

Head 331 – Department of Samurdhi Development

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of Samurdhi Development for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance, and cash flow statement for the year then ended, was carried out under my direction in pursuance of provisions in Article 154(1) 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. The Summary Report containing my comments and observations on the financial statements of the Department was issued to the Accounting Officer on 29 May 2019 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018 . The Annual Detailed Management Audit Report of the Department was issued to the Accounting Officer on 11 June 2019 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements give a true and fair view of the Department of Samurdhi Development as at 31 December 2018 and its financial performance and cash flow for the year then ended, in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). 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 Chief Accounting Officer and the Accounting Officer on Financial Statements

The Accounting Officer is responsible for preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018 .

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Department 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.

The Accounting Officer shall ensure that an effective internal control system is maintained and maintained for the financial control of the Department in terms of sub-section 38 (1) (c) of the

National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

1.4 Auditor's Responsibility on Audit of Financial Statements

My objective is to express a reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue the Summary Report of the Auditor General 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 skepticism 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.
- It is not intended to express an opinion on the effectiveness of internal control of the Department to plan appropriate audit procedures in a timely manner.
- Evaluate the structure of financial statements including disclosures and content-based transactions and events the structure that the financial statements are appropriate and reasonable.
- The transactions and events underlying the structure and content of the financial statements are appropriately and fairly when submitting financial statements as a whole.

The Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

1.5 Report on Other Legal Requirements

I declare the following matters in terms of Section 6 (d) and Section 38 of the National Audit Act No. 19 of 2018.

- (a) As there was no need for the Department of Samurdhi Development to prepare financial statements for the previous year, it was impossible declare the financial statements for the year under review were consistent with those of the previous year.
- (b) As there was no need for the Department to prepare financial statements for the previous year, the recommendations for the financial statements of the preceding year had not been presented.

1.6. Comments on Financial Statements

1.6.1 Financial Statements not complied with Circulars

The following observation is made.

Audit Observation	Recommendation	Comments Given by the Accounting Officer
Although the commitments and liabilities consisted in the financial statements should be matched with the Treasury Printouts, a sum of Rs. 774,536,663 of 23 Objects less than the Treasury Liability Statement and a sum of Rs. 2,375,954,824 of 06 Objects more than the Treasury Liability Statement had been shown in the financial statements.	The commitments and liabilities consisted in the financial statements should be matched with the Treasury Printouts in terms of the Paragraph 3.4 of the State Accounts Circular No. 267/ 2018 dated 21 November 2018 and any unreported commitments or liabilities should not be settled in the year 2019 as an expenditure of the previous year.	Since the Liability Statement which had been reported to the Treasury in the year 2018 could not be revised, this error had occurred.

1.6.2 Statement of Financial Performance

The following observations are made.

Audit Observation	Recommendation	Comments Given by the Accounting Officer
<p>(a) The remaining subsidies those were returned in the year 2019 from the Samurdhi Banks amounting to Rs. 8,835,284 and a sum of Rs. 638,150 had been transferred to the State Revenue and the General Deposit Account respectively without surcharging to the Vote Ledger. Actions had not been taken by recovering the contributions those credited excessively to the two Funds and the compulsory savings related to the remaining subsidy which was received back credit to the Consolidated Fund.</p>	<p>It should make necessary adjustments and corrections to the monthly actual subsidy expenditure and report to the Treasury.</p>	<p>A system to adjust the values related to the accounts will be implemented in the year 2019 relating to surcharged and compulsory savings relevant to subsidy value that had credited to revenue, housing lotteries and social security contributions.</p>
<p>(b) Since a total of Rs. 47,050 that had incurred as Rs. 42,850 and Rs. 4,200 respectively by the Colombo and Hambantota District Secretariats under Other Capital Expenditure Object had been entered into the imprest adjustment account as expenditure incurred by</p>	<p>The expenditure made by other Ministries / Departments under Financial Regulations 208 should be properly adjusted to the Imprest Adjustment Account.</p>	<p>Actions will be taken to correct this error occurred by including in to the Vote Ledgers as an expenditure reported to the Treasury.</p>

other Ministries/
Departments, the
balance of that account
had been overstated by a
sum of Rs. 47050 .

1.6.3 Statement of Financial Position

The following observations are made.

