

Samurdhi Fund - 2018

1.1 Qualified Opinion

The audit of the financial statements of the Samurdhi Fund for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 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.

In my opinion, except for the effects of the matters described in Paragraph 1.5 of this report, the financial statements of the Samurdhi Fund give a true and fair view of the financial position of the Fund as at 31 December 2018, 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 Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAS). 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 qualified 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 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 Scope of Audit (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 Institute 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 Financial Statements

1.5.1 Internal Control over the Preparation of Financial Statements

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that, transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

1.5.2 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the reference to particular Standard	Comments of the Management	Recommendation
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a) In terms of the Paragraph No.07 of the Standards No. 03 of the Sri Lanka Public Sector Accounting Standards. 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	In accordance with the circular No. 2017/07 of Samurdhi community based banks, recovering of building rent from the year 2017 had been suspended.	Financial statements should be prepared in accordance with the Sri Lanka Accounting Standards.

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. 489,000 had been stated in the financial statements.

b) 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.

In accordance with the circular No. 2017/07 of Samurdhi community based banks, recovering of building rent from the year 2017 had been suspended.

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1.5.3 Documentary Evidence not made available for Audit.

Subject	Amount Rs.	Evidence not presented	New observation/ existing observation	Disclosure of control risks	Comment of the management	Recommendation
Receivable balances of fisheries animal husbandry and balances of agriculture.	16,822,873	Schedules and conformations	Existing	System should be introduced	Conformations relating to the cash receivable were furnished for audit as possible.	Relevant schedules and conformations should be furnished for audit.

1.6 Accounts Receivable

Audit observation	Comment of the management	Recommendation
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	Continuously requests have been made to reimburse from the treasury	Actions should be taken to recover the receivables

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.

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

The following non –compliances were observed.

Reference to Laws, Rules and Regulations	Non-compliance	Comment of the management	Recommendation
a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 395 (c)	In terms of Financial regulation monthly bank reconciliations should be prepare and furnished to the Auditor General before 15 of the next month. Action had not been taken in accordance with the Financial Regulations	Action to be taken to updated bank reconciliation and presented for Auditor General.	Action should be taken in accordance with the Financial Regulations.
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 (Samurdhi) Development Department further had not been reviewed.	In accordance with section 36 of the Devineguma Act this Fund is being maintained until the Samurdhi Development Fund is established.	Action should be taken to legislate the Fund.

2. . Financial Review

2.1 Financial Results

According to the financial statements presented, the financial result of the Fund for the year ended 31 December under review was a excess of Rs159,271,733 as against the corresponding deficit of Rs.127,501,983 for the preceding year thus indicating an increase of Rs.286,773,716 of the financial result for the year under review as compared with the preceding year. Expenses had not made for supplying of facilities needed for community based banks and banking societies had been mainly attribute to this excess.

3. Operating Review

3.1. Performance

Audit observation	Comment of the management	Recommendation
<p>a) Even though the objective of the Fund was providing of financial facilities to be needed to construct community based banks / banking societies, in accordance with the Samurdhi community based banks circular No.2017/7 spending those expenses had been suspended. And therefore no any expenses had been done during the year under review.</p>	<p>In accordance with the circular No.2017/7 of Samurdhi community based banks expenses had been suspended.</p>	<p>Action should be taken according to the objectives of the Fund.</p>
<p>b) Due the provisions had not in the department for the payment of custom duty and clearance charges to import the bus which received from the Japanese Institute as a donation to the Ministry of Social Empowerment and welfare. Even though additional provisions had requested from the Director General of the National Budget, the bus which had been manufactured in the year 1994 and importing of this bus was uneconomical and ineffective and therefore the Director General had informed that the provisions could not be released. but the bus had reached to the harbor of Hambantota on 24 February 2018 and Rs.2,637,705 had been paid from the Samurdhi Fund for clearing charges in 14 March 2018.</p>	<p>Due to the expiration of import permit was 18 March and there were no reasonable time to shipment ,an email had been sent for the shipment of the bus. For that an amount of Rs.2,552,900 had to pay as custom duty to the custom of Sri Lanka and the Director General of Budget had not been allocated provisions for that payment. Due to the dealing of clearing from the harbor of Hambanthota had to pay charges of harbor and penalties. Therefore subject to the approval of National Council action had been taken to make relevant payments from the Samurdhi Fund.</p>	<p>Action should be taken to get additional allocation needed.</p>

3.2 Management Activities

Audit observation

Comment of the management

Recommendation

a) A sum of Rs. 16,822,875 included in the cash receivable 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.ගම of 16 July 2007 had ordered to credit recoveries of these loans to the Gam Pubudu Jeevanopaya revolving account of Divisional secretariats. As far the year under review recovering of loans or presenting of records had not been occurred.

Implementing of the programme had been assigned to the Divisional Secretary offices since year 2007. Therefore only the instalments relating to the projects given before 2007 would be received to the Head Office.

Action should be taken according to the objectives of the Fund and should be taken to recover loans by taking reports properly.

b) Even though the objective of the Fund was 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.489,000. 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.

In terms of the section 36 of the Divineguma Act, after establishing of Samurdhi Development Fund based on the decisions would be proceeding.

Action should be taken according to the objectives of the Fund has been established

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit observation	Comment of the management	Recommendation
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 year2018 had submitted by the month of December in 2021 .	Delayed due to resubmission of financial statements year after year audited.	Financial Statements should be presented during the relevant period in terms of Financial Regulations and as per instructions of the circulars.

4.2 Budgetary Control

Audit observation	Comment of the management	Recommendation
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 15.1 of the Public Finance Circular No.1/2020 of 28 August 2020.	Actions to be taken based on the decisions taken in the future.	Budget should be prepared and presented during the relevant period in terms of Financial Regulations and as per instructions of the circulars.

4.3 Effectiveness of the Management Information System

Audit observation	Comment of the management	Recommendation
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.	Action to be taken as per mentioned in the observation.	Action should be taken to maintain books and records properly establishing a methodology of internal control efficiently by legislating the Fund.