

## **Samurdhi Social Development Trust Fund - 2016**

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The audit of financial statements of the Samurdhi Social Development Trust Fund for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of income and expenditure, and cash flow statement for the year then ended 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 Section 45 of the Divi Neguma Act, No. 1 of 2013. My comments and observations on the above financial statements appear in this report.

### **1.2 Management's Responsibility for the Financial Statements**

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The management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

### **1.3 Auditor's Responsibility**

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My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810).

Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgements, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **1.4 Basis for Disclaimer Opinion**

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As a result of the matters pointed out in Paragraph 2.2 of this report, I am unable to determine whether there was a necessity to do any adjustment to the items and elements that were recorded or not recorded in the statement of income and the cash flow statement.

## **2. Financial Statements**

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### **2.1 Disclaimer of Opinion**

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In my opinion, because of the significance of the matters described in Paragraph 2.2 of this report, I was unable to obtain sufficient and relevant audit evidence to provide a basis for an audit opinion. As a result, I do not express an opinion on these financial statements.

## **2.2 Comments on Financial Statements**

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### **2.2.1 Sri Lanka Public Sector Accounting Standards**

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The following observations are made.

- (a) The statement of change in the equity / net assets of the Fund had not been prepared and submitted in accordance with Paragraph 21 of Standard No. 1 and significant accounting policies followed had not been disclosed in the Notes.
- (b) The Cash Flow Statement had not been prepared in accordance with Paragraph 21 (a) of Standard No. 2 .
- (c) Although the computers and accessories purchased during the year under review amounting to Rs. 3,480,981 should be disclosed separately as purchases of the year in the property plant and equipment schedule presents with the financial statement in terms of Standard 7 , in contrary to that it had been included and shown in the opening balance and it had not been disclosed that the legal ownership of Pothuvil Circuit Bungalow valued at Rs. 6,003,155 belonging to the Forest Department in the Notes to Accounts.

### **2.2.2 Accounting Deficiencies**

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The following observations are made.

- (a) The expenditures totalled to Rs.5,222,780 incurred with regard to 05 special projects had been stated as administrative expenses.
- (b) The required provisions had not been made in respect of the total amount of Rs. 327,119,813 paid in the year 2017 for 7 Expenditure Heads with regard to year under review .
- (c) Actions had not been taken to adjust the depreciation of property plant and equipment pertaining to the year under review amounting to Rs. 797,868 to the income and expenditure account.
- (d) A sum of Rs. 23,606 had been overstated when taking the net balance of office equipment as at 31 December of the preceding year as opening balance .

- (e) The payment of advance amounting to Rs. 2,177,326 for the renovation of Nilaveli Training Center in Trincomalee District during the year under review had not been accounted for as advance and although only the cash receipts had been adjusted accurately when accounting for the settlement of advance without incurring that amount as at 31 December, the entry of settlement pertaining to the advance account had been attached to the cumulative fund.

### **2.2.3 Unreconciled Control Accounts**

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When checking the control account submitted with the account, it was observed that a difference of Rs.1,202,823 in between financial statements and schedules pertaining to the control accounts of beneficiary payments in 12 Districts and beneficiary receipt in 11 Districts. Further, a difference of Rs. 212,884 was observed in 02 types of expenses as per the cash book and income and expenditure account.

### **2.2.4 Lack of Evidence for Audit**

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The audit evidences such as bills and schedules were not furnished to ascertain payments in respect of transactions totalled to Rs. 19,184,984 pertaining to 05 accounting items.

### **2.2.5 Audit of Financial Statements for the Preceding Year**

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The Board of Trustees of this Fund which was established in the year 1997, met on 10 February 2016 and had paid a sum of Rs. 11,760,000 with the assistance of a private auditor, for the audit of the accounts of the Fund for the years 2013, 2014 and 2015 without auditing the financial statements from the year 1997 to 2012. Similarly, the private auditor had submitted the audit reports with disclaimer opinion for the same 3 years.

### **2.3 Accounts Receivable and Payable**

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The following matters were observed.

- (a) Actions had not been taken to settle the insurance premium received in advance amounting to Rs. 968,262 remaining from the preceding year.
- (b) The unsettled advance balances remaining from the year 2012 to 2016 in 04 District Secretariats amounting to Rs. 5,163,240 had exceeded a period from 2 to 4 years.

### **2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions**

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The instances of non-compliance with the provisions of the Rules, Regulations and Regulations observed during the audit test checks are analyzed below.

**Reference to Laws, Rules /and  
Provisions**

**Non- compliance**

- (a) Government Procurement Guideline  
2006 dated 26 January, 2006

Guideline 4.2.1 “a” and “b”

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The assets and properties amounting to Rs. 201,646,781 had been purchased during the year under review, without formulating a Master Procurement Plan for the desired procurement activities

- (b) Public Finance Circular No. PF /423 dated 22 December 2006 and Paragraph 15 of Public Finance Circular No. 01/2020 dated 28 August 2020

Actions had not been taken to legislate the Fund and actions had not been taken to prepare an Annual Performance Report in respect of the Fund.

- (c) Public Finance Circular No. 05/2016 dated 31 March 2016

Actions had not been taken to ascertain the accuracy of the assets by carrying out Board of Surveys .

**3. Financial Review**

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**3.1 Financial Results**

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According to the financial statements presented, the financial results of the Fund for the 31 December then ended for the year under review was a surplus of Rs. 1,121,745,567 and the correspondent surplus of the preceding year was Rs. 450,734,305 thus indicated an improvement of Rs. 671,011,262 in the financial results of the year under review as compared to the preceding year. The increase in receipts of contribution by Rs. 915,125,650 and investment interest income by Rs. 302,632,484 had mainly attributed to this improvement.