Audit Observation	Recommendation	Comments Given by the Accounting Officer
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<p>(a) Since the Board of Surveys had not been completed even by 17 April 2019 , the value of assets consisted in the financial statements amounted to Rs. 1,351,849,351 had not been physically proven and the value of assets reported to the Treasury under the CIGAS programme amounting to Rs. 675,257,516 and the assets value of the Department as per the records maintained by the Department of Public Policy in the Treasury had been shown as a sum of Rs. 619,850 as well.</p>	<p>The Board of Surveys should be carried out and the accuracy of non-financial assets accounted for should be confirmed and all the assets of the Department should be properly documented and taken in to accounts and reported to the Treasury in accordance with the Public Finance Circular No. 05/2016 dated 31 March 2016 .</p>	<p>The comments were not given on the non-completion of the Board of Survey. By not uploading the data as scheduled through the CIGAS web uploading, the errors in the Treasury Books were corrected and the total asset value has been reported to the Treasury.</p>
<p>(b) Actions had not been taken to report the fixed assets purchased in the years 2017 and 2018 under the Livelihood Development Object amounted to Rs. 102,766,000 and Rs.6,140,126 respectively to the Treasury and to include in to the financial statements.</p>	<p style="text-align: center;">-do-</p>	<p>Necessary provisions have been made in the year 2019 conducting discussions with the Department of State Accounts.</p>

1.6.4 Cash Flow Statement

The following observation is made.

Audit Observation	Recommendation	Comments given by the Accounting Officer
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Even though the advance payment was Rs. 219,920,079 as per the account summaries of April and November 2018 , since that had adjusted to the cash flow statement as a sum of Rs. 204,745,258, the accuracy of the value of Rs. 1,986,925,054 which was shown as net cash outflows from financial activities, was not confirmed.	The cash flow statement should be prepared based on accurate figures.	The changes in deposit accounts and other liabilities had affected for this.

1.6.5. Reconciliation Statement of Advances for Public Officers' Account

The following observation is made.

Audit Observation	Recommendation	Comments given by the Accounting Officer
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The total of the balance of arrears receivable from the 168 officers who had station transferred, deceased, retired, suspended and vacated their posts as at 31 December 2018 ranged from 03 months to 5 years was Rs. 3,107,329 as per the Reconciliation Statement of Advances to Public Officers.	The provisions in Paragraphs 1 and 3 of the National Budget Circular No. 118 of 11 October 2004 and the provisions of Section 4 of the Chapter XXIV of the Establishments Code should be followed.	The ability of settling the debt balances of the transferred, deceased and retired officers after completion of the activities such as preparation of pension files, approving of Departmental Scheme of Recruitment etc. and impossibility of specifying the exact time period. Actions will be taken to inquire and recover considering into matters relating to officers who have been interdicted and left the service.

1.6.6 Deposit balances

 The following observations are made.

Audit Observation -----	Recommendation -----	Comments given by the Accounting Officer -----
(a) A sum of Rs. 607,109 which was mentioned as overcharged from the 02 officers who had station transfers in the years 2002 and 2003 had been entered into the General Deposit Account without taking actions to settle .	The settlements should be made after checking the registers.	Actions will be taken to credit to the Revenue conducting further examinations if it would be impossible to find owners during the year 2019.
(b) The approval of the Treasury had not been obtained to carry out the transactions of the Micro Finance Banking Sector which was established to manage and operate the Samurdhi Banks through the General Deposit Account. However, the deposit balances as at 31 December amounted to Rs. 20.11 million had been included in to the statement of financial position as well after carrying out the transactions of that Sector.	It should not act to use the General Deposit Account for the transactions without obtaining Treasury approval.	All the recurring and capital form of expenses those have to incur for the Banks are being carried out by the Accounts Division of the Department for the transparency in financial control and to prevent duplication.
(c) Earnings of training centers amounting Rs. 5,485,555 and the investment withdrawals of Sri Lanka Southern Development Authority amounted to Rs. 2,191,162 had been retained in the General Deposit Account.	All receipts which are not legally allocated for the specific purpose should be credited to the Government Consolidated Fund as per Sections 2 and 3 of the State Accounts Circular No. 243/ 2015 dated 24 June 2015 in terms of Section 149 (1) of the	The investment withdrawals of Sri Lanka Southern Development Authority amounted to Rs. 2,191,162 was retained to compensate the employees of the Southern Development Finance Company in terms of the court case and the

Constitution.

retentions of training center earnings for the recovery administrative expenses.

- (d) Out of the provisions made during the years 2015 and 2016, a total of Rs. 1,137,117 which was returned from savings had been retained in the General Deposit Account without being credited to the Consolidated Fund. Identify the actual expenditure by the end of the year and settling of the imprest to the Treasury accurately. Actions will be taken to credit to the Government Revenue in May 2019 .

1.6.7 Not maintaining Registers and Books

The following observations are made.

