

Samurdhi National Social Development Fund - 2017

1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of the Samurdhi National Social Development 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 net assets 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 (3) 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. My comments and observations which I consider should be report to Parliament appear in this report.

I do not express an opinion on the accompanying financial statements of the fund. Because of the significance of the matters described in paragraph 1.5 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.2 Basis for Disclaimer Opinion

I expressed Disclaimer opinion for the financial statements based on the matters described in paragraph 1.5 of this report.

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 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 intends 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 Sub-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 Auditor's Responsibilities for the Audit of the Financial Statements

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 Accounting Dificiencies

Audit observation	Comment of the management	Recommendation
(a) An amount of Rs.3,242,125 had incurred for printing of flags for the year 2017 and out of that expenses only the amount of Rs. 1,923,909 incurred by the fund had been accounted as expenses and action had not been taken to account the amount of Rs. 1,318,215 should be payable to Department of Samurdhi Development.	It was not included in the account of the National Social Development Foundation due to settlement of these bills had been done by the Finance Section.	Expenses payable should be accounted.
(b) Receivable income of flags relating to expenses of printing flags for the year 2016 and 2017 amounted to Rs.3,937,065 had not been accounted as income of the year under review.	It was difficult to account the income of Rs. 3,937,065 as income of the relevant year.	Relevant income for the year should be accounted.
(c) No any evidence had been submitted to verify the accuracy of the balance of the accumulated fund and the amount of Rs. 3,875,106 of cash balance which had shown as opening balance during the year under review in the financial statements	It was decided in the meeting of the operational committee of the National Social Development Foundation that it is suitable to open a separate account to maintain and manage properly and the contribution of money for expenditure of flags printing. Accordingly for the account had opened on the date of 01 November 2016 named "Divineguma" National	Evidence needed to verify the accuracy of the balance of the fund should be submitted.

Social Development Foundation,” an amount of Rs. 3,875,106.24 is credited that had been credited to the General Deposit account.

- (d) Bills verified the expenditure amounting to Rs. 2,403,372 had incurred for flags program and Rupavahini programs is not furnished for audit. A voucher file relating to fund has been furnished for audit. Bills confirming the expenditure should be furnished for audit.

1.6 Non - compliance with Laws, Rules, Regulations and Management Decisions

Reference to the Laws, Rules and Regulations	Reference to the Laws, Rules and Regulations	Comment of the management	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R. 381 (1)	Even though a bank current account had been maintained from the year 2017. An approval of the treasury had not been taken up to the date of this report.	The fund (Account) has been maintained as before in terms of section 45 of Dinvineguma Act No.01 of 2013 amended by the Act No. 2 of 2017.	Action should be taken in terms of Financial Regulations.

2 Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a deficit of Rs. 375,020

3. Operating Review

3.1 Management Inefficiencies

Audit observation	Comment of management	Recommendation
Even though printing of flags had been done incurring Rs. 3,242,125 during the year under review in accordance with the Guideline 1.2.1 of the Procurement Guideline 2006 no any document has not with the fund to check the	The procurement activities regarding the task had done by the finance section and no any document own with the fund.	When transferring this fund for the Community Based Section by the department all the relevant documents should have been taken and those should be submitted to the audit.

transparency compliance with laws and regulations and economy of the procurement method of this procurement.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit observation	Comments of management	Recommendation
Even though in terms of the Constitution of the Fund the Financial Statements of the Fund should be annually submitted to the Auditor General the financial statements for the year 2017 had been furnished for audit on 22 May 2023.	It is noted that action to be taken to submit the annual financial statements of the fund to the Auditor General within the specific period of time from the year 2023.	Financial statements should be presented within the specific period of time.