

Shrama Vasana Fund -2012

1. Financial Statements

1.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Shrama Vasana Fund as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1:2 Comments on Financial Statements

1:2:1 Best Accounting Practices

Air conditioners, computers and photocopying machines costing Rs.340,222 had been depreciated up to the final value of Rs.1 by the end of the year under review. Action had not been taken to identify their new useful life and adjust the depreciation by revaluing those assets.

1:2:2 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed.

Reference to Laws, Rules and Regulations, etc.	Non-compliance
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(a) Shrama Vasana Fund Act, No. 12 of 1998	

i. Sections 6(a) to (f)	Contrary to the objectives appearing in the Act, a sum of Rs.781,332 had been spent on publicity expenses.
(ii) Sections 7(2)(1)(a) and 13(2)	Even though a lottery Shrama Vasana can be printed in terms of the Act, contrary to that a lottery on “ Jathika Sampatha” had been printed.

(iii) Section 10(d) Even though the income from the lotteries drawn should be received by the Fund, such income after 28 February 2008 had not been obtained from the Department of Treasury Operations.

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

(i) Financial Regulation 139(4) Proper acknowledgements had not been obtained for a sum of Rs.1,346,307 spent from the Fund as publicity expenses.

(ii) Financial Regulation 139(8) Advances amounting to Rs.381,000 granted in the year under review had not been recorded in the Register of Advances.

(iii) Financial Regulation 371(2)(d) The settlement of advances amounting to Rs.121,000 granted in the year under review had been delayed for more than one month after the completion of the purposes.

2. Financial Review

2:1 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.47,201,339 as compared with the corresponding surplus of Rs.40,218,167 for the preceding year, thus indicating an increase of Rs.6,983,172 in the financial results. The increase of the income for the year under review as compared with the preceding year by Rs.8.5 million, despite the increase of expenditure by Rs.1.6 million had been the main reason for the increase.

3. Operating Review

3:1 Performance

3:1:1 Financial and Physical Performance

The following observations were made at an examination of the Action Plan and the Progress Reports of the Shrama Vasana Fund for the year under review.

(a) Progress of the Achievement of Financial and Physical Targets

The following observations are made.

	<u>Programme/ Component</u>	<u>Estimated Target as at 31 December 2012</u>		<u>Achievement (Performance)</u>		<u>Progress of Achievement</u>	
		<u>Financial</u> Rs.Millions	<u>Physical</u> Programmes	<u>Financial</u> Rs.Millions	<u>Physical</u> Programmes	<u>Financial</u> Rs.Millions	<u>Physical</u> Programmes
(i)	Technical Education Programmes	0.6	20	--	--	--	--
				(These programmes had not been implemented)			
(ii)	Providing medical and other facilities to employees in times of distress.	1.0	For 20 patients	--	--	--	--
				(These programmes had not been implemented)			
(iii)	Legal Aid Programmes	1.0	Providing legal aid for 100 persons	0.07	Providing legal aid for 18 persons	7 per cent	18 per cent

(b) Non-execution of Activities spelt out in the Shrama Vasana Act

The Fund had not executed the activities spelt out in the following Sections in the Shrama Vasana Fund Act.

<u>Section</u>	<u>Particulars of Non-execution</u>
(i) Section 6(b)	Providing financial and other aid to employees of institutions closed down without prior notice.
(ii) Section 6(c)	Providing medical and other aid to the employees in times of distress.

- (iii) Section 6(e) Supply of financial and other benefits to the employees or their dependents in times of distress.
- (iv) Section 13(1) Reaching agreement with the National Lotteries Board with regard to the number and categories of lotteries to be printed in each year.
- (v) Section 13(2) Reaching agreement with the National Lotteries Board with regard to the prizes awarded by the lottery and the action to be taken on the unclaimed prizes.
- (vi) Section 13(3) Reaching agreement with the National Lotteries Board with regard to the expenditure incurred by the Lottery including the value of the prizes awarded.

3:2 Transactions of Contentious Nature

The following observations are made.

- (a) The Fund had given a sum of Rs.1,102,000 contrary to the objectives of the Act, to other institutions for various purposes.
- (b) According to the Action Plan an estimate of Rs.1.5 million had been made for three medical clinics for the year 2012 and according to the approval of the Board of Directors, that amounted to Rs.782,000. The actual expenditure thereon in the year under review amounted to Rs.602,293. The covering approval for the purchase of food and beverages for the clinic held on 03 March 2013 had been obtained only on 19 April 2012. In this connection, prices much higher than the current market prices for food and beverages had been paid. The attendance for the clinic held at Piliyandala had been certified as 28 and food had been supplied to a number exceeding 50.

4. Accountability and Good Governance

4:1 Corporate Plan

A Corporate Plan for a period not less than 03 years for the achievement of the Vision and Mission of the institution had not been prepared in terms of Section 5 of the Public Enterprises Circular No. PED/12 of 02 June 2003.

4:2 Action Plan

An Annual Action had not been prepared for the achievement of the objectives included in the Corporate Plan.

4:3 Internal Audit

The Ministry of Labour and Labour Relations had not appointed an Internal Auditor for the Fund in the year under review to conduct an internal audit.

5. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Fund from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Budgetary Control
- (c) Payment of Advances
- (d) Fixed Assets Control