

Head- 331 Department of Samurdhi Development

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Head-331 Department of Samurdhi Development for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance and cash flow statement for the year then ended and notes to the financial statements, including material accounting policy information 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. My comments and observations on these financial statements presented to the Department of Samurdhi Development in terms of Section 11(1) of the National Audit Act, No.19 The Summary Report containing my comments and observations on the financial statements of the Department of Samurdhi Development was issued to the Accounting officer on 23 May 2024 of 2018 appear in this report. The Annual Detailed Management Audit Report was issued to the Accounting Officer on 31 May 2024 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. The report of the Auditor General in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 10 of the National Audit Act, No.19 of 2018 will be tabled in Parliament in due course.

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 financial position of the Department of Samurdhi Development as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements is further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

The Accounting Officer are responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Section 16(1) of the National Audit Act, No.19 of 2018, Department is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable the preparation of annual and periodic financial statements.

In terms of Sub-section 38(1)(c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department 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.

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 summary 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 and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the 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.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Chief Accounting Officer/ Accounting Officer regarding, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5. Report on Other Legal Requirements

I express the following matters in terms of Section 6 (1) (d) and Section 38 of the National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year,
- (b) The recommendations made by me on the financial statements of the preceding year had been implemented.

Referring to the paragraph of the report related to the previous year	Recommendation that had not been implemented	Reference to the Paragraphs of this report
2.3 (a)	In terms of the provisions of the Section 38 of the National Audit Act No.19 of 2018 the Accounting Officer should ensure that an effective internal control system for the financial control exists in the Department 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 the same review should be done in writing and a copy of the same document should be presented to the Auditor General. However, the statements whether carried out such review, had not been presented to the audit.	2.2(a)
2.4 a (i)	In terms of Financial Regulation 135 and 381(i) of Democratic Socialist Republic of Sri Lanka, all the functions of the training centres' were carried out by the attached staff without being delegation of authorities and, bank current accounts had been maintained in 03 training centers without obtaining the approval of the Treasury.	2.3 (a) (i)
2.5 (a)	Action had not been taken to settle the sum amounting to Rs. 2,374 million which was obtained from the Samurdhi Authority by then Samurdhi Commissioner General Department for payment of Samurdhi subsidies in months of August, September and October in 2013, even passed more than 8 years period.	2.6 (a)

- 2.6 A sum of Rs.53,595 million had been given from the money remained in compulsory savings accounts of Samurdhi beneficiaries and fund accounts in the department which were established for various objectives, for the various requirements of the government contrary to the same objectives. A sum of Rs.53,295 million (with interest) from this amount had been remained for further recovery at the end of the year under review. 2.4 (c)(i)
- 2.7(b) In terms of Financial Regulations action had not been taken relevant to 84 cheques valued at Rs.2,668,654 deposited within the period of 4 to 8 years but unrealized in the bank reconciliation check in December 2022 relevant to Employee Revolving Fund Account . 2.3 (a) (ii) (ii)
- 3.5 It had been revealed by the audit reports of 2018 and 2019 on 135 frauds at a value of Rs.115,723,619 occurred during the period of 2014-2018 in Samurdhi Banks and Societies. According to the information presented to the audit on 21 April 2023, a sum of Rs.63,817,207 for 15 frauds for the period of 2014-2018 , a sum of Rs.172,189,227 for 92 frauds for the period from 2019 to 2023 had been identified. Even though connecting all Samurdhi Banks and Bank Societies to the computer system, it was expected to provide most efficient service to the customers and minimize the errors and financial frauds done willfully in manual operations, the financial frauds and irregularities reported were at a considerable value. 3.2 (a)
- 3.6.1 Two software as Soft Watch and SLTS had been introduced for carry out the transactions of Samurdhi Community Based Banks efficiently. This software is used by 1026 Samurdhi Bank branches and 12 branches which are not connected with the Head Office are used a software older than 10 years. Deficiencies were observed a lot at the audit test check carried out in 9 Community Based Banks relevant to operation of the system and there were instances subsidies amounting to Rs.3,857,777 credited to the accounts of 173 beneficiaries belonging to 05 Community Based Banks had been charged as loan installments. 3.4 (a)
(c)

