

The audit of financial statements of the Shrama Wasana Fund for the year ended 31 December 2013, comprising the statement of financial position as at 31 December 2013 and the statement of financial performance and 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(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 12(4) of the Shrama Wasana Fund Act No 12 of 1998. My comments and observations on the above financial statements appear in this report.

1.2 Management's Responsibility for 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 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 misstatements of the financial statements, whether due to fraud or error. In making those risks 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.

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 Audit Opinion

In my opinion, , the financial statements give a true and fair view of the financial position of the Shrama Wasana Fund as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Accounting Deficiencies

The following observations are made

- a) The depreciation policy for the Fixed Assets of the Institute had not been disclosed in the Financial Statements. The assets valued at Rs. 297,100 purchased during the year had been depreciated without considering the date purchased, as such the depreciation had been overstated by Rs. 14,785.
- b) The assets, such as sound systems and video cameras purchased during the current year had been depreciated at 10 per cent without considering the useful period of such assets.

2.3 Non-compliance with Laws, Rules and Regulations

The following non-compliances were observed.

<u>Reference to Laws, Rules and Regulations</u>	<u>Non-compliance</u>
a) Shrama Wasana Fund Act No. 12 of 1998 (i) Section 6(e)	Employees or their dependents should be provided with financial and other benefits in disasters though, benefits had not been provided.
(ii) Section 13(1)	Although it was necessary to enter into an agreement with the Lotteries Board on the category and the number of lotteries to be printed in each year, no such an agreement had been entered into.
(iii) Section 13(2)	Although it was necessary to enter into an agreement with the Lotteries Board on the prizes awarded by the lottery and how the unclaimed prizes were verified, such an agreement had not been entered into.
(iv) Section 13(3)	Although there should have been an agreement between the Fund and the Lotteries Board on the expenses to be incurred by the Lotteries Board including the values of the prizes awarded by the lottery, action had not been taken in that regard.

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| (v) Section 10(d) | The Fund should receive the income generated through lotteries; Nevertheless, the due income as at the end of the year under review amounted to Rs. 229,456,751 as the income had not been obtained from the Treasury after October 2008 |
| (b) Paragraph 2.1 of the Schedule 3 of the Treasury Circular No 842 dated 19 December 1978 | A Register of Fixed Assets had not been properly maintained. |
| (c) Treasury Circular No IAI/2002/02 dated 28 December 2002 | A Register for Computer Accessories and Software had not been maintained. |

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial results of the Fund for the year under review amounted to a surplus of Rs.57,537,862 as compared with the corresponding surplus of Rs.47,201,339 for the preceding year, thus indicating an increase of Rs.10,336,523 in the financial results. The increase of the income for the year under review as compared with the preceding year by Rs.16.5 million, despite the increase of expenditure by Rs.6.18 million had been the main reason for the increase.

3.2 Analytical Financial Review

Out of the income received for the year under review, 80.2 per cent had been saved. It was observed that only 14.49 per cent of the total income had been spent in achieving the objectives of the Fund.

4. Operating Review

4.1 Performance

The following observations are made

- a) Only 200 beneficiaries had been targeted during the year for Scholarship Program and Legal Aid Program and It was observed to be insufficient when compared with labor force in the private sector in Sri Lanka.
- b) Albeit planned, Medical Assistance Programs Industrial accidents/Industrial Health and Awards, Financial Aid or Dry ration Work it had not been implemented during the year.
- c) This Institute had been established under an Act passed by the Parliament of Democratic Socialist Republic of Sri Lanka. One of the main functions of the Institute is to provide services for all employees island-wide in terms of objectives of the Act. Considering the fact that more than 75 per cent of the benefits of the

Institute had been provided for the employees in Colombo District during previous years and this year, the Institute has been unable to serve island-wide during previous years and in the current year in achieving its objectives.

4.2 Uneconomic Transactions

An amount of Rs. 169,680 had been spent on the promotional activities of the Legal Aid Program whereas, the aid granted amounted to Rs. 50,000. This situation had arisen as, only the employees earning monthly salaries less than Rs. 15,000 had been considered.

4.3 Improperly-vested Office Building

The Department of Labour had not taken actions to vest the legal ownership of office building to the Shrama Wasana Fund up to the date of audit. An agreement had not been reached with the Department of Labour expenses on water , electricity and the rental of the building.

5. Accountability and Good Governance

5.1 Internal Audit

As the Ministry of Labour and Labour Relations had not appointed an Internal Auditor for the year under review, no internal audit had been carried out in the current year.

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.

- a. Management of Funds
- b. Performance
- c. Internal Audit