Audit Observation	Recommendation	Comments given by the Accounting Officer
(a) Register of Fixed Assets		
The Register of Fixed Assets had not been updated as per the Appendix 11 in terms of Treasury Circular No. 842 of 19 December 1978/ Financial Regulations 502 (2) .	Actions should be taken to update the Register of Fixed Assets in terms of the Circular and Regulations.	The Assets Registers will be updated after taking over the assets to the Department and entered in to the registers .
(b) Register of Vehicle List		
A Register of Vehicle List had not been maintained.	A Register of Vehicle List should be maintained in terms of Financial Regulations 1647 (e)	Actions will be taken to regularize the Register maintained with the details of the vehicles in terms of Financial Regulations.

(c) Register of Losses

A Register of Losses had not been maintained in an updated manner with all the details.

The Register of Losses should be maintained in an updated manner with all the details in accordance with the Financial Regulations 110 .

Instructions have been given to correct.

1.6.8 Certificates to be made by the Accounting Officer

Although the Accounting Officer shall certify as follows in terms of Section 38 of the National Audit Act No 19 of 2018 , it had not acted accordingly.

Audit Observation	Recommendation	Comments given by the Accounting Officer
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<p>(a) The Chief Accounting Officer should ensure that an effective internal control system for the financial control exists and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out. Even though such reviews should be made in writing and submitted a copy to the Auditor General, the statements that such reviews were made had not been furnished to audit.</p>	<p>Actions should be taken in terms of the of Section 38 of the National Audit Act No. 19 of 2018 .</p>	<p>Actions will be taken to carry out the relevant reviews and submit to the audit in future.</p>
<p>(b) Although the Chief Accounting Officer and the Accounting Officer shall ensure that all audit queries are answered</p>	<p>Actions should be taken in terms of the of Section 38 of the National Audit Act No. 19 of 2018 .</p>	<p>Steps will be taken to formulate an internal mechanism for answering audit queries without delay.</p>

within the specified time period as required by the Auditor General, the answers for the audit queries had not been given in terms of Paragraph 3.9 of the Report.

1.6.9 Non- compliance with Laws, Rules and Regulations

 The following observations are made.

Observation	Recommendation	Comments given by the Accounting Officer
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Reference to Laws, Non- compliance Rules and Regulations

(a) Divineguma Act No.01 of 2013 (i) Section 5 (f)

 The Act had not been amended to make it possible to audit the Divineguma Community Based Organizations, Divineguma Regional Organizations, Divineguma District Committees, Divineguma Community Based Banks and Divineguma Community Based Banking Societies.

The Act should be amended by including the provisions to enable to audit of the relevant societies and organizations by the Auditor General.

The procurement procedures are being carried out to select an external audit firm to carry out the audit.

(ii) Sections
36 and 37

The Samurdhi Development Fund and the Samurdhi Revolving Fund had not been established.

Actions should be taken to establish the relevant Funds in terms of the Sections.

It has been referred to the Department of Fiscal Policy for the establishment of the Samurdhi Development Fund for approval.

(b) Section 5 of the Public Service Provident Fund Amendment Act No. 17 of 2003 .

Twenty one casual employees had not been contributed to the Public Service Provident Fund and the amount that had not remitted to the Fund during the year 2018 on behalf of them was Rs. 468,727.

The casual employees should be contributed to the Public Service Provident Fund in terms of the Act.

Actions will be taken to rectify this situation occurred due to the error of not mentioning of the contribution when issuing appointment letters to these officers.

**(c) Financial Regulation
of Democratic
Socialist Republic of
Sri Lanka**

Financial Regulation
756, 757 and 1647
(a)

A survey on 140 vehicles of the Department had not been carried out from the year 2014.

The vehicles of the Department should be inspected in terms of Financial Regulations.

Actions are being taken to carry out a survey regarding the vehicles.

**(d) Public
Administration
Circulars**

(i) Circular No. 30/2016
of 29 December 2016

The fuel consumption had not been tested for 126 out of 140 vehicles.

The fuel consumption should be tested as per the provisions of the Circular regarding the vehicles.

Actions are being taken to check the fuel consumption of all vehicles.

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| <p>(ii) Circular No. 26/92 (1) of 03 August 1994</p> | <p>Besides the 28 vehicles of the Department, the name and the State Emblem had not been printed on remained vehicles.</p> | <p>The name of the Department and the State Emblem should be printed in accordance with the Circular for all vehicles .</p> | <p>Steps have been taken to follow procurement procedures to include the Department's name and State Emblem on all vehicles owned by the Department.</p> |
| <p>(e) Public Finance Circular No. PF/423 of 22 December 2006</p> | <p>Actions had not been taken to legislate the Social Security Trust Fund, Housing Development Lottery Fund and Banking Union Stationary Revolving Fund .</p> | <p>The Funds which are being maintained in the Department should be converted into Statutory Funds in terms of the Circular.</p> | <p>The powers are existed to maintain these Funds in terms of Section 45 of the Samurdhi Act.</p> |

1.6.10 Improper Transactions

(a) Unauthorized Transactions

The following observation is made.