- 3.6.2 (a) Divineguma Development Fund should be established in accordance with the Section 36 of Divineguma Act No. 01 of 2013 and all grants, rewards by Banks ,Bank societies established by Rewards Act, other contributions, money determined by the Minister from the profit of banks as a percentage, all receipts should be credited to the Consolidated Fund. After that, credited to the Divineguma Fund with the approval of the Parliament, even though Divineguma Fund had not been established up to date. 3.4 (a)
- 3.6.2(b) The Department had maintained 6 Funds in terms of Section 45 of the aforesaid Act, Samurdhi Fund and Employee Loans Revolving Fund was at a non-operational condition by now. 2.4.(b) (iii)
- 4(d) According to Section 25 (3) of the Divineguma Act, the Attorney General had informed that it was contrary to the law, appointing of government servants with pensions on a permanent basis for Community Based Bank staff as per the letter of Director General of the Department of Management Services dated 05 July 2019 and officers who had attached to the Department under 44 (e) and ii of the Divineguma Act and already working in the Community Based Bank Societies should be considered as released to the institutions on a temporary basis and although it had been informed that the separate posts for the bank cadre should be approved in future and after that arrangements should be made to recruit accordingly for the vacant posts, actions had not been taken up to date in respect of that matter and the Department had paid salaries from the Expenditure Head of the Department for 7605 number of bank cadre. The amount paid for the year 2022 was Rs.4,295.25 million. 5 (c)

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

(a) Recurrent Expenditure

The following deficiencies were disclosed in accounting recurrent expenditure

Observation	Comment of the Accounting Officer	Recommendation
Even though under note 7 of the statement of Financial Performance, the Object of programme 02 had been shown as 1501,1502 and total expenditure of 1506 as the actual expenditure of subsidiary awarding and transfers and expenditure of Object of 1506 of programme 01 is shown as 100,186,608,556 , it had been shown as 110,708,344,506 in the revised budget column. Accordingly, net provision amounting to Rs.1,800,000 under the Object 1506 had not been shown.	Action will be taken to revised note 7 of the statement of Financial Performance.	Financial statements should be accurately prepared.

(b) Property Plant and Equipment

The following deficiencies were disclosed in accounting Property Plant and Equipment.

Observation	Comment of the Accounting Officer	Recommendation
According to Paragraph 3.9 of Public Finance Guideline No.04/2023 dated 01 November 2023 and Public Accounts Guideline No.2023/02 dated 03 October 2023, due to non-paying of attention to the accounting accuracy of the non-financial assets, in the preparation of annual financial statements a difference of Rs.964,500 was observed between the closing balance of the	Opening balance of the year 2023 was correct and to that it was incorrect the closing balance of the year 2022.	Financial statements should be accurately prepared.

previous year with the opening balance of the year under review.

(c) Balances of Advance Accounts

The following deficiencies were disclosed in accounting balances of the Advance Accounts as at the end of the year.

Observation	Comment of the Accounting Officer	Recommendation
(i) Even though control account should be immediately compared with the treasury computer printouts according to the paragraph 5 of Guideline No.03/2023 of Public Accounts Guideline dated 07 November 2023 and in accordance with the instructions mentioned in guideline 02, there is a different of Rs.20,487,625 in the balance of Advance B account with treasury books .A sum of Rs.716,896 out of that had not been identified .	Action is being taken to identify the balance of Rs.716,896 unidentified and also immediately identified that balance action will be taken to made corrections needed by accounting that.	Action should be taken as per the Guideline and should be settled identifying the difference.
(ii) Loan balances totaling Rs.1,654,710 to be recovered from 67 employees as at 31 December 2023 were remained in due from 01 year to more than 05 years. Within this loan balances there were outstanding from 3 to 5 years amounting to Rs.563,344, outstanding from 1 to 3 years amounting to Rs.85,595.	Action is being taken to identify the balances that should be further settled.	Action should be taken as per the Guideline to recover the loan balances.

(c) Non-compliance with Laws, Rules and Regulations.

Instances of non-compliance with Laws, Rules and Regulations were observed in the audit test checks are being analyzed as follows.

Observations

	Reference to Laws, Rules and Regulations	Value of the Rs.	Non-compliance	Comment of the Accounting Officer	Recommendation
(i)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R.135 and 381(i)	-	All the functions of the training centres' were carried out by the attached staff without being delegation of authorities and, bank current accounts had been maintained in 03 training centers without obtaining the approval of the Treasury.	All the documents relevant to opening current accounts have been forwarded to the Operational.	Action should be taken as per the Financial Regulations.
(ii)	F.R.396	7,090,372	I.In terms of Financial Regulations actions had not been taken relevant to 139 cheques total amounted to Rs.7,090,372 of 6 months elapsed from the issuance as at 31 December 2023, in the checking of bank reconciliations in the district offices. Within this value , it had not been confirmed whether 26 cheques valued at Rs.3,888,099 from	The Accountants had been made aware to take actions as per the Financial Regulations regarding the elapsed cheques that including in the bank reconciliations' in the District offices and action is being taken to settle that the balance of Kandy.	Action should be taken in accordance with Financial Regulations.

February 2015 to July 2016 belonging to the District office Kandy, has been issued to whom.

1,739,536 II In terms of the Financial Regulation action had not been taken in relation to 67 cheques total valued at Rs.1,559,536 deposited but not realized during the period ranged from 5 years to 9 years and the cheques which were elapsed 6 years and issued but not forwarded to pay valued at Rs.180,000 in checking of bank reconciliation in December 2023 bank accounts relevant to the Employee Loans Revolving Fund.

