay benefits to 100 scholars under professional accident scholarships programme, conducted only 74 programmes for beneficiaries and had been spent Rs.4.6 million and a sum of Rs.2.4 million had saved at the end of the year.

- (c) Even though a sum of Rs.2.5 million had been allocated for awarding of gifts to the persons who have rendered excellent service, the programme had not been conducted. But as per the progress report of the action plan furnished to the audit shows that a sum of Rs.0.29 million had been spent to pay 33 employers.
- (d) As per the 4.3.1 of the Corporate plan prepared for the period of 2013-2017 of the Fund, that equal opportunities should be given for the welfare programmes covering all the areas of the Island. Even though, had been planned to conduct 10 programmes in the action plan for the year under review, 30 programmes had been conducted and out of that 10 programmes had been conducted in Rathnapura and Badulla Districts.
- (e) As per the 2017 prepared action plan of the Fund, planned to distribute 42 artificial legs and arms during the year under review, but only one special artificial leg had been given to a person out of the selected list. Even artificial legs and arms had not been given to the 14 persons who were selected in the year 2016 till the end of the year under review.

4.2 Under Utilization of Funds

The following observations are made.

- (a) Even though a sum of Rs.80 million had been given by the Department of Treasury Operations, the funds had not been used for the programmes systematically to achieve goals of the fund and a sum of Rs.51 million equalent to 64 per cent received during the year under review had been invested in fixed deposits in government banks without achieving goals. As such, the value of the investment at the end of the year under review was Rs.103 million. In addition to that, a sum of Rs.290 million had been invested in Treasury deposits at the end of the year under review.
- (b) A sum of Rs.5,924,524 had been allocated in the Financial position statement for the programmes planned to conduct in 2017. Out of above allocation 21 per cent had been used for the programmes in the year 2018 by the date of audit of 2018. It was observed that, only items required for the programmes had been procured and had further observed to the audit that the Fund had planned programmes without proper management and had implemented programmes unefficiently.

4.3 Underutilization Assets

Three Televisions procured for sum of Rs.364,781 in 2016 and fixed one television at the entrance of the Labour office premises to publish the objectives of the funds but had not utilized even upto end of the year under review.

4.4 Staff Administration

The approved cadre of the Fund was 18 at the end of the year under review and out of that 02 Assistant Manager Posts remained vacanted. Action had not been taken to recruit for the posts.

5. Sustainable Development

5.1 Achievement of Sustainable Development Goals and Targets

In accordance with the Circular No. NP/SP/SDG/17 of 14 August 2017 issued by the Secretary to the Ministry of National Policies and Economic Affairs, Every public institution should act in compliance with the United Nations Sustainable Development Agenda for the year 2030. The Shrama Wasana Fund had not been aware as to how to take measures relating to the activities under purview of their scope with respect to the year under review.

6. Accountability and Good Governance

6.1 Internal Audit

(a) In terms of section 09 of the Audit and Management Circular No.DMA/2009(01) dated June 2009 issued by the Department of Management and Audit, internal audit reports should be issued at the end of each quarter but only one report had been issued till end of the year under review.

(b) Even though an Internal Audit Plan had been prepared by the Fund for the year 2017 in accordance with format given in the above Circular, definite facts for system analysis, performance appraisal, and special investigations had not been included.

6.2 Procurement and Contract Process

6.2.1 Procurements

Even though procurement plan of the Fund for the year 2017 had been prepared in terms of 4.2 of the procurement guidelines, detail of the procurements for goods valued of Rs.9,882,474 to be procured for the programmes carried out to achive the goals of the Fund had not been included in the procurement plan.

6.3 Unresolved Audit Paragraphs

Follow up actions on the audit paragraph included in to 2.2.5 of the 2016 Auditor General's report of the Fund had not been finalized.

(a) A mutual agreement had not been reached between the Lotteries Board and the Shrama Wasana Fund on the categorise of lotteries and the numbers of lotteries to be printed in each year.

(b) A mutual agreement should be reached between the Lotteries Board and the Shrama Wasana Fund on the prices awarding and how the unclaimed prized are dealt with, but had not done so.

- (c) A mutual agreement had not been reached between the Lotteries Board and the Shrama Wasana Fund on the expenditure to be incurred for the conduct of lottery and the value of the prize awarded for each lottery.

7. **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
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(a) Procurement Process	<ul style="list-style-type: none">- Not participation of subject specialists for the Technical Evaluation Committees.- Bid opening committee members not sign bid opening reports.- Criteria not in the bidding documents were used of bid evaluation.
(b) Expenditure Control incurred for objectives of the fund	<ul style="list-style-type: none">- Not used proper criteria for selecting beneficiaries.- Lack of selected beneficiaries list signed by responsible officers.- Lack of proof and no follow up action on goods given to selected third parties.