

Shrama Vasana Fund - 2021

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Shrama Vasana Fund for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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, the accompanying financial statements give a true and fair view of the financial position of the fund as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Opinion

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 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 with Sri Lanka Public Sector 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 fund'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 fund or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the fund 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 fund.

1.4 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:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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.
- Obtain 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 fund's internal control.
- Evaluate 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 fund'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 fund 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 fund and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the fund has complied with applicable written law, or other general or special directions issued by the governing body of the fund ;

- Whether the fund has performed according to its powers, functions and duties; and Whether the resources of the fund had 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 Internal Control over the preparation of financial statements.

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
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(a) Shrama Vasana Fund Act No. 12 of 1998 as amended by the Shrama Vasana Fund (Amendment) Act No. 15 of 2019			
(i) Subsection 3:3	Subject to the provisions of the Act, the Board shall have the power to make rules to regulate the procedure relating to its meetings and the transaction of business Even though such rules had not been prepared as on 31 December 2021.	Sections 6(3) and 3(3) of Shrama Vasana Fund Act No. 15 of 2019 relating to making rules and Sections 3.3 (g) (ii) and 14 of Shrama Vasana Fund Act No. 12 of 1998 The draft rules with the approval of the Board of Directors have been forwarded to the Ministry of Finance for publication in the Gazette and the Ministry of Finance has forwarded them to the Law Drafting Department for necessary work.	Should act in accordance with the Act.

(ii)Sub-section 3:4:(2 g)	To provide financial relief to obtain legal assistance to employees where proceedings in respect of termination of employment of an employee or of an industrial dispute, is initiated or pending under the provisions of any written law, before the Commissioner-General of Labour, a Labour Tribunal, an arbitrator or an Industrial Court or any court of law, to provide financial relief provided under this shall be subject to such amount as the Board may determine by rules made in that behalf but such rules had not been prepared as on 31 December 2021.	Sections 3(3) and 6(3) of Shrama Vasana Fund Act No. 15 of 2019 relating to making rules and Sections 3(3)(g)(ii) and 14 of Shrama Vasana Fund Act No. 12 of 1998 With the approval of the Board of Directors, the draft rules have been forwarded to the Ministry of Finance for publication in the Gazette. Currently, the Ministry of Finance has referred to the Law Drafting Department for the necessary work.	Actions should be taken to achieve the objectives mentioned in the Act.
(iii) Sub-section 13:1	Even though, shall conduct for the fund such number of and any type of lotteries in each year as may be agreed between the Fund and the Lotteries Board. No such agreement was reached by the Fund with the National Lottery Board.	Since the year 2017, a draft of the agreement to be reached with the Lottery Board has been forwarded to the Ministry of Finance, and although the Ministry of Finance has been informed about this annually, no agreement has been reached. It has been verbally stated that an opportunity will be given to discuss this in the future. Despite several reminders, no response has been given so far.	Should act according to the Act.
(iv) Sub-section 13:2(a)	Even though the agreement between the Fund and the Lotteries Board shall include provision, inter alia, as regards the prizes to be awarded in the lotteries so conducted and the manner in which unclaimed prizes at such lotteries are to be dealt with and the amount to be allocated from the proceeds of the Lotteries to the fund, No such agreements were reached with the Fund and the National Lottery Board.	-Do-	Should act according to the Act.

(v) Sub-Section 14:1	Though the Board may make such rules as it may consider necessary in relation to any matter affecting or connected with or incidental to, the exercise, discharge, performances of its powers, duties and functions of the Boards and performance of its powers, duties and functions rules, such rules had not been prepared and approved by 31 December 2021.	A reminder letter dated 30 December 2021 has been forwarded to the Ministry of Finance regarding this matter to be gazetted soon.	Should act according to the Act.
(vi) Section 4(1) (a) of the Act and Section 2 (1) (a) of the Shrama Vasana Fund (Amendment) Act No. 15 of 2019	The Chairman of the Board shall be the Secretary of the Minister's Ministry. According to the special gazette issued by the President's Office bearing number 2187/27 on 09 August 2020, all funds have been placed under the Ministry of Finance, so the chairman of the fund should be the Secretary of the Ministry of Finance. Nevertheless, by the Treasury Secretary's letter dated 02 June 2021 bearing the number MF1/05/01/178 – SVF/02, the Secretary of the Ministry of Labour had been appointed informing that the Minister of Finance had agreed to the appointment of the Secretary of the Ministry of Labour for the chairmanship.	In the extraordinary gazette issued by the President's Office bearing number 2187/27 on 9 August 2020, this fund is included under the decrees to be implemented by the institutions under the Ministry of Finance and under the decrees to be implemented under the Ministry of Labour in the same gazette. Only the Labour Welfare Fund Act has been included. MF1/05/01/178-SVF-02 on the resignation of the Chairman of Shrama Vasana Fund and the letter appointing the Secretary to the Ministry of Labour as the Chairman of Shrama Vasana Fund on 02 June 2021 has been received by the Ministry of Labour on 22 June 2021 to Shrama Vasana Fund.	Should act according to the Act.
(vii) 6(a) of the Act and Section 3 (1) of the Shrama Vasana Fund Amendment Act No. 15 of 2019	Although the welfare of the employees should be enhanced, even on 31 December 2021, programs for the enhancement of the welfare of the employees had not been implemented.	It was decided not to carry out the program as per the instructions given by the board of directors as providing school equipment is practically not effective when schools are closed for a long time due to the Covid-19 pandemic situation.	Actions should be taken to achieve the objectives mentioned in the Act.