To identify the error being preparing again the bank reconciliations and action will be taken to correct by accounting for in the month of May 2024 regarding the unrealized cheques after checking and verifying. and

Action should be taken in terms of Financial Regulations.

(iii) Assets Management Circular No.05/2020 02(a) dated 02 October 2020 26,172,500 Three vehicles which were in the condition of suitable to dispose valued at Rs.5,180,000 and 7 vehicles valued at Rs.20,992,500 which were parked in garages subject to mechanical errors during a long period had been identified as to be repaired.

Necessary actions are currently being taken and accordingly a valuation committee has been appointed to obtain valuation reports of the vehicles regarding

Action should be taken in accordance with the Circular.

Even though dispose to be repairing is not done and to fruitful, action had that the not been in terms of activities ahead the circulars. are being made.

(e) Irregular Transactions

(i) Un approved Funds owned by the Department

The following transactions had been made without an authority by the Department.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) There are 15 non-statutory funds including insurance funds owned by the Bank Finance Section of the department and out of that, 9 funds are not functioning by now and only 6 funds are functioning. The monies in all those funds had been invested by the Bank Finance Section and the total investment fund including the interest had been Rs.49.5 billion as at 31 December 2023.	Obtaining instructions from the Treasury regarding procedures should be taken the balances remaining in the funds that are not functioning by now and the termination of the relevant funds and future activities will be done accordingly and to that action is being taken to functioning funds that are functioning by now under the approval of the Treasury as enable to be audited.	Action should be taken to legalize all the funds.
(b) It was mentioned that all the movable and immovable properties belonging to the Samurdhi Development Authority, Southern Development Authority, Up Country Development Authority which were established under the Acts which were removed in terms of Section 44 (b) of the Divineguma Act, should be vested to the government. Fixed assets of the above institutions had been vested to the Samurdhi Department and the balances of the above mentioned funds also had been vested to the Department and	All the movable and immovable properties and the balances of funds belonging to the Authorities which were established under the Acts which were removed in terms of Section 44 (b) of the Divineguma Act, had been vested to the Department. It was acknowledge to that It was unable to include regarding the funds remained under bank finance sector as fixed deposits up to now in the annual financial statement of the department and action is	Preparing annual financial statements in accordance with the Accounting Standards by legalizing all the funds.

remained under bank finance sector as fixed deposits up to now. It is unable to include those funds in the annual financial statement of the department and annual financial statements had not been prepared for any of these funds and not furnished to the Auditor General.

being taken to furnished to the Auditor General preparing annual financial statements of these funds.

- (c) Even though 10 years has been elapse from the establishment of the Samurdhi Development Department, it was failure to transfer the balance of monies which were to be paid from the funds completed in terms of Paragraph 15(2)(c) of the Public Finance Circular No.2020/1 dated 28 August 2020 and the aforesaid Section of the Act, non - functioning funds and the remaining funds after settling other obligations to the consolidated fund and to transfer the investments done in the external institutions as immediate as matured, to the consolidated fund or subject to the audit of the Auditor General by making statutory of the funds functioning. Accordingly, it could not be examined whether the government money is misused and the same monies have been excluded from the public finance control as well.
- Being aware of officers to take necessary procedures to examine the way of possibility to take actions regarding the audit observation Within the provisions of the Samurdhi Act, to negotiate and consent with the Treasury regarding that and to that future activities have been planned accordingly.
- Action should be taken as per the Circular regarding non-functioning and funds that functioning should be subject to the control of public finance.
- (d) General insurance cover should be obtained by calling competitive bidding from the insurance service providers who registered under Sri Lanka Insurance Regulatory Commission in government institutions as per Paragraph 3.1 or
- The insurance scheme has been implemented with the approval of the Board of Directors for the security of the public money of that in the banks and the officers who are engaged in duties in those
- Insurance activities should be done in accordance with the Circular.

Section 01/2020 II of the Public Finance Circular or their agents/brokers under procurement guidelines. However, insurance methods had been approved in various occasion by the board of management and payment of compensations had been also made by implementing those insurance methods contrary to the circulars issued by the government and without transparency and non-compliance with the insurance principles . Even though fund accounts also had been maintained for that purpose, those accounts had not been presented to the audit. Fixed deposits amounted to Rs.548.6 million had been invested from the insurance fund as fixed deposit in a state bank.

banks. Forwarding facts for the Management Board regarding the facts that has included in the audit observation, action will be taken here in after as per the insurance policies and to that preparing financial statements presented for audit.

