

Shrama Wasana Fund - 2018

1. Financial Statements

1.1 Qualified of Opinion

The audit of the financial statements of the **Shrama Wasana Fund** for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 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. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, financial statements give a true and fair view of the financial position of the Institute as at 31 December 2018, and of its financial performance and its cash flows except for the effects of the matters described in the Paragraph 1.5 of this report, for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.5 of this report. 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 qualified 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 the management determines is necessary to enable the preparation of financial statements that are free from material misstatements 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, disclaiming as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative 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 income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared by the Fund.

1.4 Auditor's Responsibilities 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 Institute'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 Institute'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 Institute 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 Institute and whether such systems, procedures, books, records and other documents are in effective operation.
- Whether the Institute has complied with applicable written law, or other general or special directions issued by the governing body of the Institute.
- Whether the institute has performed according to its powers, functions and duties and
- Whether the resources of the Institute had been procured and utilized economically, efficiently and effectively within the timeframes and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Non- compliance with Sri Lanka Public Sector Accounting Standards

The following observations are made.

Non- compliance with the reference with the relevant standard	Comment of the Management	Recommendation
-----	-----	-----
(a) Sri Lanka Public Sector Accounting Standard 02		

(i) Although surplus for the year under review was Rs.19,238,084 but in the preparation of cash flow statement prior year	Adjustment amounting Rs.1,661,040 from the prior year	Work may be done to in accordance with the matters specially mention in the

adjustments adjusted to the profit on the standard in surplus of the year, the surplus preparation of cash connection with the had shown as Rs.17,576,743. flow statement had preparation of cash

been shown in note flow statement.

No.13 and the surplus of the year had entered in the cash flow statement as per indirect method according to the 27 (b) of the Sri Lanka Public Sector Accounting Standard No.02.

(ii) Although income from fixed deposits interest received by cash during the year under review was Rs.14,704,198 but an amount of Rs.11,104,892 only had been shown as interest on fixed deposits in the cash flow statement under the investment activities. The reason for this is receiving of income from fixed deposits had been recorded through a control account by the Fund. Action will be take in future to rectify this. Income of interest on deposits received by way of cash should be identify in correctly and record it as cash flows received from investment activities.

(iii) A provision made during the year amounting to Rs.390,000 but not spent by cash for the improvement of web site of the fund also had been included in the cash out flow under the investment activities. According to the 27 (b) of the Sri Lanka Public Sector Accounting Standard No.02 in connection with the non cash nature transactions Audit para is relevant to the cash outflows for the investment activities. Cash flow statement should be prepare within the proper understanding

under the investment take identify the activities, past or expenses. future operating cash receipts or payments or any deferrals or accruals had been included as investment provisions made in the cash flow statement.

- (iv) Expenses for the research and development, development of software and staff training amounting to Rs.1,069,665 had been identified again as cash inflows under the investment activities during the year under review which had been identified as cash outflows under the investment activities in the cash flow statements relating to the previous year. Out of this, expenses on software development amounting to Rs.549,000 had been identified as cash outflows for the purchasing of software and balance amount of Rs.520,665 had been shown deducting from the operational profit. Therefore Accounting to the 27 Cash flow statement (b) of the Sri Lanka should be prepare Public Sector including only the Accounting Standard cash outflows No.02 in connection relevant to the year with the non cash under review. nature transactions under the investment activities past or future operating cash receipts or payments or any deferrals or accruals had been included as investment provisions made in the cash flow statement.

presentation of cash flow statement was not correct.

(b) Sri Lanka Public Sector Accounting Standard 03

Disclosures had not been made in the financial statements as per guidelines state in the section 47, 50, 54 (a) (b)and (c) of the standard which relevant to the transactions and events inside the adjustment of Rs.1,661,340 made in the current year which was relevant to the prior years.

Adjustments made to the Cumulative fund of the year 2018 amounting to Rs.1,661,340 in the preparation of accounts of the year 2017 had been included into the financial statements as retrospectively and as comparatively as per the Sri Lanka Public Sector Accounting Standard No.03.

Financial statements should be prepared by the Fund in compliance with the matters precisely shown in the standards.

Improvements in the preparation of financial statements as per the accounting standards action will be take in future.