Audit Observation	Recommendation	Comments given by the Accounting Officer
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<p>The Regulations for payment of allowances to the Members and the Secretary of the Divi Neguma (Samurdhi) National Council which was established to assist the Department had not been prepared. However, an allowance totalled to Rs. 1,787,000 as a sum of Rs. 6,000 per each for the participation 41 council</p>	<p>Allowances cannot be obtained without formal approval.</p>	<p>Since the Divi Neguma National Council performs a similar function to that performs by the Board of Directors of a Public Corporation, the payments of allowances are made to the members of the National Council based on the Public Enterprises Circular with the recommendation of the Chief Accountant and the</p>

meetings from July 2014 to December 2018 to 11 members of that Council and a total of Rs. 65,000 for 13 council meetings as a sum of Rs. 5,000 per each to the Secretary of the Council from March 2017 to March 2018 had been paid.

approval of the Director General and allowances are being paid to the Secretary of the National Council on the approval of the National Council since the Committee meetings are held out of the normal working hours .

(b) Transactions in the Nature of Frauds

The following observations are made.

Audit Observation	Recommendation	Comments given by the Accounting Officer
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<p>(i) The investigations on financial frauds totalled to Rs. 34,057,051 those were reported from 2014 - 2018 at the Kandy District Secretariat as the financial fraud of Rs. 23,406,847, subsidized cash frauds in 06 Community Based Banks amounting to Rs. 4,136,984 and the fraud reported at 03 occasions in Livelihood Development Programmes for Empowering Samurdhi Beneficiaries amounted to Rs. 6,513,220 had not been completed. The amount recovered from two frauds was Rs. 1,520,000 or 4.5 per cent only.</p>	<p>Investigate all financial frauds as soon as possible by following proper procedures and establish proper internal control procedures to recover the losses incurred by the government and to prevent errors and frauds.</p>	<p>From the fraud occurred at the District Secretariat, Kandy a sum of Rs. 2,500,000 has been recovered at present and cases have beenfiled in courts and disciplinary inquiries are being carried out. A sum of Rs. 6,923,300 has been recovered from the subsidy frauds and the frauds related to Livelihood Development Programmes and investigation activities remained at various stages.</p>
<p>(ii) The investigation activities on 12 irregularities revealed such as providing Samurdhi subsidies and livelihood benefits in 06 banking zones out of Circular</p>	<p>The losses incurred to the government should be recovered by completing and investigation activities in respect of all financial</p>	<p>The answer had not given.</p>

instructions, raising funds for the International Tobacco and Anti Drugs Flags Day 2017 impacting the beneficiaries, giving the benefits of the Social Security Trust Fund wrongly, setting fire to two Samurdhi banks, making frauds amounting Rs. 3,082,999 from a Samurdhi Bank by preparing forged documents in the form of lending loans to the Beneficiaries and disciplinary violations revealed by the officers during the period from the year 2002 and 2018 and 107 crimes related offenses had not been completed.

frauds, disciplinary violations and criminal offenses following proper methods and establish proper internal control procedures to avoid offenses and fraud, study the matters in the audit queries and audit reports properly and answer them correctly.

2. Financial Review

2.1 Expenditure Management

The following observations are made.

Audit Observation	Recommendation	Comments given by the Accounting Officer
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(a) Over Provisions Made Available -----		
(i) Out of the provision amounted to Rs. 1,287,500 transferred for 02 Recurrent Expenditure Objects in terms of Financial Regulation 66, a sum of Rs. 356,702 or 27.7 per cent and the entire provision of another Recurrent Expenditure Object had been saved despite the savings remained in when transferring of provision amounting to Rs. 180,000 .	Annual expenditure estimates should be prepared in accordance with the provisions of Financial Regulation 50.	This has caused to the fact that the expenses have been reported switching among the Objects.
(ii) The Total Net Provision made available for 03 Capital and Recurrent Expenditure Objects amounted to Rs. 530,000 had been	Annual expenditure estimates should be prepared in accordance with the provisions of the Financial	Steps are being taken properly to prevent such errors.

saved without any utilization. Regulations 50 .

(iii) Even though in addition to a sum of Rs. 9 million made available for the staff training, a sum of Rs. 55 million had also been provided from the provision of empowering of the Samurdhi Beneficiaries, only a sum of Rs. 26.29 million had been spent .

Sufficient consideration should be drawn whilst making additional provisions. This had caused to inadequate allocation made available for training programmes.

