

## **Head 331 – Department of Samurdhi Development**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Department of Samurdhi Development for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 06 July 2020 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 18 August 2020 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 prepared in accordance with the provisions of State Accounts Circular No. 271/2019 dated 03 December 2020 give a true and fair view of the Department of Samurdhi Development as at 31 December 2019 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**

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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**

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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**

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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

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

- (a) The financial statements are in consistent with those of the preceding year,
- (b) The recommendations made by me regarding the financial statements furnished for the preceding year had not been implemented as per the observations shown in Para 1.6.1(b),1.6.2.(a)(c),1.6.8, 1.6.9, 1.6.10(a), 1.6.10(c)(iv), and 1.6.12(d) of this report.

## 1.6 Comments on Financial Statements

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### 1.6.1 Statement of Financial Performance

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The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) Other Receipts amounted to Rs.121,281,523 had been overstated in the statement of financial performance for the year under review and the advances cross entry payments amounted to Rs.41,149,751 had not been included.	Financial statements should be prepared identifying the adjustments accurately and to be matched with the Treasury Books.	Other receipts have been over adjusted when adjusting the accounts to the imprest balance and adjusting the transactions in the Advance “B” account and the cross entries expense did not match.
(b) Due to the fact that the balance refunded By Samurdhi Banks amounting to Rs.2,139,044 had been credited to the government revenue without surcharging to the ledger, the expenditure on government subsidies had been overstated. Actions had not been taken to withdraw over-credited contributions for two funds and mandatory savings related to that remaining subsidy amount refunded and to credit to the Consolidated Fund.	Necessary adjustments should be made calculating the monthly actual subsidy cost accurately.	Instructions have been given by circulars to adjust for changes happen in subsidies paid as per the Maximum Report and a system will be set to recover the excess contributions credited to Funds compulsory savings.

## 1.6.2 Statement of Financial Position

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The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) The physical existence of non-financial assets amounted to Rs.989,122,878 could not be ascertained as at 31 December 2019 as the Board of Survey had not been completed by 30 June 2020.	Board of Surveys should be carried out and the accuracy of the assets should be verified In accordance with the provisions of the Public Finance Circular No. 05/2016 dated 31 March 2016.	Receiving of reports by post have been delayed due to the Covid-19 menace.
(b) Capital assets acquired in the year under review valued at Rs.1,577,406 had not been included in the statement of financial position.	Purchases should be reported to the Treasury within the same year and credited to the accounts.	Those assets purchased in the year 2019 were adjusted in the year 2020.
(c) The value of 10 plots of land acquired during the period from the year 1996 to 2013 had been stated in the accounts ranging from Rs.36,000 to Rs.6,855,326.	The lands should be assessed and taken into accounts.	Actions are being taken to acquire 05 plots of land and assess 02 plots of land and 02 plots of land have not been taken over.

### 1.6.3 Imprest Adjustment Account

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The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) An imprest adjustment account had not been prepared so as observe the value to be paid to the Treasury or to be received from the Treasury as per the cash book at the end of the year.	An imprest adjustment account should be prepared in accordance with the instructions in the State Accounts Circular No. 271/2019 dated 03 December 2019.	Actions will be taken to prepare the imprest adjustment statement accurately and settle the imprest balance at the end of the year.
(b) A sum of Rs. 1,675,405 incurred by other Ministries / Departments by Financial Regulation 208 had been included in imprest adjustment statement in less.	The accurate adjustments should be made to the imprest adjustment statement.	The reason for this error is that it was not recorded as an expense under Financial Regulation 208.

### 1.6.4 Cash Flow Statement

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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It was impossible to ascertain the accuracy of the cash flow statement due to stating the imprest balance amounting to Rs.1,295,857 as cash outflow, despite there was no net change in cash as Rs. 5,296,356,178 and advance cross entry amounted to Rs 41,149,751 as a cash outflow.	The cash inflows and outflows should be accurately included in the cash flow statement.	Errors were indicated in the cash flow statement due to non-use of the new model introduced.

