

## **Samurdhi Micro Finance Stationary Revolving Fund -2017**

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The audit of the financial statements of the Samurdhi Micro Finance Stationery Revolving Fund for the year ended 31 December 2017 comprising the statement of financial position, as at 31 December 2017 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and including 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 Divineguma Act No.01 of 2013. My comments and observations on the above financial statements appear in this report.

### **1.2 Management's Responsibility for the Financial Statements.**

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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**

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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 the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are true from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The producers selected depend on the auditor's judgment ,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**

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

## 2. **Financial Statements**

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### 2.1 **Qualified Opinion**

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In my opinion, except for the effect 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 Samurdhi Micro Finance Stationery Revolving Fund as at 31 December 2017 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**

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#### 2.2.1 **Sri Lanka Public Sector Accounting Standards**

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The following observations are made.

- a) In terms of Standards No. 07 .When depreciation being done by similar value of the assets. An action should be take to accounted or write –off from the books, determining the carrying cost of those properties. Action had not been taken regarding the cost of Rs.119,963 of office equipments which had been fully depreciated.
- b) In terms of the paragraph 47 of the Standards No.9 Action had not been taken to disclose the accounting policies adopted in measuring inventories , in the financial statements.

#### 2.2.2. **Accounting Deficiencies**

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The following observations are made.

- a) Provisions had not been made for printed stationeries amounting to Rs.193,372 which had brought in the year 2017.
- b) Issuing of stationaries had not entered in the register of stock properly. And the value of stock as per stock ledger were Rs.40,200,203 and the balance as per the inventory register of the stores were amounting to Rs.46,803,933 as at the date of the year-end. The difference of Rs.6,603,703 of these balances had been accounted as an income of the sale of stationary in the statement of financial performance.

#### 2.2.3. **Lack of Evidence for Audit**

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Stock verification reports relating to the balance of stock of the 7 District offices amounting to Rs.3,719,440 and amounting to Rs.1,452,189 of credit invoices had not been furnished for audit as at 31 December 2017.

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

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Reference to Laws, Rules and Regulations	Non-compliances
a) Regulation of the Democratic Socialist Republic of Sri Lanka Financial Regulation 633 (1)	When the Government Printer cannot execute the work. The government Printer will call for the quotations and arrange for the early execution of the work on grant of authority but contrary to the Financial Regulations Printing activities had been get done by the private intuition and paid Rs. 56,020,270
b) Government Procurement Guidelines 2006. Guideline 4.2.1	Procurement activities envisaged at least for a period of three years shall be listed in the Master Procurement plan and even through a procurement activities for the immediately succeeding year shall be prepared in detail and shall be regularly updated at intervals not exceeding six months. Procurement plan had not been prepared to buy stationary.
c) Circular No. PF/423 of 22 December 2006 and paragraph 15 of Public finance circular No. 01/2020 of 28 August 2020	Even though it was stated that if there were fair reasons for maintaining a non - statutory Fund further, that type of Funds should be legalized by an act of Parliament. The Fund has been Maintaining under the board of Management of the bank without being taken actions to legislate the Fund.

## 2.4 Accounts Receivable

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Even though the stocks of stationery which stored in the warehouse owned to the Lanka Salusala had been removed in the year 2010, but an action had not been taken to recover the deposit of the warehouse rent paid amounting to Rs.1,454,112.

## 3. Financial Review

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### 3.1 Financial Results

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According to the financial statements presented, the financial result of the Fund for the year ended 31 December under review was a surplus of Rs.16,507,651 compared with the corresponding surplus of Rs. 23,314,160 for the preceding year thus observing a decrease of Rs.6,806,509 of the financial result for the year under review as compared with the preceding year. Decreasing of the sales of stationery income of the Fund, by Rs. 10,943,583 had been mainly attributed to this decrease.

#### **4. Operating Review**

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##### **4.1. Management Activities**

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The building of stationery warehouse had built without a standard of a warehouse and stock had not been properly maintain .Due to the flood and heavy blowing affected in 18 May 2017,and therefore watered in to the warehouse and out of the value of Rs.5,411,721 of the 45 categories of stock items,602,750 number of stock items had been destroyed. In relating to that destroyed stocks suitable actions had not been taken even at the date of audited of the month of December 2021.

#### **5. Accountability and Good Governance**

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##### **5.1 Submission of Financial Statements**

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Even though the Financial Statements should be required to render to the Auditor General within 02 months after close of financial year in accordance with the Public Accounts Circular No. PF/423 of 22 December 2006 and paragraph 15 of Public Finance Circular No. 1/2020 of 28 August 2020.The Financial Statements for the year under review had submitted by 19 November 2021.

##### **5.2 Budgetary Control**

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A budget for the activities of the Fund had not been prepared in terms of Paragraph 4.1 of the Public Finance Circular No.PF/423 of 22 December 2006 and Paragraph 15 of the Public Finance Circular No.1/2020 of 28 August 2020.

#### **6. Systems and Control**

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Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Director General from time to time and special attention be needed in respect of maintaining books and records of accounts properly and systematically establishing a methodology of internal control efficiently.