- (e) Approval had been granted for a physical accident insurance scheme by the decision No.21/88/03 dated 01 June 2021 for the payment of a compensation of 01 million for an officer deceased from Covid disease .by collecting Rs. 40,000 from each Community Based Bank and Rs.25,000 from each Community Based Banking Society , by the Board of Management. Accordingly, a compensation of Rs.21.79 million had been paid irregularly from this fund for the officers deceased within the year 2022.
- A compensation of 01 million for an officer deceased from Covid disease had been paid by collecting Rs. 40,000 from each Community Based Bank and Rs.25,000 from each Community Based Banking Society and to that this insurance scheme was not functioning from the year 2025.
- Since this type of insurance schemes cannot be implemented in for the government officers as per the prevailing rules and regulations, action should be taken in accordance with the Financial Regulations.
- (f) Estimate of expenditure of the year 2023 of the Bank Finance Division amounted to Rs.2,496 million and
- Tasks implementing by the Banking Sector on the authorisation of the Board of
- Since the Bank Finance Division is impossible to act as

the total expenditure had been amounted to Rs.3,443 million. A separate expenditure estimate had been prepared by the Bank Finance Division and the financial statement is being also prepared annually. As such, a separate budget, preparation of financial statements and incurring expenditure had been done in an illegal manner by a single division of the same department which is attached the officers who are obtained salaries from the expenditure head of the Department.

Management consider as independent. The reason for that was as per the section 25 (3) of the Samurdhi Act the Community Based Banking system is a body corporate which implement monitoring under this section. Accordingly a separate expenditure estimate is being prepared in that section incurring for expenses and also a financial statement is being prepared.

an independent unit and it is impossible to prepare separate financial statements and budget estimates. Banking system should be under control of the Department.

- (g) Compulsory savings amounting to Rs. 43,472,014,278 are remained in the bank finance sector retained as compulsory savings from the subsidies of the Samurdhi beneficiaries as at 31 December 2023 had been deposited as investments the same amount was investment interest as at 31 December 2023 amounted to Rs.2,819,900,095. Even though bank finance sector had invested compulsory saving money under the interest rate from 11 per cent to 26 per cent during the year 2023, lower interest rate such as 5 percent had been given to the banks in terms of the management decision the interest to be paid to the Samurdhi beneficiaries by banks for compulsory savings is 4 per cent. Due to investing compulsory savings money remaining in bank finance section without remitting directly to the bank, unfavorable condition had been arisen such as receiving of

As per the investment ledger 2022 the balance of un identified compulsory savings has been invested to earn interests and Rs. 23.477 million out of the compulsory savings had taken by the General Treasury and investment income for that money has loss and actually the money had been credited to the accounts of the beneficiaries and therefore when paying interest among the beneficiaries from the income earned, the interest paid had been higher than the interest gained. As well this reason has caused to the payment of low interest rate for the beneficiaries.

Action should be taken to utilize compulsory savings effectively for the livelihood development activities of the beneficiaries

less interest than the interest income could be received by investing by the Community Based Bank itself and impossible to utilized for the livelihood development activities of people.

(ii) Granting loan facilities for the employees from the funds owned by the Bank Finance Section.

Observation	Comment of the Accounting Officer	Recommendation
(a) A sum of Rs.14.2 billion of outstanding balance had been as at 31 December 2023 given from the employee loan schemes such as employee consumer loans, employee housing loans, special employee loans and special distress loans contrary to the paragraph XXIV of the Establishments Code for the officers of the Community Based Banks, district offices and bank finance division staff under the department. A sum of Rs.290.6 million out of the same employee loans had been made provisions as bad debts without taking actions to recover that money due to defaulting to recover those loans.	Various Funds that are being functioned had been used for this. Loans given by the Samurdhi Bank and Bank Societies also given by the funds of each Bank and Bank Societies. As well the approval for giving these loans had been given by the Board of Management of Bank and Bank Societies.	Contrary to the Establishments Code and prevailing rules and regulations it was impossible to that giving employee loan to the government officers therefore for the balances due up to now should be take action as per the State Account Circular and action should be taken regarding the officers who are approved the loan.
(b) The balance recoverable as at 30 June 2023 of the Employee revolving Loans Fund existed under the finance division of the department amounting toRs.30,449,227 and the same Employee revolving Loans Fund had been suspended from the year 2020.A sum of Rs.186 million which was collected from the employees had been remitted to the treasury. The financial statement from the year 2014 to the year 2023 of the	The financial statements of the Employee revolving Loans Fund have been preparing by now and to that action will be taken furnished to the audit promptly completing that task.	Preparing financial statements should be furnished to the audit.

same fund, which is coming from the period of Samurdhi Authority existed, had not been prepared and furnished to the audit.