(b) Futility of Provisions Made Available

Out of the net provision of 08 Capital Expenditure Objects amounted to Rs. 2,026.90 million, the utilization was Rs. 1,086.87 million or 53.6 per cent and the savings of those objects had ranged from 13 per cent to 80 per cent. Further, out of the Net Provision of 09 Recurrent Expenditure Objects amounted to Rs. 1162.10 million a saving of Rs. 629.56 million of saving had also been observed.

Annual Expenditure Estimates should be prepared as the provisions of the Financial Regulation 50 being fulfilled. The matters such as non-occurrence of the salary conversion in properly and the general methodology, switching of two objects, confirmation of casual employees, non-receipt of Treasury Imprests, expenditure reporting errors among objects, the lack of implementation of prior plans under proper supervision had caused for the savings of provisions.

2.2 Entered into Liabilities and Commitments

The following observations are made.

Audit Observation	Recommendation	Comments given by the Accounting Officer
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(a) It had been entered into liabilities amounted to Rs. 48.29 million exceeding a sum of Rs. 284.06 million provision made available for 11 Expenditure Objects in non-compliance with Section 02 (a) of the State Accounts Circular No. 255/	It should be entered in to commitments in terms of the provisions of the Public Accounts Circular.	This is caused to the fact that the accurate predictions are not made by the parties who are responsible for expenses.

2017 dated 27 April 2017 .

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| (b) | Even though the Compensation and Gratuity Liability was Rs. 3,057.26 million including a sum of Rs. 843.16 million further to be paid by the end of the year under review from the 30 per cent surcharge computed due to delay in payment of gratuity , that had been understated by a sum of Rs. 26.81 million in the statement of liabilities. | Accounts should be properly adjusted to the credit limit within the approved limits. | Since the Liability Report has been prepared considering the total provision received in the years 2016 and 2017 as expenditure, the liability has been understated. |
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2.3 Issuance and Settlement of Advance

The following observations are made.

	Audit Observation	Recommendation	Comments given by the Accounting Officer
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(a)	Even though the ad hoc sub imprest needs to be settled within 10 days after completion of task, the ad hoc sub imprests issued to 21 officers at 57 occasions amounted to Rs. 4,304,994 had been settled with a time delay from 10 days to 03 months.	Action should be taken to settle the ad hoc sub imprest within 10 days after the completion of the task in terms the Financial Regulation 371 (5) .	The shortcomings of preparation of vouchers, lack of understanding the officers' regarding the financial limitations, failure to comply with the instructions for the delegation of financial control powers had caused. The officers have been made aware of strict adherence to the provisions relating to advance settlements at present .
(b)	Because of ad hoc sub imprests were provided without proper prediction, out of the advances paid at 14 occasions for four officers totalling to Rs. 1,066,540 , a sum of Rs. 540,269 had been settled back in cash. Those savings had ranged from 29 per cent to 69 per cent from	Ad-hoc sub imprests should be issued based on a formal estimate.	Steps have been taken to prepare internal procedures to avoid overestimation.

the sub imprests provided.

2.4 Operating Bank Accounts

The following observations are made.

Audit Observation	Recommendation	Comments given by the Accounting Officer
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(a) Two balances amounting to Rs. 2,950,975 which were identified as an accounting error by the Department in the year 2016 had been entered in to the Bank Reconciliation Statements as unrealized deposits without taking actions to settle .	Accounting error should be identified accurately and settled.	Due to the direct remittance of arrears of subsidy of the month of March 2016 was not entered in to the cash book, it has been consisted in the the bank reconciliation as unrealized deposits and actions will be taken to settle it promptly.
(b) A sum of Rs. 1 ,487,472 that had directly credited to the Official Bank Account of the Head Office at 16 occasions had been entered in to the Bank Reconciliation Statement without making adjustment to the Cash Book.	Imprest settlement should be made by adjusting the direct credits of the Bank to the cash book at the same month accurately.	Officials have been instructed to identify the direct credits and adjust them to the Official Bank Account.

3. Operating Review

3.1 Vision and Mission

The following observation is made.

Audit Observation	Recommendation	Comments given by the Accounting Officer
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The specific criteria for poverty alleviation and empowerment of the community had not been identified by Samurdhi Subsidy	Actions should be taken identifying specific criteria that can help alleviate poverty and empower the community and	Samurdhi banking system has been established and deposit growth programmes and credit programmes had been

Scheme which was commenced in the year 1995. Further, the number of 1,074 community based banking systems established aiming the empowering of the Samurdhi beneficiaries, aiming of making profits out of that purpose. Even so, the expenditure for Samurdhi Subsidy of the Government during the period of 06 years 2013-2018 was Rs. 190,193.53 million and Samurdhi Development Expenditure was a sum of Rs. 6,752.10 million.

formulate a national policy and to implement targeted programmes.

introduced to achieve the objective of empowering Samurdhi Beneficiaries.

