

## **Shrama Vasana Fund - 2022**

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### **1. Financial Statements**

#### **1.1 Opinion**

The audit of the financial statements of the Shrama Vasana Fund for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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) Shrama Vasana Fund Act No.12 of 1998 as amended by the Shrama Vasana Fund (Amendment) Act No.15 of 2019.	(i) In terms of the Sub-section 3.3 and Sub-section 3. 4. (2G) the Board has been given power 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 as on 31st December 2022.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 2022.	At present, discussions are being held to revise the Shrama Vasana Fund Act and in the future, as per the advice of the Board of Directors, the drafts necessary to make rules and the drafts necessary to amend the Act are also being discussed at the same time.	It should be done according to the Act.
	(ii) Although in terms of sub-section 13.1 and sub-section 13.2 (A) the Fund and the	Despite many years of discussions with the Lottery Board and the Ministry of	Agreements should be reached as per 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 conducted,
- How to deal with unclaimed prizes in those lotteries, and
- 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 agreement was reached with the fund and the National Lottery Board.

(iii) In terms of sub-section 14.1 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 2022.

(iv) According to Section 6 (B), in the event that the establishments where the

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With the approval of the Board of Directors of Shrama Vasana Fund, the drafts required to make rules have been forwarded to the Ministry of Labour and the necessary work is currently being done.

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In cases where the establishments were closed without prior notice while

provisions of the Act

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employees were employed the employees were the Act. were closed without prior working, it was referred to notice, financial and other the Board of Directors and assistance should be the Board of Directors held provided to those employees, on 18 August 2022 gave but such financial and other instructions to expand and assistance was not provided carry out this program. as at 31 December 2022.

**2. Financial Review**  
**Financial Result**

The operating result of the year under review amounted to a surplus of Rs. 12,927,981 and the corresponding surplus in the preceding year amounted to Rs.2,140,835 Therefore an improvement amounting to Rs. 10,787,146 of the financial result was observed. The reasons for the improvement are mainly due to increase in operating income and fixed deposit interest income.

**3. Operational Review**  
**Under -utilization of Funds**

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
<p>Only Rs. 5,400,000 was received from the consolidated fund for the welfare of the dependents out of Rs. 37,565,720 for the year under review and from the year 2004 to the year under review, the amount to be received from the consolidated fund for welfare was Rs. 378,809,164. Accordingly, since sufficient money could not be obtained from the treasury, it was not possible to obtain the objectives set out in the Act for the welfare of the employees and their dependents.</p>	<p>Due to the current financial crisis in the country, the National Resource Lottery Fund, managed by the National Lottery Board, receives the revenue of the National Resource Lottery to the Treasury Operations Department and releases the money to the Shrama Vasana Fund according to the budget requirement of the fund. Provisions allocated to us for anticipated financial demands are limited.</p>	<p>Necessary financial provisions should be obtained and efforts should be made to obtain the objectives of the Act.</p>