## 1.6.5 Deposits

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The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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<p>(a) Only a sum of Rs.3,084,699 had been credited to the Government Revenue retaining of Rs. 5,397,212 in the General Deposit Account after covering the expenses from the income earned without obtaining budgetary allocations for the maintenance of training centers.</p>	<p>Actions should be taken in accordance with the instructions in the State Accounts Circular No. 243/2015 dated 24 June 2015.</p>	<p>The authority is delegated as per the financial authority delegation powers of the Department to retain 20 per cent of income for the maintenance of training centers.</p>
<p>(b) A sum of Rs.2,199,126 refunded from the money provided from the Microfinance Banking Division to District and Regional Offices for various programs had been retained in the General Deposit Account.</p>	<p>The money to be settled to the Sections should not be kept in the General Deposit Account.</p>	<p>Actions will be taken to settle this error occurred due to non-identification of deposits separately by the end of 2020.</p>
<p>(c) Although the amount of Rs.2,374.5 million to be settled furthermore out of Rs.3,457.3 million obtained from the bank financial sector for payment of Samurdhi subsidies is still a liability, it had been shown under General Deposit Account.</p>	<p>The appropriate actions should be taken to recover the liability and to accurately disclose from the accounts.</p>	<p>Since this liability that could not be settled shown in the deposit account due to the unavailability of allocations from the Treasury, affects net assets.</p>

(d)	There was a balance of Rs. 17,360,531 at the end of the year under review after the transactions of the Publicity Fund were done using the General Deposit Account without having the permission of the Treasury.	The permission of the Treasury should be obtained.	The deposit balance of the Publicity Fund is not settled at the end of the year.
(e)	The balance of the Cash Book as at 31 December 2019 amounted to Rs. 84,296,720 had been transferred to the General Deposit Account for the payment of compensation and gratuity and any payment had not been made from that even by the month of June 2020.	Actions should not be taken to retain the imprests in the General Deposit Account.	The cheque written to settle a part of the gratuity liability, has been canceled with the intention of releasing the money to the bank and credited to the deposit account

#### 1.6.6 Advance Account Balances

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Although the debt balance receivable as per the Register of Loans of the Department was Rs.58,021,484 , since the loan amounted to Rs.8,990,000 was not reported to the Treasury, a sum of Rs.49,031,484 had been included in the reconciliation statement as the debt balance remained according to the Treasury Books.</p>	<p>All the adjustments should be reported to the Treasury and disclose the accurate condition from the advance account.</p>	<p>Actions have been taken to correct the error of not reporting festival advance expense of Rs. 8,990,000 paid by a District.</p>

### 1.6.7 Exceeding the Limits

----- <b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
<p>Even though the Minimum limit of the receipts was Rs.275,000,000, as the actual receipt was of Rs. 271,047,936, it had not reached the approved minimum receipts limit by Rs.3,952,064 . Further, although the maximum expenditure limit and the maximum debit balance limit were Rs. 325,000,000 and Rs. 325,000,000 respectively, the actual values were Rs.252,277,349 and Rs.58,021,484 respectively. Providing the loans to 182 officers amounting to Rs. 37,939,566 during the year under review from the Employee Loans Revolving Fund which is maintained without the Treasury approval had mainly attributed to this situation.</p>	<p>Revising of limits should be enforced and included in the account and the maintenance of the Employee Loans Revolving Fund should be carried out on the instructions of the Treasury.</p>	<p>The answers have not been given for the audit query.</p>



## 1.6.8 Not Maintaining Registers and Books

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The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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<b>(a) Register of Fixed Assets</b>		
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The Register of Fixed Assets had not been updated in terms of Treasury Circular No. 842 of 19 December 1978/ as per Appendix 11 of the Financial Regulations 502 (2) .

Actions should be taken to update the Register of Fixed Assets in terms of the Circular and Regulations.

The comments have not been given.

<b>(b) Register of Vehicle List</b>		
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A Register of Vehicle List had not been maintained in terms of Financial Regulations 1647 (e).

A Register of Vehicle List should be maintained in terms of Financial Regulations.

The comments have not been given.