3.2 Planning

The following observation is made.

Audit Observation

The Livelihood Development Programmes which were expected to be implemented by Rs. 2,000 million had only been included in the Action Plan prepared for the year under review. Further, the updated organizational structure to be included in the Action Plan, Imprest Requirement Plan and Annual Procurement Plan had also not been included.

Recommendation

Actions should be taken to formulate an Action Plan and work towards for achieving the goals in terms of Public Finance Circular No. 01 /2014 dated 17 February 2014 .

Comments given by the Accounting Officer

Actions will be taken to include relevant reports for the Development Plan 2019 .

3.3 Not achieving the Tasks

 The following observations are made.

Audit Observation	Recommendation	Comments given by the Accounting Officer
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(a) The Divineguma (Samurdhi) National Council was established which consisted of 11 members to assist in matters pertaining to the policy and management of the Department and 06 meetings had been held in the year under review. Nevertheless, introducing specific criteria for empowering Samurdhi Beneficiaries and policies have not been established and most of the decisions that have taken had not been implemented.	It should be properly performed to assist the Department in respect of the matters pertaining to the policy and management of Divineguma (Samurdhi) National Council, Divineguma (Samurdhi) Programmes in terms of Section 7 of the Divineguma (Samurdhi) Act No. 1 of 2013 .	The comments has not been given distinctly. Although it was found that 450,959 families were empowered from the survey conducted in the years 2016 - 2017 to identify families who should receive subsidies through 06 criteria, the proceedings were halted as per a policy decision of the Government and it is expected to work in accordance with the common criteria introduced for the identification of empowered families by the Social Welfare Board established by the Social Welfare Act No. 24 of 2002 in future.
(b) Out of the provision of Rs. 2000 million made to implement 12 Development Programmes to Empower Samurdhi Beneficiaries in the year under review, a sum of Rs. 927.81 million, or 46.4 per cent, had not been utilized. The following observations are made in this regard.	The funds allocated for Development Programmes for Empowering Samurdhi Beneficiaries should be properly utilized .	
(i) Out of the provisions made to the Line Ministry amounted to Rs. 400 million, the unutilized portion was a sum of Rs. 334.70 or 83.7 per cent.	Proper implementation of planned activities.	According to the Ministry Progress Report, the utilization is Rs. 94.46 million.

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| <p>(ii)</p> | <p>Out of the 68 planned activities, 17 had not been not totally completed and the amount allocated for this purpose was amounted to Rs. 136.8 million. In addition, out of the provisions made amounting to Rs. 1,229.42 million to achieve 2,057,161 projects under 38 activities, a number of 1,911,250 projects related to Rs. 562.14 million were impossible to be implemented and the allocation saved so was 45.7 per cent.</p> | <p>The planned activities should be properly implemented.</p> | <p>Not receiving of adequate imprests from the Treasury, purchasings and delays in commencement of Livelihood Programmes and this was influenced by the changes of Director Generals posts from time to time.</p> |
| <p>(iii)</p> | <p>Out of a sum of Rs. 43.07 million allocated for the 04 roads in 04 Districts and the expansion of the Ankelipitiya Water Supply Scheme without identifying the infrastructure facilities that should be developed throughout the country under the development of the infrastructure facilities, three roads in three Districts had been developed incurring a sum of Rs. 4.44 million.</p> | <p>Expenditures should be made as per the Action Plan and to the intended purpose of the allocation.</p> | <p>The provisions amounted to Rs. 100 million had been allocated to all Districts by first Action Plan for the year 2018 .</p> |
| <p>(iv)</p> | <p>A sum of Rs. 15.69 million had been incurred for the new Samurdhi Subsidies distribution ceremonies and observation tours in 02 Districts out of the provision of Rs. 10 million madeavailable for Social Welfare Division without performing those activities</p> | <p>Measures should be made to accomplish planned tasks.</p> | <p>Actions were taken on the instructions received to organize the ceremonial functions for issuing Title Certificates for new Samurdhi Beneficiaries in the Polonnaruwa District and a delay had occurred in revising the Action Plans.</p> |
| <p>(c)</p> | <p>The e-Samurdhi Project was established with three modules at a cost of Rs. 33.9 million to achieve the objectives of the organization using Information Technology in the years 2011 and 2012 . Since, out of that malfunctioning of the Human Resource</p> | <p>To enhance the performance of the department need to improve IT programs and make tasks more efficient.</p> | <p>Although the funds have been allocated for the implementation of these modules in the year 2015-2018 through action plans Management decisions</p> |

Management Module (HRM) and Beneficiary Management Module (CRM) and also being inactive of the programmes established to include the project information of the beneficiaries and the Project Management Module (PPM), a the intended objectives had not been properly met and allocation made by Action Plans during 2015-2018 period to improve this module had not been properly utilized.

were not taken due to frequent transfers of Ministers and Director Generals to issues of approval.