(iii) Un settled Balances

Observation	Comment of the Accounting Officer	Recommendation
<p>Even though 03 years had been elapsed as at 31 December 2023 by obtaining an amount of Rs.32,418 million from the banks for granting an allowance of Rs.5,000 to the low income families with a view to maintain the life condition properly in the year 2020 within the above value, necessary actions had not been taken to reimburse the same money to the Samurdhi Community Based banks.</p>	<p>Action will be taken to reimburse within the year 2024 out of the provision amounting to Rs. 36 billion allocated under the vote object 1501 (4) for the reimbursement funds of the banking sector in the year 2024.</p>	<p>Action should be taken repay the money borrowed from the banking system.</p>

(iv) Financial frauds occurred in banking system

Observation	Comment of the Accounting Officer	Recommendation
<p>A sum of Rs.4,733,099 had been paid for investigation activities and travelling expenses relevant to the year 2023 from the Expenditure Heads of the Department annually for the investigation activities, disciplinary activities in relation to the financial frauds occurred in the bank system and a sum of Rs.1,980,421 had been paid from other expenses Expenditure Head . However, the same money which was defrauded had been credited back to the bank system. Accordingly, a sum of Rs.35,715,777 had been obtained to the bank system as recoveries from 209 corruptions and frauds in the year 2023.As operating of</p>	<p>To that future action will be taken regarding this reporting to the Board of Bank Management</p>	<p>Action should be taken to reimburse the expenditure incurred for the Bank system by the banks themselves.</p>

the control of the bank system is administrated by a non- statutory fund of financial activities , the aforesaid allowances paid to the officers had been paid by the Expenditure Heads of the Department without being incurred by the bank funds.

2. Financial Review

2.1 Issuance and Settlement of Advances

Observation	Comment of the Accounting Officer	Recommendation
As per matter (iii) of the Paragraph 5 of the Public Accounts Guidelines No.2023/02 dated 23 October 2023, due to issuance of ad-hoc imprests without proper estimation for specific and non-essential activities. the amount given in 16 instances which was not utilized in a considerable amount of the relevant money amounted to Rs.770,630 and a sum of Rs.517,319 out of the advances had not been settled.	Action will be taken to formulate the internal control system aware of officers when planning programmes and preparing estimates for that to prepare accurate and reliable estimates identifying properly essential activities.	Imprest should be released as needed and also reimbursements should be made as per the circular.

2.2 Deposit Balances

Observation	Comment of the Accounting Officer	Recommendation
According to the time analysis reports of the general deposit accounts, the unsettled total balance more than 2 years in 4 types of deposits which are being brought forwarded without being settled, in the head office and district offices as at 31 December 2023 amounting to	To that a Cabinet Memorandum has been forwarded to obtain money for the settlement of Rs. 2.3 billion should be payable further the loan amount borrowed from the Samurdhi Authority by the Department of Samurdhi Commissioner	Since the of Rs. 2.3 billion should be payable to the Bank Finance Division that is under the Department and any fund own to that section is not legalized and therefore action should be taken to settle by the accounting entries within the

Rs.2,378,777,131. Out of that, General.
the balance between 2-5 years
amounted to Rs.3,079,925 and
the balance more than 5 years
amounted to Rs.2,375,697,206.

Department and the Bank
Finance Division.

2.3 Operating of Bank Accounts

Deficiencies observed in the audit test checks had done regarding the operation of the bank accounts are as follows.

Observation	Comment of the Accounting Office	Recommendation
Without the supervision of the accountant of the department, 11 current accounts under bank finance division and 2 current accounts and a savings account in the name of general society, had been maintained. The balance as at 31 December 2023 of these accounts is 42 million. In terms of the financial regulations 381 approval of the treasury had not been obtained for any of these current accounts.	These current accounts had been maintained for various programmes by the Banking Sector within the period of the Samurdhi Authority had been before establishing the Department Samurdh Development. Accordingly, these bank accounts were opened. On the occasion of the transformation to the Department in terms of section 45 of the Divineguma Act the accounts that are maintained by the department ensuring that there shall be no change.	Action should be taken to get approval of the General Treasury in terms of the Financial Regulations.

3. Operating Review

3.1 Although money had been released, projects which were not obtained a progress

Observation	Comment of the Accounting Officer	Recommendation
(a) A sum of Rs.171,370,352 had been spent from the year 2019 to the year 2021 for the establishing of 31 Suwabojunhal in Island wide for uplift the local food security and for creating a firm	Due to non – releasing of treasury allocation for the rest of essential constructions of the two Suwa bojunal in Akmeemana and Habaraduwa could not be commenced trade activities and amounting to Rs.	Necessary procedures should be taken by completing constructions of the sales centers and handover to the low income earners.

and rich market to sale the productions of the small scale entrepreneurs who are produced local foods free from poisonous ingredients as well as Samurdhi and low income people who are engaged in the production of other various products and with a view to develop the expected income and uplift the living condition .Among those, business activities of two Suwa bojunhal in Akmeemana and Habaraduwa which has been constructed by spending Rs.8,969,457 in the year 2021 , had not been commenced up to 31 December 2023.

2.335 million have been received for the rest of constructions from the decentralized Fund and action are been taken to sign the agreement of the constructions by now.

