

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Shrama Vasana Fund for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the 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 2024, 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 Institute'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 Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the institution 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 Company'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 Company'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 Company 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 time frames and in compliance with the applicable laws.

1.5 Non-Compliance with Laws , Rules ,Regulations and Management Decisions

	Reference to the Laws ,Rules and Regulations	Non-Compliance	Management Comment	Recommendation
(a)	The Shrama Vasana Fund Act No 12 of 1998 as amended by the Shrama Vassana Fund (Amended) Act No.15 Of 2019.			
(i)	Sub-section 3.3 and Sub-section3.4(2)(e)	Although, under the provisions of the Act, the Board had been vested with the authority to make rules regarding the procedure of its meetings and the manner in which business shall be conducted at such meetings, such rules had not been prepared even by the end of the year under review Although rules should have been prepared to provide for the granting of financial assistance to employees for obtaining legal support in proceedings before the Commissioner General of Labour, the Labour Tribunal, an Arbitrator, the Labour Court, or any court of law, subject to such amounts as determined by the Board under such rules, no such rules had been prepared	Draft rules have been prepared and finalized, and the prepared draft is to be submitted to the Board of Directors.	Action should be taken in accordance with the provisions of the Act.

(ii)	Sub-section 14.1	Although the Board had the authority under the Act to make rules on matters which it considered necessary in relation to, connected with, or incidental to the exercise, discharge, and performance of its powers, functions, and duties, or on matters for which the Act required rules to be made, such rules had not been prepared and approved even by the end of the year under review.	-do-	-do-
(iii)	Section 6 (b)	Although a sum of Rs. 1.33 million had been allocated under Phase 3 for the implementation of 11 technical education programmes in order to provide financial and other assistance to employees whose employing institutions had been closed without prior notice, those programmes had not been implemented.	It had been planned to provide technical assistance to the beneficiaries identified through information furnished by the Termination of Employment Unit of the Department of Labour regarding institutions closed without prior notice and their employees. Although application forms and covering letters had been sent to 13 such beneficiaries, no response had been received from them.”	Adequate action should be taken to achieve the objectives of the Act.
(iv)	Section 6 (d)	Although awards should have been presented to persons who had rendered special service for the welfare of employees, no activities had been carried out for this purpose during the year 2024.	In accordance with the five-year consolidated plan of the Labour Welfare Fund for the period 2021–2025, an operational plan is prepared for each year taking into account the income received by the Fund and other relevant factors. However, no programme is conducted each year to recognize persons who have rendered outstanding service for the welfare of employees, and under the five-year plan, such a programme is planned to be conducted only once.	-do-

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs. 18,690,106 and the corresponding surplus in the preceding year amounted to Rs. 35,157,333. Therefore a deterioration amounting to Rs. 53,847,439 of the financial result was observed. The reasons for the deterioration are due to the expenditure incurred on special projects compared to the income in the year under review.

3. Operation Review

3.1 Management Deficiencies

Audit Issue	Management Comment	Recommendation
(a) According to Section 1.2.1 of the Procurement Guidelines, ensuring maximum economy, quality, and efficiency in procurement is the responsibility within the procurement framework. However, due to the purchase of school bags and books total valued at Rs. 56.17 million on five occasions without proper planning, the Government had not been able to derive the maximum benefit that could have been obtained.	When the procurement plan for the year 2024 was approved by the Board of Directors on 31 July 2023, this programme had not been identified in advance. . 2023 According to the December report of the Department of Census and Statistics, due to the economic crisis, approximately 54 percent of schoolchildren were unable to purchase school needs and leading to an increased tendency of students leaving of school. During this period, approval for this project was granted by the Board of Directors at its meeting held in January 2024. Accordingly, the plan was approved, procurement was authorized, and the procurement was carried out based on the amounts periodically received from the Treasury.	Action should be taken in accordance with the provisions of the procurement Guide Lines .
(b) For the programme of providing educational assistance, which is one of the objectives of the Fund, Rs. 16.9 million had been utilized to implement programmes for the distribution of school books and bags. Of this amount, Rs. 5 million from the Treasury, Rs. 5 million from fixed deposits in the Bank of Ceylon, and Rs. 7.2 million received by the Fund	“An amount of Rs. 3.5 million had been initially allocated for the educational assistance programme. Subsequently, based on the report issued by the Department of Census and Statistics in December 2023 and considering the timely requirements, the estimated expenditure was revised from Rs. 3.5 million to Rs. 16.9 million. With the approval of the Board of Directors,	The approved plans and procurements should be implemented to carry out the relevant activities.”