3.4 Annual Performance Report

The following observation is made.

Audit Observation	Recommendation	Comments given by the Accounting Officer
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A difference of Rs. 126.58 million was observed in the Financial Progress of 08 activities when compared the Progress Reports with the Performance Report presented with the Financial Statements for the year under review .	The Performance Report and the Progress Report of the Department should be prepared based on accurate data.	The Performance Report was prepared based on the gross reports and the Progress Report was prepared based on the actual expenditure reports presented at the end of March.

3.5 Procurements

The following observations are made.

Audit Observation	Recommendation	Comments given by the Accounting Officer
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(a) Actions had not been taken to prepare Procurement Plans and Procurement Time Tables in terms of Guidelines 4.2.1 (a) (c) (d) (e) and 4.2.2 of Government Procurement Guidelines 2006.	Actions should be taken in terms of the Government Procurement Guidelines 2006 .	A Time Table has not been prepared in accordance with the Government Procurement Guidelines 2006.
(b) Actions had not been in terms of the Procurement activities		It has to comply with

Guidelines 1.2.1, 6.2.2, 6.3.1 (c), 4.2, 6.3.3 and 7.11.1 of the Government Procurement Guidelines 2006 whilst implementation of 05 procurement activities relating to activities on organizing ceremonies of issuing formal appointment letters to 5,000 Samurdhi Development Officers at a cost of Rs. 5.4 million. should be carried out in the existing situation. accordance with the Government Procurement Guidelines 2006 .

3.6 Assets Management

The following observations are made.

Audit Observation	Recommendation	Comments given by the Accounting Officer
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(a) Twenty seven land and building properties and two vehicles belonging to 04 consolidated institutions had not been taken over by the Department and out of that, 23 buildings valued at Rs. 118,987,414 had been consisted in the financial statements.	Actions should be taken to take over all movable and immovable properties of the consolidated authorities without delay in terms of Section 44 (b) of the Divineguma (Samurdhi) Act No. 01 of 2013 .	The activities of taking over and acquisition of the those properties are being implemented in various circumstances.
(b) The Sri Lanka Southern Development Authority (SLDA) has not taken steps to amend the lease agreements of six properties leased out and buildings for 30 years. Nevertheless, the income earned under the old contracts for the year under review was Rs. 2,977,836 .	An agreement for new lease agreements should be made by the Department.	There are no comments given on 06 leased properties and it was stated that arrangements were being made to handover the two temporarily acquired properties with dilapidated buildings which was not mentioned in the observation.

3.7 Securities for Public Officers

 The following observation is made.

Audit Observation	Recommendation	Comments given by the Accounting Officer
----- Security Deposits had not been obtained from the Government Officials in terms of Financial Regulation 880.	----- Security Deposits should be obtained from the officers who are required to make securities in terms of Regulations, in compliance with the Public Officers' (Security) Ordinance.	----- That a Committee has been appointed and steps are being taken to issue circulars recognizing officers who are responsible for keeping securities.

3.8 Losses and Damages

 The following observations are made.

Audit Observation	Recommendation	Comments given by the Accounting Officer
----- (a) Actions had not been taken to recover the loss occurred to the lorry that had met with an accident in the year 2011 amounted to Rs. 668,325 .	----- Actions should be taken to recover the identified loss.	----- Steps have been taken to settle.
----- (b) A sum of Rs. 2,000,000 that had received as insurance compensation for one vehicle out of the two vehicles met with accidents at non-official travels in the year 2016, had been paid to a private garage on 08 December 2018 . However, the repair works of the vehicle had not been carried out up to the date of audit. The other vehicle, which was not paid insurance compensation had been detained in a private garage for period of 03 years without repair.	----- Actions should be taken in accordance with the Financial Regulations and the Circulars with regard to the vehicle repairs.	----- Officers have been made aware to find and take immediate actions.
----- (c) Actions had not been taken to recover the loss of Rs. 279,937 after completion investigation in respect of	----- Actions should be taken in accordance with the Financial Regulations and	----- Instructions had been given to document the loss and recover it.

a vehicle attached to the Matale District Samurdhi Office which had met with an accident due to the driver's fault and to include it into the Register of Losses and Damages.