- (b) A sum of Rs.3,930,000 had been incurred for the construction of the Samurdi Trade Centre at Kahengama, Kuruwita. Nine rooms had been constructed in the ground floor by creating a slab so as to develop the construction of trade stalls furthermore and un completed 2 rooms had been given for two persons. Due to un proper construction of the same trade stalls, owners of the trade stalls had to face the problems such as disposal of waste, lack of adequate infrastructure facilities.
- Action has been taken to give two trade stalls to the entrepreneurs on their will, and it was informed to that existing defectives are being renovated after receiving allocation in future by the Divisional Secretary of Kuruwita.
- Action should be taken to give trade stalls to the entrepreneurs properly and action should be taken to utilize at the maximum level by settling prevailing issues.
- (c) Suwabojunhala at Puttalam-Karuwalagaswewa had been constructed in the year 2018 by spending a sum of Rs.1,065,600 . Even though
- The sales activities of this Bojun center commenced on the date of 07. 02. 2020 with 05 beneficiaries however, due to the Covid pandemic. this
- Effective action should be taken to utilize the Center for completing renovation activities under the supervision of

- trade activities are being carried out by 5 persons, the center had been become chaotic due to the disconnection of water and electricity.
- Bojun center has been closed A week - fair is currently being held and, it has been informed that new projects could be able to commence renovating this building using funds owned to the divisional organization after obtaining proper approval.
- the divisional secretary.
- (d) Manaweriya district sales center situated in Arachchikattuwa divisional secretariat division, had been constructed by spending a sum of Rs.12,193,773 and commenced on 10th June 2019. Even though trade activities had been carried out by 15 entrepreneurs from 2019 time to time, only two persons are engaged in sales activities at present. No any rental fees charged from them from the beginning of the year 2019. It was observed at the field inspection carried out on 12 January 2024, that the walls of the same building had been breached and attending to the sink as this center has been constructed by filling a marshy land. Water facilities also had not been supplied for this center since the beginning.
- It was informed over the telephone conversation by the Manager who in charge of the marketing subject in the Puttalam District to that the District Engineer to settle the existing issue regarding the constructions of the Manaweriya district sales center.
- Action should be taken effectively utilize the sales center by doing an investigation with the intervention of the Department regarding this.
- (e) A sum of Rs.3,708,710 had been incurred for lively hood special projects by 11 divisional secretary's division in the year 2021 in Matale district. In the physical examination carried out in this connection, equipment amounting to Rs.2,094,825
- No answers have been given.
- Action should be taken to fulfill the expected objectives through the project by continuously doing follow up actions regarding projects.

were remained idle and equipment amounting to Rs.275,662 had been defective. Equipment amounting to Rs.184,350 had been sold and mortgaged and equipment amounting to Rs.134,273 were not physically observed in audit.

3.2 Management Inefficiencies

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) 165 number of financial frauds valued at Rs.234,961,395 have been reported to the investigation division of the Department relevant to the time period from the year 2019 to 31 March 2023. Furthermore disciplinary actions of 98 financial frauds amounted to Rs.218,482,947 are being carried out and actions relevant to 15 out of irregularities of Rs.263,817,207 occurred in banks and bank societies from 03 January 2014 up to 31 August 2018 , had not been completed. The increasing of frauds caused to carry out frauds by the officers continuously due to non -correcting of the deficiencies in the bank system and lenient punishment are imposed through disciplinary orders.	It was aware of the Director Micro Finance to prepare deficiencies prevailing in the bank system regarding the increasing in frauds caused to carry out frauds by the officers constantly and action was being taken to that sever punishments are imposed through disciplinary orders.	Deficiencies prevailing in the bank system should be prepare as per the financial frauds may not be occurred and to tighten disciplinary orders and activities regarding frauds should be promptly done.
(b) Even though preliminary investigations should be completed in 2 months period in accordance with Public Administration Circular	Accordingly the nature of the investigations it was impossible to complete them within the proper time period. However, relevant officers are	Action should be taken as per the Establishments Code regarding investigations.

No.30/2019 dated 30 September 2019 relevant to paragraph 13.2 of the Chapter XLV III of the Part II of the Establishments Code, delaying of giving disciplinary orders by conducting preliminary investigations in relation to corruptions and irregularities, was ranged from 2 years to 10 years period.

aware of that and taking actions to minimize the time spent for that.