<b>(c) Register of Losses</b>		
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The Register of Losses had not been updated in accordance with the Financial Regulations 110 and 104(i).

The Register should be updated carrying out examinations on losses.

Answers will be given subsequently.

## 1.6.9 Certificates to be made by the Chief Accounting Officer and Accounting Officer

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Although the Chief Accounting Officer and 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.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>(a) The Chief Accounting Officer and 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 and 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>Comments have not been given.</p>
<p>(b) Although the Chief Accounting Officer and the Accounting Officer shall ensure that all audit queries are answered 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 3.8 of the Report.</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>

### 1.6.10 Non- compliance with Laws, Rules and Regulations

The following observations are made.

Observation	Recommendation	Comments of the Accounting Officer
Reference to Laws, Rules and Regulations	Non- compliance	
(a) Divineguma (Samurdhi) Act No.01 of 2013 (i) Section 5 (f)	Provisions were not included to enable the Auditor General to audit the Divineguma Community Based Organizations, Divineguma Regional Organizations, Divineguma District Committees, Divineguma Community Based Banks and Divineguma Community Based Banking Societies.	Provisions for the audit should be included. The Act may be amended only if the Committee on Public Accounts decides after taking a policy decision of the Government.
(ii) Sections 36 and 37	The Divineguma (Samurdhi) Development Fund and the Divineguma (Samurdhi) Revolving Fund had not been established.	Actions should be taken to establish as per the Act. Arrangements will be made to commence the two Funds as soon as the receiving of advices requested from the Treasury.

<p>(b) Paragraph 10 of Chapter VIII of the Establishments Code of the Democratic Socialist Republic of Sri Lanka and Public Administration Circular No. 09/2009 dated 16 April 2009</p>	<p>The former Director General had obtained a sum of Rs. 232,144 as holiday pay allowance for 39 days of the year under review without scanning fingerprint or signing in a register of attendance to confirm the arrival and departure times.</p>	<p>The instructions in the Establishments Code and Circulars should be followed.</p>	<p>Payments were made as approved by the Secretary to the Ministry.</p>
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(c) **Financial Regulation of Democratic Socialist Republic of Sri Lanka**

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<p>(i) Financial Regulation 135 and 381(i)</p>	<p>All the functions of training centers had been carried out by the attached staff without delegation of financial control authorities. Further, the bank current accounts had been maintained in 03 training centers without having approval from the Treasury.</p>	<p>Actions should be taken in terms of Financial Regulations.</p>	<p>Actions will be taken in this regard in future.</p>
<p>(ii) Financial Regulation 138</p>	<p>When paying a sum of Rs.56,844,400 for 03 Procurements of distributing new subsidy title certificates, the payments have been made certifying by the subject clerk on behalf of the Financial Control Authority Officer.</p>	<p>It should act in accordance with the financial control powers limits.</p>	<p>The procedure followed on the precedent of signing the subject clerk descended from the Samurdhi Authority period has been changed now.</p>

(iii) Financial Regulation 396(d)	Actions had not been taken to settle 13 cheques issued but not presented for more than 06 months valued at Rs.1,750,348.	Actions should be taken in terms of Regulations.	Actions will be taken to settle expeditiously.
(iv) Financial Regulation 1647(a) and Public Administration Circular No. 26/92 (1) dated 03 August 1994	Arrangements had not been made to conduct a vehicle survey on 140 vehicles and to apply the name and state emblem in the vehicles of the Department.	Actions should be taken in terms of Regulations. and the provisions in Circulars.	Arrangements will be made to complete the surveying of vehicles and to apply the state emblems on all vehicles.
(d) Public Finance Circular No. PF/ 423 dated 22 December 2006	Arrangements have not been made considering the needs to maintain the Social Security Trust Fund, the Housing Development Lottery Fund, the Banking Societies Stationary Revolving Fund, the Employees Loan Revolving Fund, and the Samurdhi Fund maintaining within the Department.	Actions should be taken in terms of the circular provisions.	These funds have been recognized as statutory funds in terms of Section 45 of the Act
(e) Public Finance Circular No. 3/2015 dated 14 July 2015	Although the sub-imprests should be settled immediately upon completion of the task, a duration ranged from 07 days to 09 months had been spent to settle the advances provided at 59 instances for 31 officers amounting to Rs.817,734 .	Actions should be taken in terms of the circular.	Steps have been taken to expedite the settlement of the sub-imprests.