- (d) When taking over 12 vehicles belonging to the two authorities those were combined with the Department, a fine amounting to Rs. 263,750 had to be paid during the year under review due to not paying the semi-luxury dual purpose lease of Rs. 527,500 .
- the Circulars with regard to the vehicle repairs.
- It should be acted in accordance with Section 156 (1) (a) of the Financial Regulations by identifying the officers responsible for the making delays of the duties.
- It has occurred to pay unpaid taxes from the combined authorities when the vehicles were taken over.

3.9 Not responding to Audit Queries

The following observation is made.

Audit Observation	Recommendation	Comments given by the Accounting Officer
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The answers for Five audit queries those submitted in the year under review and one audit query submitted in the previous year had not been furnished and the delay had ranged from 2 months to 01 year and 3 months period. The value of the transactions of these queries was Rs. 74.01 million.	The relevant corrections should be made by replying in due time to all audit queries .	Actions will be taken to prepare an internal mechanism for answering audit queries without delay.

3.10 Management Weaknesses

 The following observations are made.

Audit Observation	Recommendation	Comments given by the Accounting Officer
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(a) The Beneficiary Re-identification Surveys had been carried out incurring a cost of Rs 107,535,031 during the period of 2015-2017. Nevertheless, without considering those information, the subsidies had been granted to 9250 selected families in the Matale and Polonnaruwa Districts from October to December 2018, by incurring a sum of Rs. 75,333,000 .	Measures should be taken to grant e benefits by selection of Samurdhi beneficiaries according to the prescribed methodology.	The beneficiaries has been selected by publishing newspaper advertisements.
(b) The investigation activities in respect fraud cases totalled to Rs. 142,677,413 as cash frauds done by officials in 165 Samurdhi Banks and Banking Societies amounting to Rs.123,802,063 from 2003 to 31 December 2018, fraud of Samurdhi Development Trust Funds amounting to Rs. 5,200,500 and cash frauds of Cigarettes and free from Alcohol Flag Day Programme amounting to Rs. 174,850 had not been completed. In spite of that the value reported as recovered from a number of 16 frauds during the year under review was Rs. 12,880,092 .	Internal control methods should be regulated to minimize the errors and frauds and actions should be taken to expedite the investigations to recover losses and to take disciplinary actions.	Legal actions has been commenced to recover the losses.

4. Achieving the Sustainable Development Goals

 The following observation is made.

Audit Observation	Recommendation	Comments given by the Accounting Officer
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In line with the Sustainable Development Goals, Targets and Indicators set out by the	Measures should be taken by the Department to identify the Sustainable Development	A Sustainable Development Plan has been prepared for the period of 2019-2021 and

United Nations to make Sri Lanka a prosperous country free of poverty by 2030, the Department had not taken action to utilize the human and physical resources belonging to the institution to identify its objectives, targets and indicators and include them in to the Action Plan by making allocations accordingly.

Goals, Targets and Indicators and make provisions available accordingly and prepare Action Plans to make Sri Lanka a prosperous country free from poverty .

submitted to the Ministry and the Programmes have been planned in the years 2017 and 2018 with the objective of alleviating poverty.

5. Good Governance

5.1 Audit and Management Committee

The following observation is made.

Audit Observation	Recommendation	Comments given by the Accounting Officer
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<p>Since the necessary corrective measures were not taken to prevent the recurrence of deficiencies by properly reviewing of the Auditor General's reports by the Audit and Management Committee, the functions of the Audit and Management Committee had not been properly performed in terms of Section 41 of the National Audit Act No. 19 of 2018.</p>	<p>The functions of the Audit and Management Committee should be performed properly in terms of the provisions of the Act.</p>	<p>Actions will be taken to discuss the issues those were not discussed the points shown in the audit queries at the Audit and Management Committee in the year 2019 .</p>

6. Human Resources Management

The approved and actual cadre as at 31 December 2018 was 27,189 and 25,506 respectively, and a sum of Rs. 12,206.20 million had been spent for the category of personal emoluments to perform the functions of the Department for the year under review. The following observations are made in this regard.

Audit Observation	Recommendation	Comments given by the Accounting Officer
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(a) Except that the three services in the Department, the service minutes and Schemes Of Recruitment pertaining to the posts had not been got approved for 1,049 approved cadre attached from three Authorities.	Should expedite matters and resolve administrative issues.	The reason for this, that the approval for the staff had not been made by the Department of Management Services.
(b) The short-term appointment of 10 Director Generals as Accounting Officers during the 04 years period from 03 January 2014 to 31 December 2018, had been an impact on the performance of the Department.	The performance of the Department should be improved under the direct supervision of the Director Generals.	Due to the changes in the Ministries and Subject Ministers during the period from January 2015 to December 2018 has led to changes in the position of Director General.