- (c) Divineguma Development Fund should be established in accordance with the paragraph 36 of Divineguma Act No. 01 of 2013 and all grants, Bank, Bank societies established by Rewards Act, other contributions, money determined by the Minister from the profit of banks as a percentage, all receipts should be credited to the Consolidated Fund and after that, credited to the Divineguma Fund with the approval of the Parliament. However, Divineguma Fund had not been established up to date .It had been informed on 03 May 2021 , that no any objection by the Treasury to establish the Divineguma Development Fund.
- The approval of the Department of Public Finance had been requested as per the provisions of the Act in nine instances regarding establishment of Samurdhi Fund however the approval had not received so far. Therefore it was impossible to establish the Fund in accordance with the provisions of the Act.
- Fund should be established in terms of the Act.
- (d) Two software as Soft Watch and SLTS had been introduced for carrying out the transactions of Samurdhi Community Based Banks efficiently .Soft watch software had been given for 326banks, 104 bank societies and SLTS software had been given for 756 banks and 229 bank societies. Due to this reasons of no proper function of
- Instructions are being given to have a backup internet facility to carrying out banking activities continuously due to interruptions in internet facility and to that eradicate slowing occurrences providing server facilities to the required capacity and only a few officers who are in both institutes able to enter the live
- Action should be taken to maintain the system efficiently.

the system to activate relevant tasks and failure in the computer system time to time, existence of made changes in data due to the software institution has an ability to enter the live data of the Bank and therefore there had been instances of changing data. An action plan had been prepared in the year 2023 for making efficiency the Community Based bank computer system. However, 6 errors mentioned there had not been completed as at 31 December 2023.

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| (e) | <p>Granting loans for 12,309,875 beneficiaries under 34 categories of loans through the Samurdhi Community Based Banking System had been done. Loans had been granted for 350,604 beneficiaries in the year 2023 and the loan balance in arrears as at 31 December 2023 amounted to Rs.73.8 billion. Out of the loan balance in arrears as at 31 December 2023, 8 per cent had been provisioned as bad debts. It is increased by 1percent with compared to the year 2022. Even though the total investment belonging to the whole bank system amounting to Rs.242 billion, the loans granted for the beneficiaries amounting to Rs.73.8 billion. It is only 30 per cent out of the total investment.</p> | <p>Due to the Covid pandemic situation and the economic depression prevailed in the country in the years of 2020, 2021 and 2022 in the face of business volatility existed in the country that the demanding to the loans of banking system has fallen rapidly and by gradually increasing issuance of loans in the banking system from the year 2023 that the outstanding loan amount will be higher by the 31 December 2023, decrease in recovering of loans due to the pandemic and that several types of loans have been newly introduced for increasing the percentage of loans.</p> | <p>Action should be taken to improve granting loans to the beneficiaries than investing money owned by the banking system, recovering of loans should be efficiently done.</p> |
| (f) | <p>A sum of Rs.100 million had been given to the Samurdhi Authority in the year 2013 by the Sri Lanka Bureau of Foreign</p> | <p>Information is taking in the level of Samurdhi banks and able to have information within a month and after that it</p> | <p>Action should be taken to recover the balances of loan receivable.</p> |

Employment in keeping with take actions in a manner to distribute if any loss or expenditure caused to the Samurdhi Authority because of non - recovery of loans by the foreign employees to whom implemented a housing loan scheme or any other activity .Accordingly, a sum of Rs.3,547,133,064 had been issued as loans for 11,929 migrant workers by Samurdhi banks. A Memorandum of Understanding had been signed by the migrant workers with the Samurdhi Authority and Sri Lanka Bureau of Foreign Employment for the housing scheme for the period of 5 years on 07 March 2012 and it had been ended from 06 March 2018. Even though instructions had been given to sign new Memorandum of Understanding immediately and further implementation of the loan scheme, the two parties had not been entered into new Memorandum of Understanding even as at 30 October 2023. Accordingly, the loan balance to be recovered further more amounted to Rs.193,078,303.

is planned to take necessary decisions discussing with the Bureau of Foreign and it was informed to the Bureau of Foreign to make an appointment for this.

4. Good Governance

4.1 Internal Audit

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Opportunity had been provided to act as the external auditor by the internal audit division of the department by the departmental circular No.2020/13 and dated 27 September 2020. Accordingly, a sum of Rs.12,885,672 had been paid by the bank finance division for the auditing of reports relevant to 1007 banks and bank societies per Rs.3000 for each audit report for the officers of the internal audit division of the department for the conducting of external audit relevant to the years 2016,2017, 2018 and 2019. Even though approval had been granted for this purpose by the decision of the Board of Management No.2020/75/05 dated 15 October 2020, it was observed that it was not compliance with the basic auditing principles.	As per the decision of Community Based Bank and Bank Societies Management Board No. 2020/06/09 held on 11 March 2020 that the authority has delegated to the Internal Audit for auditing financial statements from the year 2013 to 2019 and to approve those reports.	As per the Divineguma Act since the audit of the Samurdhi banks and bank societies subject to the audit of the department since the money could not be charged for auditing from the bank and bank societies action should be taken to recover the money given form the relevant officers.
(b) Presenting of audit opinion by auditing the financial statements of 197 Community Based Banks and bank societies relevant to years 2020 and 2021 belonging to 12 districts had not been carried out even as at 28 March 2024 and, among the financial statements of 1455 Community Based banks and bank societies as 33 Community Based banks out	Steps has been taken to correct observations identifying these banks/bank societies specifically examining by the supervision officers and to that action will be taken to forward the progress of that in future.	As per the powers given by the Act financial statements should be promptly audit.

of 1074 and one bank society out of 331, only 34 financial statements had been presented opinions by carrying out the auditing in the year 2022.