for the first quarter of the year had been used without prior approval of the financial provisions and plans.

expenditures were reallocated among various items, and this programme was commenced under the educational assistance programme. Accordingly, Rs. 19.7 million in provisions were allocated in the budget documents to achieve the Fund's primary objective. Under this provision, procurement for 6,500 school supply kits was carried out. For this purpose, Rs. 7.2 million provided for educational assistance for the first quarter of the Fund and Rs. 5 million from matured fixed deposits were utilized, and the Board of Directors had granted approval for the use of these funds. On 26 February 2024, a sum of Rs. 50 million was released to the Shrama Vasana Fund for this purpose, and subsequently, Rs. 5 million from fixed deposit funds was reinvested.

- (c) The cost of the school supplies distributed under the project included additional expenses of Rs.10.86 million for participating officers' food, accommodation, fuel, extra staff costs, and holiday wages.. Accordingly, due to the lack of attention towards distributing the goods at a lower cost, approximately 20 percent of the total expenditure had to be borne for administrative expenses.

Only the essential costs required for implementing this programme had been provided, of which approximately 75 percent related to the primary expenses of the programme (beneficiaries' food and beverages, transportation costs, transportation of equipment kits, and procurement expenses). No additional expenditure had been included beyond these. The remaining approximately 25 percent of the total expenditure was incurred due to the programme being conducted on weekends and public holidays, necessitating overtime and holiday allowances, provision of accommodation for officers, and the engagement of supporting officers and trained staff owing to the limited number of personnel in the Shrama Vasana Fund.

Actions should be taken to carry out activities related to the objectives in a manner that ensures maximum benefit to the public.

3.2 Operation Inefficiencies

Audit issue	Management Comments	Recommendation
(a) Packing, and distribution of school bags and books across the country had been carried out from February 2024 and due to the absence of an adequate workforce, proper internal control and supervision were not observed, and differences were noted between the school equipment kits ordered by the institution and the kits received at the district level	The Labour Welfare Fund placed orders for the required quantities of school bags and books for each district. However, some school bags remaining from previously supplied districts were reused for the next districts, due to that reason make order few bags for certain districts during procurement	Goods should be properly ordered and received.
(b) An amount of Rs. 8 million had been allocated to the scholarship and disaster relief programmes to provide financial and other benefits to employees or their dependents in times of hardship and out of the planned 100 scholarships, only 9 had been awarded, with an expenditure of approximately Rs. 0.47 million. Accordingly, the intended objectives were not achieved.	Scholarships were awarded to 9 beneficiaries approved at the Board of Directors meeting held in August 2024. Subsequently, scholarships for beneficiaries approved by the Benefits Committee could not be awarded as no Board of Directors meeting was held to approve them and with the approval of the Board at its meeting held in January 2025, benefits had been paid to 23 scholarship beneficiaries. No reports had been submitted to the Shrama Vasana Fund regarding the disaster relief programmes, and particularly due to the occurrence of two election periods in the country, it was not possible to implement this programme during the year 2024.	The planned projects should be implemented.
(c) Due to focused attention on special programmes up to July 2024 and amendments to the Action plan, 9 programmes that had been planned with provisions total of Rs. 6.83 million were not implemented. Out of the Rs. 28.15 million allocated for awareness programmes, death benefits, the scholarship programme, legal aid, and medical assistance programmes, the level of achievement had remained between 13 percent and 40 percent.	As no reports had been submitted to the Shrama Vasana Fund regarding the disaster relief programmes, and particularly due to the occurrence of two election periods in the country, this programme could not be implemented during the year 2024. Nevertheless, it had not been removed from the operational plan.	-do-

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| <p>(d) For the promotion of the welfare of employees and their dependents, apart from 25 special programmes in the revised operational plan for the year 2024, provisions of Rs.1.85 million had been allocated for 50 legal aid programmes and 20 legal assistance programmes. However, only Rs. 0.39 million had been spent, and only 6 legal aid programmes and 3 legal assistance programmes had been conducted.</p> | <p>Six legal aid programmes and three legal assistance programmes had been implemented.</p> | <p>The planned projects should be implemented.</p> |
| <p>(e) Although Rs. 1.45 million had been allocated in 2024 to provide medical and other facilities to employees in emergency situations, no projects had been initiated.</p> | <p>Although beneficiaries for the provision of medical and other assistance had been identified in 2024, approvals could not be obtained as no Board of Directors meeting was held after August 2024.</p> | <p>-do-</p> |