

Divi Neguma Fund - 2014

The audit of financial statements of the Divi Neguma Fund for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory Information was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 45 of the Divi Neguma Act, No. 1 of 2013. My comments and observations on the above financial statements appear in this report.

1.2 Management's Responsibility for the Financial Statements

The 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 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 judgements, including the assessment of the risks of material misstatements 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2 Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in Paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Divi Neguma Fund as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Financial Statements

2.2.1 Sri Lanka Public Sector Accounting Standards

The following observations are made.

- (a) Transactions, other events and situations should be identified and included in the financial statements within the relevant period when they occur in accordance with Paragraph 07 of Standard No. 03. Nevertheless, instead of shown the receivable rent income from 1249 buildings where the Samurdhi Community Based Banking and Banking Unions being maintained amounted to Rs. 14,988,000 in the financial statements, only the realized income of Rs. 9,143,000 had been stated in the financial statements.
- (b) The cash flow statement for the period should be classified and reported as an operating, investment and financial activities in terms of Paragraph 18 of Standard No. 02 . Nevertheless, adjusting the cash inflow from operating activities amounted to Rs.125,110,192 and cash outflow under investment activities amounted to Rs. 126,825,848 each other, it had been stated a sum of Rs. 1,715,656 as cash outflow from operating activities.

2.2.2 Lack of evidence for audit

The evidences related to the following items shown against them had not been furnished to audit

Item	Value Rs.	Evidences not provided
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(a) Receivables, Fisheries and Animal Husbandry	10,415,212	Schedule and balance confirmations
(b) Receivables, Agricultural	7,561,959	Schedule and balance confirmations

2.3 Accounts Receivable

Arrangements had not been made to settle a sum of Rs. 212,000,000 granted by the Treasury on reimbursement basis for the development activities in 03 Districts in line with Deyata Kirula Programme 2014 and a sum of Rs. 15,928,127 provided to the Employees' Loans Revolving Fund even by 30 June 2019 .

2.4 Non-compliance with rules, regulations and management decisions

The following non-compliance was observed.

In terms of Paragraph 3.3 (b) of the Public Finance Circular No. PF/ 423 of 22 December 2006, actions had not been taken to Legislate the Fund. Further, the necessity to continue the Fund under the Department of Divi Neguma Development had not been reviewed.

3. Financial Review

3.1 Financial results

According to the financial statements presented, the financial results of the Fund for the year under review was a surplus of Rs. 104,701,961 and the correspondent surplus of the preceding year was Rs. 137,289,460 thus indicated a deterioration of Rs. 32,587,499 in the financial results in the year under review as compared to the preceding year. The decrease in total income including investment interest income by Rs. 32,988,365 had mainly attributed to this deterioration.

4. Operating Review

4.1 Performance

Although it had been stated that the objectives of this Fund are introducing income generating methods, providing necessary financial facilities to establish community based units, sustainable empowerment referring to self-employed by encouraging the poor to implement them, providing necessary financial assistance to build income generating projects and community based banking / banking societies out of the Treasury provisions, any activity had not been carried out since there were no requests for financial facilities during the year under review.

5. Accountability and Good Governance

5.1 Submission of Financial Statements

The financial statements for the year under review had been furnished on 04 April 2019 after a delay of four-years period although it should be submitted to the Auditor General within two months from the end of the financial year in terms of Public Finance Circular No. PF / 423 of 22 December 2006 .

5.2 Budget Documentary Control

A Budget Estimate and an Action Plan had been not prepared for the activities of the Fund in terms of Paragraph 4.1 of the Public Finance Circular No. PF / 423 of 22 December 2006.

6. Systems and Controls

The deficiencies observed in systems and controls during the audit were brought to the attention of the Chairman from time to time and special attention should be drawn in maintaining of books and records in a systematic manner through establishing internal control systems by legislating the Fund and the presentation of financial statements in a proper manner.