- (c) As per the progress report on the audit opinion presented on final accounts of Samurdhi Community Based banks and societies as at 31 December 2023, opinion has been disclaimed in 2492 financial statements out of 6710 of 5 years from 2015 to 2019 and true and fair positions have been presented only in 782 financial statements. Audit opinion on financial statements presented in relation to the three years 2019, 2020 and 2021 of 297 banks relevant to 21 districts had been disclaimed. Accordingly, a maximum contribution had not been paid on proper supervision of the Samurdhi banks by Samurdhi managers, accurate investigations carried out by investigation officers, making accuracy of the weakness of the internal control of the Samurdhi banks identifying by audit officers, to preparation of financial statement accurately and to uplift the efficiency and productivity of the bank system.
- Although the observation reports have been forwarded by auditing the financial statements of relevant years that the audit opinion relating to the year has been issued without paying attention regarding the corrections of that observations.
- The internal audit as well as the Investigation Unit should be rendered the maximum contribution for the efficiency of the banking sector and also action should be taken by the bank and bank societies.
- (d) Out of 782 financial statements which were presented true and fair opinions at the auditing of the financial statement of Community Based banks from 2015 to 2019, permission had not been allowed for profit appropriation due to increasing of bad debt ratios in 49 financial statements and
- No answers have been given.
- Action should be taken to decrease bad debt ratios in order to enable shareholders to receive annual dividends of the at the appropriate time period and to prepare financial statements accurately.

permission had been allowed for profit appropriation only for 1735 financial statements. Out of 6710 financial statements audited and received to the micro finance division as at 31 December 2023. As a result of that, it was unable to pay Rs.6,344,018,728 of dividends which are to be paid to the shareholders as at 31 December 2023.

5. Human Resource Management

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>(a) In terms of Section 97 and according to Section 59 of the Procedural Rules of the Public Service Commission, when it was revealed that erroneous information or false (forge) documents had been presented to the appointing authority by any person, to any post in the government service. Action should be taken to recover all the monies from the relevant officers which were paid by the government as salaries and allowances by that time, by cancelling the appointment immediately and making it null and void however, it had been confirmed that the educational certificates submitted to the personal file to obtain their appointments by 363 officers were false. Out of that, 77 persons had been dismissed from the service and 20 persons had been removed from the service on the agreement of obtaining compensations in terms of the Act. The officers who</p>	<p>When starting Samurdhi Authority recruitment of officers had been done at a divisional secretariat level and due to delay in get confirming the certificates forwarded in such recruitments it has been delay in identifying the officers who owned false (forge) documents. Even if they identified in the year 2022 by that time more officers are in the age of nearly to retirement and they have been under the service of Authority and the Department for a long period of time, on that action has not been taken regarding them and accordingly the request forwarded to the Secretary to the Ministry by a community of officers of presented false (forge) documents instructions are being given to take further action sympathetically considering</p>	<p>In terms of the Procedural Rules of the Public Service Commission, necessary action should be taken by the officers responsible in this regard.</p>

were served in Hambantota district and terminated the service without the pension salary and 30 officers who are engaged in the service at present who were subject to the audit test check, a sum of Rs.195,215,660 from the date of appointment, a sum of Rs.40,383,176 from the year 1999 for 4 officers in 4 divisional secretariats in Monaragala district, a sum of Rs.8,732,204 only for the year 2023 for 17 officers in Colombo and Matara districts had been paid for salaries and allowances. However, necessary action had not been taken by the officers responsible in this regard.

them and those instructions and recommendations are being forwarded to the Secretary to the Ministry for further instructions and approval and to that further activities to be done.

- (b) Paying salaries for 9894 officers of the bank staff from the expenditure head of the department is being carried out and the money paid for the year 2023 was amounted to Rs.853 million. Allocation from the annual profit for the same salary expenditure had been done by the Community Based Banks and societies. Accordingly, allocation of money as the salaries payable to the government from the beginning of banks and up to date of 31 December 2023 amounted to Rs.43.4 billion however, no any action taken up to date in relation to paying back that money to the government. In addition to that, the lands and buildings owned to the Samurdhi department had been utilized for the establishment of Community Based Banks and bank societies.

Forwarding facts to the Board of Bank Management regarding the salary amounting to Rs.43.4 billion had been paid for the banking staff further action to be taken.

Action should be taken to credit the salaries that paid to the Banking staff from the expenditure head of the department to the state income and land and buildings owned to the Department should be transferred or leased as per the laws and regulations relevant.