(c) Sri Lanka Public Sector Accounting
Standard 07

- (i) Eventhough it had been shown if an item of property, plant and equipment is revalued the entire class of property, plant and Equipment to which that assets belongs shall be revalued contrary to that only 14 assets items belongs to 3 class of assets had been revalued during the year by the Fund. Action will be taken on the revaluation of property, plant and equipment to revalue the entire class of assets belongs to that as per the Sri Lanka Public Sector Accounting Standard No.07. Financial Statements should be prepared non contrary to the matters specially stated in the Sri Lanka Public Sector Accounting Standard.
- (ii) Although profit received from revaluation of assets shall be credited to the Revaluation Reserve as per the section 52 of the standard but revaluation profit amounting to Rs.211,700 had been accounted in the profit and loss account as other income of the year. profit occurred from the revaluation of assets had been shown as added to the revenue in the Revenue statement by the Fund. Action will be taken to credit the profit on revaluation to the cumulative Fund in future as per the section 55 of the Sri Lanka Public Sector Accounting Standard No.07. -do-

(d) Sri Lanka Public Sector Accounting Standard No.08.

Eventhough disclosures should be made as per the section 100 of the Standard where the two officers had dismissed from their service in the year 2016 had made a complain to the Labour Tribunal against the Fund had existing in adjudicating even as at the during the year under review but necessary disclosures had not been made through the financial statements.

Instructions had been gave to the relevant officers as to made the disclosures in future financial statements in connection with the case file against the Fund.

Financial Statements should be prepared with the necessary disclosures in accordance with the standard.

1.5.2 Lack of Written Evidence for Audit

The following observation is made.

Item	Amount	Audit evidence not furnished	Comments of the Management	Recommendation
-----	-----	-----	-----	-----
	Rs.			
Scholarships gave to the children by the Shrama Wasana Fund	1,691,750	Although Scholarship money amounting to Rs.1,691,750 had been gave to the 50 students whose parents	If there are existing legal actions in respect of accidents to obtain a confirmation about whether a employee who	Action should be take to consider whether relevant beneficiaries has fulfill obtaing qualification criteria before to give benefits.

were died on the was die or reason of disable from the professional employee's accidents such working place informations had was difficult. not been Like this presented to situation benefits confirm the approved by the Scholarships Director Board gave students' on the criteria details. approval had been done by the Committee for the benefits.

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

The following observation is made.

Reference to the Laws, Rules and Regulations	Non – compliance	Comment of the Management	Recommendation
Section 20 of the Gratuity Act No.12 of 1983.	Calculation of provision for gratuity for 04 employees for the year 2018 by the fund, calculation of provision for	Eventhough calculation of provision for gratuity in the year 2018 had been made only for the basic	Changes should be made as per specially shown in the gratuity Act and the relevant circular.

gratuity had been salary, but in the consider only the payment of basic salary in that gratuity, reason provision allowances for gratuity should apply in amounting consideration like Rs.140,400 had cost of living been under allowance is add provisioned. and action will be take to correct the provision made in the year 2018.

1.7 Cash Management

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
-----	-----	-----
Estimated expenditure for the year under review was Rs.58,900,000 and a sum of Rs.30 million had been obtained from Treasury for that expenditure. But received cash like that had not been	Income receive from the lottery of Jathika Sampatha has credit made to the consolidated fund by the National Lottery Board namely Shrama Wasana Fund. To obtain that Fund to the Shrama Wasana Fund by conducting programme quantity or incurring money for that may not be relevant and the Treasury unable to issue money at the	The money of the Fund should be use for the development of welfare of the employers or their dependants in efficiently fruitfully and economically.

used for budgeted same time and issues are programmes for the functioning from time to time. development of That money invest in fixed welfare of the deposits and at the date of expire employers or their relevant interest and deposit dependants and a amount is use for the sum of Rs.20 programmes. million had been invested at the interest rate of 11 per cent and 10.5 per cent in the peoples' bank.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a surplus of Rs.19,238,084 as compared to the surplus of Rs.13,155,579 in the preceding year. Therefore it was observed a improvement of Rs.6,082,504 in the financial result. This improvement was mainly attribute in the increasing of lottery income by Rs.5,728,181.

3. Operational Review

3.1 Human Resources Management

The following observation is made.

Audit observation	Comment of the Management	Recommendation
Eventhough a human resource plan had been prepared by the Fund, but it had not been prepared a human resources development plan in terms of the paragraph 2 of the Public Administration Circular No.02/2018 dated 24 January 2018 and had not identify the skill requisites of the staff as per the paragraph 3 of the circular.	All employees of the fund focus on a evaluation on one year occasionally and identify their training requisities human resources plan had been prepared and action will be take to improve it in future as per the Public Administration Circular No. 02/2018.	Action should be taken to identify the skill requisities of the staff as per the circular of the Public Administration and to develop the human resources plan.