**4. Operating Review**

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**4.1 Performance**

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The following observations are made.

- (a) This Fund was established with the objective and tasks of providing the necessary expenditure and facilities to make social development through the welfare of the Samurdhi beneficiaries as per the Deed of Trust attached to the Samurdhi Social Development Trust Fund published on 1 January 1997. Nevertheless, a sum of Rs. 93,741,659 had been spent during the year under review excluding the objectives and tasks of the Fund.

- (b) Out of Rs. 1,947,060 provided during the year under review to School Development Society of Poramadulla Central College to participate in the “Hermen Lose” competition

for low income and Samurdhi recipient children belonging to Cadet Corps, sum of Rs. 965,461 had been retained in the current account for over 9 months without incurring any expense. Further, Further, 02 rifles purchased for Rs. 221,600 were not furnished to physical test check and an inventory was not produced.

- (c) A sum of Rs. 71,910,000 had been incurred for 09 buses in the year 2016 for a value of Rs. 7,990,000 per each bus for the pilgrimages to members of elders' homes which was not applicable to the objectives of the Fund and thus the value of a bus was Rs. 6,500,000 as per the quotation obtained for the audit requirements for the year 2017 from the company where the buses were purchased, a sum of Rs. 1,490,000 had been overpaid per each bus as compared with the prices. Four officers had made a three-day visit to India to inspect the buses after signing the agreements and an incidental allowance of Rs. 134,075 had been paid for that. The registered ownership and control of these buses had been vested to the Local Government Institutions.
- (d) Despite the fact that a sum of Rs. 6,728,074 had been incurred for the ceremony of awarding the scholarships for the years 2014/2016 and 2015/2017 related to Sipedora Scholarship Programmes was held under the patronage of the Minister -in -charge of the subject, an expenditure on ceremony totalled to Rs. 6,796,755 had been incurred as Rs. 41,681 for awarding scholarships conducting ceremonies in 03 more Districts.
- (e) Even though a scholarship programme had been commenced to provide financial assistance to the children studying Advanced Level in Samurdhi beneficiary families, a sum of Rs. 154,992,000 with a delay of 16 months for 9,687 scholarship recipients studying for the Advanced Level in the 2014/2016 academic year and further a sum of Rs. 289,709,000 with a delay from 16 months to 04 months for 19,313 students for the 2015/2017 and 2016/2018 academic years had been sent to the District Secretariats. As a result, the relevant students had not received scholarship assistance within the required time period.
- (f) A sum of Rs. 4,165,000 had been paid to the National Institute of Social Development for the Diploma Course in Sign Language 2016/2017 for 50 children from selected Samurdhi and low income families. Thus It was observed that 20 students had not completed the course as per the list of participants in the course submitted by the National Institute of Social Development on 5 November 2021, the amount of Rs. 1,666,000 incurred on it was observed as a useless expenditure.
- (g) A Cabinet Memorandum had been furnished in May 2016 by the Eastern Regional Chief Valuer by making an approximate assessment of Rs. 126 Million to purchase the Nilaveli Training Center, an assessment of Rs. 113 Million this value is estimated at 121 million n had been submitted once again in September 2016 by the Deputy Chief Valuer. As a result of this value was assessed at Rs. 121 Million in September 2016 considering the appeal forwarded by the seller regarding this valuation report, submission of various assessment values for the Center on 03 occasions was a controversial matter.

## **4.2 Investment Management**

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The following observations were made.

- (a) Out of 6 fixed deposits invested for a period of one year in the National Savings Bank in January 2015, the percentage of interest was 6.6 per cent on 5 fixed deposits and as a result of the percentage of interest for the deposit of Rs.500,000,000 was 6.5 per cent, the deprived interest for the year was Rs. 500,000 .
  
- (b) Although the investment should be made in a bank that offers the maximum interest rate for the relevant day focusing on existing interest rates in state banks when investing in fixed deposits , 5 instances of failure of complying with that were observed and the deprived interest thereby was Rs. 1,165,874 .
  
- (c) An investment of fixed deposit in Bank of Ceylon amounting to Rs. 46,119,618 had been re-invested for 6 months from July 2016 after the maturity and due to the fact that the investment was realized in October before maturity, a normal savings interest had also not been received.

## **4.3 Human Resources Management**

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Even though the service of retired officers and officers of other institutions has been obtained on acting and contract basis on 4 occasions even from the year 2012 to the year 2021 without taking actions to permanently recruit an accountant for the Fund, actions had not been taken to submit the financial statements of the Fund within the stipulated time period.

## **5. Accountability and Good Governance**

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### **5.1 Submission of Financial Statements**

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Although 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 State Accounts Circular No. PF / 423 of 22 December 2006 and Financial Regulation 877 (2) (c) included in Paragraph 15 of Public Finance Circular No. 01/2020 dated 28 August 2020 , the financial statements for the year under review had been furnished on 14 July 2021 after a delay of 05 years period .

### **5.2 Internal Audit**

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An audit had not been carried out by the Internal Audit Division of the Department in respect of the activities of the Fund in accordance with the Financial Regulations 133 of the Financial Regulation of the Democratic Socialist Republic of Sri Lanka.

### **5.3 Budgetary Control**

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A Budget Estimate and an Action Plan had been not prepared for the activities of the Fund in terms of Paragraph 4.1 of the Public Finance Circular No. PF /423 of 22 December 2006 and Financial Regulation 877 (1) included in Paragraph 15 of Public Finance Circular No. 01/2020 dated 28 August 2020 .

**6. Systems and Controls**  
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The deficiencies in systems and control observed during the audit were brought to the attention of the Director General from time to time and a special attention should be drawn in maintaining of books and records in a systematic manner through establishing internal control systems .