

Shrama Wasana Fund - 2015

The audit of financial statements of the Shrama Wasana Fund for the year ended 31 December 2015, comprising the statement of financial position as at 31 December 2015 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(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 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 2015 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 Policies

Even though the profit of the year should be computed by deducting the expenditure incurred against the income of the year, without identifying the expenditure of the year specifically in respect of stationery, the policy of identifying the value of purchases made during the year as expenditure had been continuously followed.

2.2.2 Sri Lanka Public Sector Accounting Standards

Action had not been taken to revalue and take into books to show the carrying amount of assets at a total cost of Rs.170,050 fully depreciated and still in use in terms of Sri Lanka Public Sector Accounting Standard 07.

2.2.3 Lack of Evidence for Audit

Even though a sum of Rs. 60,000 had been spent for the workshop on employees' gratuity held in the Department of Labour on 29 and 30 of July 2015, no documents whatsoever that could confirm as to how that money was spent, were not made available to audit.

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

The following observations are made.

Reference to Laws, Rules, Regulations, Management Decisions etc.

Non-compliance

(a) Shrama Wasana Fund Act, No.12 of 1998

(i) Section 13(1)

An agreement had not been entered into between the Lotteries Board and the Shrama Wasana Fund on the type and the number of lotteries to be conducted in each year.

(ii) Section 13(2)

Although it was necessary to enter into agreements with the Lotteries Board on the prizes to be awarded by the lottery and how the unclaimed prizes were dealt with, it had not been so done.

(iii) Section 13(3)

Agreements had not been entered into between the Fund and the Lotteries Board even up to 18 April 2016, the date of audit in respect of the agreed sum as expenses for

conducting such lotteries including the value of prizes and the proceeds of lotteries.

- (b) Financial Regulation 772 of the Democratic Socialist Republic of Sri Lanka Action had not been taken to dispose of 09 fully depreciated and unserviceable assets at a total cost of Rs. 316,690 and 88 units of goods relevant to 35 unserviceable items of goods identified at the Board of Survey as at 31 December 2014.

3. Financial Review

3.1 Financial Results

The following observations are made.

- (a) According to the financial statements presented, the financial result of the Fund for the year ended 31 December 2015 amounted to a surplus of Rs. 38,493,632 as compared with the corresponding surplus of Rs. 39,281,320 for the preceding year, thus indicating a deterioration of Rs.787,688 in the financial result of the year under review as compared with the preceding year. The increase in administrative expenditure by Rs. 1,236,776 and depreciation by Rs. 282,085 had been the main reasons for this deterioration.
- (b) Even though an improvement had been shown in the financial results from the year 2011 to the year 2013 in analyzing the financial results of the preceding years, a deterioration was observed in the financial results of the years 2014 and 2015. The entire contribution of the Fund from the year 2013 to the year 2015 amounted to Rs. 59,967,312, Rs. 43,994,166 and Rs. 43,946,767 respectively in considering employees' emoluments, the provision for depreciation in respect of property, plant and equipment. Accordingly, though a high contribution had been shown in the year 2013, attention had not been paid on reasons for non-maintenance of contributions at that level in the preceding years and on strategies for improving it.

4. Operating Review

4.1 Performance

Objectives of the Fund in terms of Shrama Wasana Fund Act, No.12 of 1998

- Promotion of welfare of the workers.
- When a place of work closes down without the prior notice to the employees, grant financial benefits and other benefits to them.
- Providing employees with medical facilities and other assistance during emergencies.
- Granting temporary relief to employees when enquiries are held against them.
- Granting financial and other forms of assistance to employees or their dependents at the instances of disaster and

- Presentation of awards to those who have made an outstanding contribution to workers welfare.

The matters revealed in the examination of the Action Plan and the progress reports prepared for the achievement of those objectives were as follows.

