

Samurdhi Fund -2017

The audit of the financial statements of the Samurdhi 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.

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 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 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 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.

2. Financial Statements

2.1 Qualified Opinion

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 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 Statement

2.2.1 Sri Lanka Public Sector Accounting Standards

In terms of the Paragraph No.07 of the Standards No. 03, transactions, other events and conditions are recognized when they occur and are recorded in the accounting records and recognized in the financial statements of the period to which they relate. An amount of Rs.15,432,000 of receivable income of rent relating to the 1286 number of buildings which are using for Samurdhi community based banks and banking societies should be disclose in the financial statements. Instead of that only the realized actual amount of income Rs. 7,507,000 had been stated in the financial statements.

2.2.2. Accounting Policies

Even though it was stated that the financial statements of the Fund had been prepared in accordance with the Sri Lanka Public Sector Accounting Standards under the accounting policies Note(i) which had presented with the financial statements, money which recover annually as a rent from the Samurdhi banks and banking societies. It was disclosed that under the Note (iv) actual realized income to be accounted as a cash basis.

2.2.3. Lack of Evidence for Audit

Sum of Rs.25,075,971 of balances relating to three accounting items, schedules and confirmations of balances had not been presented for audit.

2.3 Accounts Receivable and Payable

An amount of Rs.212, 000,000 had been given to District Secretariat Offices from the Fund without an approval of the Treasury for development activities of 03 Districts con-currence with the Deyata Kirula programme in the year 2014, on the basis of it could be reimbursed from the General Treasury. The director of the Department of National Budget had informed by the letter of BD/RDS/331/01/01 of 02 January 2018 this amount could not be reimbursed due to the documentary approval had not been given by the Treasury relating to that payment.

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

Instances of non-compliances of provisions of the Laws, Rules, Regulations observed during the course of audit test checks are as follows.

<u>Reference to Laws, Rules and Regulations</u>	<u>Non - compliances</u>
a) Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 395	Even though action had not been taken to settle the value of Rs.72,000 of 8 number of unrealized cheques had passed 11 months to 16 months in the statement of bank reconciliation in the month of December 2017
b) Circular No. PF/ 423 of 22 December 2006 and Financial Regulation 876 (3) published by Paragraph 15.1 of the Public Finance Circular No.01/2020 of 28 August 2020.	Action had not been taken to legislate the Fund and the necessity of maintain this Fund under the Divineguma (Samurghi) Development Department further had not been reviewed.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Fund for the year ended 31 December under review was a deficit of Rs.127,501,983 as against the corresponding surplus of Rs.114,506,350 for the preceding year thus indicating a deterioration of Rs.242,008,333 of the financial result for the year under review as compared with the preceding year. Spending of Rs.300 Mn for the project of an improving of water project of Haragama had been the main reason for this deterioration.

4. Operating Review

4.1. Performance

A sum of Rs.300 Mn had been given to the Board of National Water Supply and Drainage for short term solutions for the improvement of water supply project of Kundasala , Haragama in the month of November 2017. And in terms of Procurement Guideline had not entered in to an agreement with the Board. Even though this project had started as a solution for the problem of suffering from water a number of 6000 families in 14 villages of Pathahewaheta , Kandy and Kundasala (Senkadagala) Divisional Secretariats in the District of Kandy, and the water supply had given directly to the 428 number of families in Anuragama area that is only 7 per cent by the date of 25 January 2022.

4.2 Management Activities

The following observations are made.

- a) A sum of Rs. 17,147,844 included in the cash receivable as at 31 December 2020 was the value of recoverable loan amount which had lent for beneficiaries on the revolving basis for agriculture, fisheries and animal husbandry projects on Treasury provisions from the beginning of the Samurdhi programme to the year 2007. In accordance with the instructions of the Director General of Samurdhi No. ස/අධි/10/ජාස.ගම්/ චක්‍රීය අරමුදල of 16 July 2007 had ordered to credit recoveries of these loans to the Gam Pubudu Jeevanopaya revolving account of Divisional secretariats recovering of loans or presenting of records had not been occurred up to the year under review.

- b) Even though it was stated that obtaining the rental of buildings from the divineguma community based banks /banking societies for providing of financial facilities to be needed to construct community based banks / banking societies. And providing financial contribution to be needed excluding Treasury provisions for the construction of new buildings and for the renovation of those banks / banking societies in accordance with the Samurdhi community based banks circular of the Director General No.2017/7 of 9 June 2017 had been issued mentioning the building rent which had credited as far shall not be credited to the Samurdhi Fund from the year 2017 and those rent should be credited to the their own account of” building improvement and maintenance Fund” by the Samurdhi community based banks and banking societies. And the circular had been issued instructing the methodology of keeping records of accounts .Accordingly a contentious situation may be occurred relating to the objectives and management decisions of the Fund established was observed in audit. Due to making this decision income received only Rs.7,507,000 even though the receivable income of rent from the 1286 number of community based banks and banking societies was Rs. 15,432,000 during the year under review.

5. Accountability and Good Governance

5.1 Submission of Financial Statements

Even though the Financial Statements and the Report of the Annual Performance 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 Financial Regulation 877 (2)(d) published by Paragraph 15 of the Public Finance Circular No.01/2020 of 28 August 2020. The Financial Statements for the year under review had submitted by the month of April in 2019 and the revised Financial Statements had been submitted by the date of 08 November 2021.

5.2 **Budgetary Control**

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 Financial Regulation 877 (1) published by Paragraph 15 of the Public Finance Circular No.1/2020 of 28 August 2020.

6. **Systems and Control**

Special attention be needed in respect of maintaining books and records properly and presentation of Financial Statements systematically establishing a methodology of internal control efficiently by legislating the Fund.