(viii) Section 6 (b).	Though the financial and other assistance should be provided to employees when the institutions they were working in, are closed down without prior notice, but such financial and other assistance were not provided as at 31 December 2021.	In cases where the establishments in which the employees were employed were closed without prior notice, the Termination of Service Division sent details and application letters to the concerned beneficiaries by Shrama Vasana Fund and informed them over the phone, but no reply was received from them.	Actions should be taken to achieve the objectives mentioned in the Act.
(ix) Section 3 (3) g (ii) of the amended Act	Although it is stated that the financial relief provided shall be subject to such amount as the Board may determine by rules made in that behalf under this, such rules were not recorded even as at 31 December 2021.	Sections 3(3) and 6(3) relating to framing of rules in accordance with the provisions of the Shrama Vasana Fund Act No. 15 of 2019 and Sections 3(3)(g)(ii) and 14 of the Shrama Vasana Fund Act No. 12 of 1998 With the approval of the Board of Directors, the draft rules have been forwarded to the Ministry of Finance for publication in the Gazette and currently the Ministry of Finance has forwarded the necessary work to the Law Drafting Department in progress.	Actions should be taken to achieve the objectives mentioned in the Act.
(x) Section 6 (3) 1 of the amended Act	Although it is mentioned about the rules published in the gazette, such rules were not gazetted even as at 31 December 2021.	According to Section 6(3)(1) of the Amendment Act, the approval of the Board of Directors has been obtained on 30 December 2021 and sent to the Ministry of Finance to publish the gazette. Furthermore, the Ministry of Finance has forwarded to the drafters of the law.	Should act according to the Act.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs. 2,140,835 and the corresponding surplus in the preceding year amounted to Rs.12,330,517 Therefore a deterioration amounting to Rs. 10,189,682 of the financial result was observed. The reasons for the deterioration are resulted in revenue of Rs. 3,130,309 decrease and expenditure of Rs. 7,059,373 increase was mainly due to.

3. Operational Review

3.1 Under -utilization of Funds

Audit Issue	Management Comment	Recommendation
<p>Only Rs.13,000,000 was received out of Rs.27,502,924 due from the consolidated fund for the year under review and Rs.14,502,924 should have been received. And the receivable balance including that balance is Rs.346,643,444 due from the consolidated fund from the year 2004 and proper steps were not taken to recover the said balance from the consolidated fund. Inability to obtain sufficient funds from the treasury had adversely affected the achievement of the fund's objectives.</p>	<p>The income received from the National Resource Lottery is credited by the Lottery Board to the Consolidated Fund called the Shrama Vasana Fund. According to the budget document prepared for each year and the action plan, the amount required for the provisions mentioned therein is requested by sending letters to the treasury. From the year 2004 to the year 2008, the money credited to the Consolidated Fund was made to the Shrama Vasana Fund in installments through cheques, but from the year 2009 to the year 2014, the money was stopped in view of the amount of fixed deposits to the fund. From 2015 till now, the money credited to the Consolidated Fund was given by the Treasury to Shrama Vasana Fund from time to time. A letter from the Director General of the Treasury Operations Department to us that in order to manage the financial affairs of the Shrama Vasana Fund, since a significant amount of fixed deposits are maintained in the financial statements of the Shrama Vasana Fund, the funds of the fixed deposits currently held by the Shrama Vasana Fund are being used for the necessary purposes has been sent.</p>	<p>In discussion with the Treasury, a program should be drawn up to obtain the fund and fulfill the objectives of the Act.</p>

3.2 Transactions of Contentious Nature

Audit Issue	Management Comment	Recommendation
<p>An amount of Rs.10,000,000 was given in February 2021 for 200 Sanitary Toilets for Estate Labour Workers in Badulla District Funds available in Treasury Department</p>	<p>After looking into the possibility of providing financial contribution from the Shrama Vasana Fund for the construction of 200 sanitary toilets for such families living in Badulla Divisional Secretariat as a pilot</p>	<p>Welfare activities should be carried out according to the provisions of the Act.</p>

for Shrama Vasana Fund. Out of which, during the year under review, Rs.5,950,000 was paid to the beneficiaries through Badulla District Secretary and Rs.234,206 was spent as other expenses of the project.

According to the objectives of the Shrama Vasana Fund Act No. 12 of 1998 and the amended Act No. 15 of 2019 to promote the welfare of employees and their dependents, outside of those objectives, 140 low-income earners were benefited from this toilet project, which is percent of the total number of beneficiaries were 70 percent.

project to provide sanitary toilet facilities targeting low-income and working families who do not have sanitary toilet facilities, Taking into consideration the board paper presented in this regard, in the meeting held on 17 December 2020, an amount of 10 million rupees has been obtained from the treasury as a special project and the board of directors has given approval to implement this project. Although there was no time to include this project in the basic action plan for the year 2021, which was prepared at the end of 2020, the project has been included in the 2021 action plan as per the approval given in the board meeting held in December 2020. Also, in the Board of Directors meeting held on 09 December 2021, blanket approval has been given once again regarding the inclusion of this project as a special project related to the purpose of promoting the welfare of low-income earners and workers in the revised action plan for the year 2021.