- According to the Action Plan of the year 2015, 07 programmes expected to be achieved by spending Rs. 13,450,000 had not been implemented.
- The progress of 06 programmes which should have been implemented and completed in the year under review had ranged from 20 per cent to 95 per cent.

Details are given below.

Serial No.	Programme	Amount allocated (Rs)	Amount incurred (Rs)	Target	Progress	Percentage (%)
i	Payment of compensation for beneficiaries	500,000	50,000	10	02	20
ii	Technical Education Programmes	300,000	10,000	10	05	50
iii	Legal Aid Programmes	500,000	50,000	20	05	25
iv	Scholarship Programmes	6,500,000	6,400,000	100	95	95
v	Publicity Programmes	3,400,000	800,000	30	13	43
vi	Strengthening the Organizational Capacity	500,000	120,000	20	08	40

(c) Eye Clinic and Spectacles Distribution Programme

The following matters were observed.

- The Register of Distribution relating to 562 pairs of spectacles valued at Rs. 505,800 due for distribution among employees had not been presented to audit and according to the Register of Attendance of patients for the clinic, it was revealed that all 21 beneficiaries who were subjected to audit test checks, were not employees.
 - A sum of Rs. 928,235 had been spent for the Eye Camp held in Maho and Nikaweratiya. The documentary evidence which could be proved in respect of the number of persons arrived, 910 pairs of spectacles distributed therein and the remaining 48 pairs were not made available to audit.
- (d) Three courses on carpentry, masonry and beauty care had been conducted by spending Rs. 1,153,214 for the empowerment programme held in Wariyapola and sets of tools had been distributed among them, a month before approving beneficiaries. Even though the selection of beneficiaries should be done with the objective of providing welfare for employees, the basis on which the beneficiaries had been identified, was not revealed to audit.

4.2 Management Inefficiencies

The following matters are observed.

- (a) A sum of Rs. 180,000 payable to employees for legal aid had been outstanding for a period from 01 to 03 years even by 18 April 2016.
- (b) Action had not been taken even by April 2016 to distribute 07 items valued at Rs. 78,239 purchased in the year 2014 and during the early months of the year 2015 among scholarship students. Even though this stock had been entered in stock books, such a stock had not physically existed.

4.3 Transactions of Contentious Nature

The following matters are observed.

- (a) The Fund had incurred expenditure totalling Rs. 1,623,670 for sponsorships in respect of commemorative plaques, stage dramas and various competitions contrary to the objectives of the establishment of the Fund stated in Section 6 (a) to (f) of the Shrama Wasana Fund Act.
- (b) The Fund had spent a sum of Rs. 8,260 to purchase Buddhist flags and banners for sil campaign conducted at the premises of the Ministry of Labour on 22 April 2015. Even though it had been shown that a sum of Rs. 100,000 had been spent for providing alms to the persons who observed sil, the evidence of confirmation was not made available to audit.
- (c) Caps had been provided at a cost of Rs. 125,000 for the distribution at a May Day Rally contrary to objectives of the Fund and quotations had been called for and purchased only from institutions in Kurunegala considering as an urgent requirement with the instructions of the former Chairman.

4.4 Personnel Administration

The approved cadre of the Fund as at 31 December 2015 had been 13 and the actual cadre had been 10 and as such, 03 vacancies had existed. Even though it had been indicated that those vacancies had not directly influenced the operations of the Fund, the programmes planned to be implemented in the year under review had not been implemented successfully. However, the inadequacy of employees had been stated as reasons therefor.

5. **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.

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| (a) Budgetary Control | The significant variances existed between budgeted and actual figures had been minimized and the budget had not been made use of as an instrument of management control. |
| (b) Fund Management | Action had not been taken to collect the contribution received in respect of sale of lotteries daily from the Treasury. |
| (c) Performance | Adequate attention had not been paid for fulfilling the functions included in the Action Plan. |
| (d) Stock Control | Stocks purchased by the Fund had not been entered in the stock books and those books had not been updated. |