

Shrama Vasana Fund - 2023

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Shrama Vasana Fund for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 report 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 2022, 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 Audit Scope

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Section 6(2) of the Payment of Gratuity Act No. 12 of 1983 and Sri Lanka Public Sector Accounting Standards 19	The gratuity calculation, provision and presentation in the financial statements were not done in accordance with the accounting standards and the provisions of the Act.	According to the Payment of Gratuity Act No. 12 of 1993, the Shrama Vasana Fund made the provision of gratuity to the employees. There gratuity was calculated based on the employee's length of service and half of the last salary received. Accordingly, Shrama Vasana Fund made gratuity provisions based on the employee's service period from the year 2019. That the shortfall in gratuity will be adjusted in future gratuity provision.	It should be done according to the act and accounting standards.
(b) 5.4 of Treasury Department of Public Enterprises Operations Manual bearing No. PED 2021/01 dated 16 November 2021 and Public Enterprises Circular bearing No. 04/22 dated 08 August 2022	In the year 2023, the fund had spent an amount of Rs.545,000 as publicity support for a media campaign program and a stage play of the Ministry of Labour and Foreign Employment, Non-complying with regulations.	During the period of economic instability in the country in the year 2022, the strict labour laws and strict labour policies in the country have been some obstacles to prevent investors from coming into the country by bringing foreign exchange into Sri Lanka. The decision taken by the government was to create some lenient labour law system to increase investment promotion to get foreign exchange. Before that, other institutions of the Ministry jointly gave this contribution to	Should act in accordance with the rules and regulations of the act.

the public in order to get their views and inform them in order to represent the working classes of each category.

(c) Shrama Vasana Fund Act No. 12 of 1998 as amended by the Shrama Vasana Fund (Amendment) Act No. 15 of 2019

- (i) Sub-section 3.3 and sub-section 3.4 (2g). Subject to the provisions of the Rulemaking in the act, Although the Board has been empowered to make rules relating to the procedure of its meetings and the regularization of the conduct of those meetings, but such rules had not been prepared by 31 December 2023. 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 law, before the Commissioner General of Labour, a Labour Tribunal, an arbitrator or an Industrial Court or any court 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 2023.
- The Shrama Vasana Fund was placed under the Ministry of Finance as per the Special Gazette 2187/27 issued by the President on 09.08.2020. During that period, the Ministry of Finance directed the Law Drafting Department to gazette the relevant rules. The final decision taken by the Rule Drafting Department in a discussion held with the Ministry of Finance on 09.04.2024, was that it is appropriate to get an interpretation regarding the agreement between the Shrama Vasana Fund and the Lottery Board. After the interpretation, it has been decided to forward the relevant rules and relevant amendments to the cabinet at the same time.
- It should be done according to the provisions of the Act.

- (ii) Sub-section 13.1 and Sub-section 13.2(a). Conducting of lotteries. The Fund and the Lotteries Board may agree on such number of lotteries and certain types of lotteries to be conducted in each year on behalf of the Fund, no such agreement has been entered into by the Fund with the National Lottery Board. The agreement between the Fund and the Lottery Board, among other things,
- Regarding prizes awarded in lotteries,
 - Regarding unclaimed gifts in those lotteries,
 - Although provisions should be included regarding the amount of money to be allocated to the fund from the money received from the lotteries, no such agreements were reached with the fund and the National Lottery Board.
- A prepared letter including the agreements and disagreements for the proposed lottery agreement between Shrama Vasana Fund and Lottery Board was sent to the Shrama Vasana Fund on 10.10.2022 by the Lottery board which was sent to the Lottery board on 26.08.2022. It was referred to the Board of Directors and the Audit and Management Committee for discussion. The Board of Directors has determined that this letter is sufficient. Agreements should be reached as per the provisions of the Act.

(iii) Sub section 14.1

.Rule-Making - such rules as the Board deems necessary in respect of matters relating to or incidental to the exercise and performance of the powers, functions and duties of the Board, or rules which the Board may make for such matters as are authorized by this Act in making rules or deem necessary to make rules. Even if received, such rules had not been prepared and approved by 31 December 2023.

The final decision taken in a discussion held with the Ministry of Finance on 09.04.2024 was that it is appropriate to get an interpretation regarding the agreement between the Shrama Vasana Fund and the Lottery Board and after the interpretation; it has been decided to forward the relevant rules and amendments to the Cabinet at the same time. It should be done according to the provisions of the Act.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.35,157,333 and the corresponding surplus in the preceding year amounted to Rs. 12,927,981 Therefore an improvement amounting to Rs. 22,229,352 of the financial result was observed. The reasons for the improvement are mainly due to increase in investment income.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
Although there was a position of internal auditor in the approved carder of the institution, the role of internal audit was not fulfilled due to the absence of the required officer.	An Internal Auditor has been appointed by the Pension Department on 29.11.2023 Due to the fact that the Institute's files were taken to that department during the audit and subjected to the audit As it may compromise the security of the Institute's files, The Board of Directors advised that the appointment could not be accepted subject to that fact and that another appointment should be made. Accordingly, it has been informed that a suitable official of the Ministry or the institutions under it has been appointed for that by the letter dated 14.03.2024.	Action should be taken to conduct an internal audit.

3.2 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
Rs. 3,599,679 had been spent for the purchase of school bags and books required for the programs of the Shrama Vasana Fund and the organization providing the bags itself has been in operation to pack the books and take them to the programs since December 2023. Due to the lack of sufficient staff, proper internal control and No supervision was observed.	Since it was difficult for our staff to pack the school equipment into school bags under the limited staff of the Shrama Vasana Fund, we handed over to the organization providing the bags under the supervision of a staff officer of the Shrama Vasana Fund and got them to do the packing. Also, before distributing these bags, several bags are randomly checked after confirming that the size of the bags and the number of books contained in the bags are correct, and this is done with proper internal control and supervision.	Necessary measures should be taken to strengthen internal control.