

**1.1 Qualified Opinion**

The audit of the financial statements of the Samurghi Social Development Trust Fund for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance, statement of changes in equity 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 Fund give a true and fair view of the financial position of the Fund as at 31 December 2020, 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 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 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 Accounting Standards

Audit observation	Comment of the management	Recommendation
<p>In terms of paragraph 57 of Sri Lanka Public Sector Accounting Standards 7 each part of an item of property with a cost that is significant in relation to the total cost of that item shall be identified separately but calculating of depreciation value of building had not been accounted. Due to the land of 7 acres and 37 perches with the building of Nilaveli Training Centre which was the total cost of Rs.126,255,800 had not been identified separately as land and building.</p>	<p>As the building of Nilaweli Training Centre and the land are not currently assessed separately and the depreciation will be calculated and accounted in the future.</p>	<p>Accounts should be prepared in accordance with the Sri Lanka Public Sector Accounting Standards.</p>

### 1.5.3 Accounting deficiencies

Audit observation	Comment of the management	Recommendation
<p>(a) Even though an amount of Rs.113,074,862 had spent from the fund in the year 2019 for printing of Samurdhi Title Certificates and for ceremony when providing subsidies to the 600,000 number of new families, should be reimbursed from the Banking and Finance section had not been accounted as cash receivables.</p>	<p>Necessary actions are being carried out to providing subsidies to the 600,000 number of new families, in the year 2019 as directed by the Board of Trustees .</p>	<p>Action should be taken to account accurately.</p>

- (b) Information required were not furnished for audit to identify the credit balances of Rs.968,265 and Rs. 38,050 received in excess in the insurance premium account and the general deposit account from the year 2015. Action had been taken to credit the excess balance received in the insurance premium amount of Rs.968,262 to the accumulated fund in the final accounts for the year 2021. As well action will be taken to credit the credit balance of RS. 38,050 in the general deposit account in the final accounts for the year 2022. Action should be taken to settle identifying of balances.
- (c) Even though an amount of Rs. 122,490,000 should be paid for Sanitary facilities (construction of Toilets) for 8,166 number of beneficiaries Rs.15,000 per each one as a second instalment. Due to non-accounting of that amount as accrued expense the operational profit had been over stated by that amount and also the current liabilities had been under stated by that amount. It was not planning to complete the sanitary projects within one year and therefore the balance of money should be pay as a second instalment had not been accounted as accrued expenses for the year 2020. Action should be taken to account accurately.
- (d) Even though two Generators that received from the Ministry had given to the Nilaweli Training Center had not been accounted. by calculating of those donations The generator that received from the Ministry had given to the Nilaweli Training Center and is being prepared it to use after repairing of and action to be taken to account in future. Action should be taken to account accurately.
- (e) Schedules and confirmations of balances were not furnished for audit relating to 03 accounts totaled of Rs.11,031,770 . An amount of Rs.8,664,920.00 had been credited to the Social Security Fund from the Motor Cycle Loan Fund of Samurdhi Officers from the year ended 2014 and action has been taken to show by the final accounts in the year 2021 by crediting of that to the accumulated fund. And necessary action will be taken to settle the opening balances of non-classified office equipment in future. Relevant schedules and the confirmation of balances should be presented to the audit.

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

	<b>Reference to the Laws, Rules and Regulations</b>	<b>Reference to the Laws, Rules and Regulations</b>	<b>Comment of the management</b>	<b>Recommendation</b>
(a)	Public Finance Circular No.2016/05 dated 31 March 2016.	Action had not been taken to ascertain the accuracy of the assets by carrying out Board of Surveys.	The board of survey activities of the Samurdhi Social Security Trust Fund have been carried out under the Samurdhi Development Department so far. In accordance with the Circulars action to be taken to carrying out Board of Survey activities in future.	Action should be taken in accordance with the Circulars and provisions.

**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 deficit of Rs.641,568,935 as against the corresponding surplus of the preceding year was Rs.1,450,588,357. Accordingly for that deterioration of Rs.2,092,157,292 of the financial result increasing in operational expenses during the year under review had been mainly attribute to this deterioration.

**3. Operating Review**

**3.1 Management Activities**

	<b>Audit observation</b>	<b>Comment of management</b>	<b>Recommendation</b>
(a)	As per the paragraph 6 (9) of the Deed of Trust of the Social Development Trust Fund, even though no member of the Board of Trustees shall be entitled to receive remuneration by way of any salary, allowance or honorarium incurred by them in the performance of their duties, an amount of Rs.242,000 had been paid as acting allowance to the Director General of the Samurdhi Department for the acting of the Chairman of the Fund as ex –officio.	The acting Director of Social Security and Welfare Section does the same duty in the Social Security Fund and allowances had been paid on approval of Director General and the Board of Trustees.	Action should be taken as per the paragraph 6(9) of the Social Development Trust Fund.
(b)	Provisions of Rs. 930,840,000 had been allocated for the construction of 39,478 sanitary toilets for Samurdhi beneficiary and low income families. Even though	Action had been taken to make aware of relevant sections to take further actions to be done further needed regarding 13 number of	The maximum benefit should be acquired from the money allocated by completing of projects

provision had given for 35,111 toilets as at 31 December 2020 ,the completed toilets were 21,091 and that was 60 per cent. Being selected Rathnapura District as a pilot project and approved to build 11,137 toilets and out of that 1613 toilets had been completed that was only 15 per cent. Accordingly when examining the Customer Relationship Module (CRM) it was observed that 13 beneficiaries who received beneficiary are not Samurdhi beneficiaries and low income earners.

beneficiaries who received beneficiary are being non- Samurdhi beneficiaries and low income earners. All these constructions had completed within the first few months in the year 2021. And the 11,137 of Sanitary Toilets which had approved to construct in the Rathnapura District had been completed within the first few months in the year 2021.

within the time frames and subsidiaries should be given confirming whether low income earners or Samurdhi beneficiaries

#### 4. Accountability and Good Governance

##### 4.1 Submission of Financial Statements

Audit observation	Comment of management	Recommendation
<p>Even though the Financial Statements of the Fund should be submitted to the Auditor General with a copy to the Department of Public Finance of the Treasury within 2 months from the end of the financial year in terms of Financial Regulation 877 (2) as included in paragraph 15 of Public Finance Circular No. 1/2020 dated 28 August 2020, the financial statements for the year under review had been furnished on 16 December 2022 after a delay of 2 years period.</p>	<p>Action had been taken to submit the financial statements regarding year 2018, 2019 and 2020 to the Auditor General with a copy to the Director General of Public Finance on 09 March 2022.</p>	<p>In accordance with the Financial Regulation. The financial statements should be presented within the relevant period.</p>

##### 4.2 Budgetary Control

Audit observation	Comment of management	Recommendation
<p>Financial Regulation 877(1) included in Paragraph 15 of the Public Finance Circular No.1/2020 dated 28 August 2020. A Budget Estimate had not been prepared for the activities of the Fund.</p>	<p>In relation to activities of the Fund action plan and the budget has been prepared in the year 2022.</p>	<p>Budget Estimate should be prepared and presented within the relevant period in terms of the Financial Regulation and Circulars.</p>