### 1.6.11 Non-compliance with Tax Requirements

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
The Commissioner of Inland Revenue had not been notified in respect of the VAT paid on new Samurdhi Subsidy distribution ceremony amounting to Rs. 16,105,597 with copies to the Auditor General. Further, the supplier who had paid VAT amounted to Rs.8,437,500 out of that was an inactive tax payer.	Actions should be taken in terms of the Procurement Guideline.	Actions are being taken to hand over the relevant file to the Commissioner of Inland Revenue on the instructions of the Commissioner General of Inland Revenue.

## 2. Financial Performance

### 2.1 Imprest Management

The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) The imprest to be applied for as planned for the year under review was Rs. 67,312,955,000 However, more than Rs.3,289,485,000 to that and less than Rs.64,023,470,000 to that had been applied for without taking actions to revise the plans and the imprest amount received was only Rs. 6,038,030,000.	The imprests should be planned and apply.	There was no need to apply the planned imprest due to the matters such as occurring of imprest planning in 2 phases, cut off in capital expenditure by 25%, increase in the number of employees contributing to the Widows' Widowers' and Orphans' Pension Scheme.

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| <p>(b) Without taking actions to adjust a sum of Rs.7,310,779 that had directly credited to the official bank account of the Head Office, a sum of Rs.5,972,767 to bank reconciliation and a sum of Rs.1,338,012 to the General Deposit Account had been adjusted. Further, 03 cheques cashed from the bank amounting to Rs.2,402,752 had been included in the bank reconciliation statement as cheques that had issued but not presented. Due to the above reasons, it was impossible to ascertain the accuracy of the imprest settlements to the Treasury.</p> | <p>The settlement of imprests to the Treasury should be corrected making corrections in cash book and bank reconciliation statements.</p> | <p>Steps have been taken to prevent such errors in future.</p> |
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## 2.2 Expenditure Management

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The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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<p>(a) A sum of Rs.1,085,353 or 36 per cent had been saved from the provision transferred to a recurrent expenditure object amounting to Rs.3,000,000 due to non-preparation of estimates accurately.</p>	<p>Estimates should be correctly prepared for.</p>	<p>The provisions have been saved due to completion of settlement of District Office accounts and not receiving sufficient funds when receiving of approval for the transfer of funds.</p>
<p>(b) The net provision for a capital expenditure object and 02 recurrent expenditure objects amounting to Rs. 500,000 and Rs.300,000 respectively had been totally saved.</p>	<p>-do-</p>	<p>Necessary instructions will be given to the officers to spend the estimated Provisions as planned.</p>
<p>(c) Out of net provision amounting to Rs.13,300,000 in 07 recurrent expenditure</p>	<p>-do-</p>	<p>Previously planned tasks could not be performed on giving</p>

objects, a sum of Rs.3,612,248 or ranging from 16 per cent to 82 per cent had been saved even after transferring to other expenditure objects under Financial Regulation 66. Further, out of net provision amounting to Rs. 20,400,000 in 07 capital expenditure objects, a sum of Rs.17,027,352 or savings ranging from 26 per cent to 73 per cent were observed.

priority to activities such as issuance of new subsidies and distribution of appointments and steps will be taken to proceed properly in future.

### 2.3 Reconciliation Statement of Advances to Public Officers' Account

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The total of the balance of arrears receivable from the 204 officers who had station transferred, deceased, retired, interdicted and vacated their posts as at 31 December 2019 ranging from 03 months to 5 years was Rs. 3, 976,559.	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.	These recoveries could not be completed on failure to complete functions related to personal files of officers and failure to complete the disciplinary examinations of the interdicted officers
(b) Because of non-inclusion of the debts receivable amounted to Rs. 563,454 to the account and setting off of over-recoveries of Rs.234,000 to the debts receivable, the outstanding debt balance had been understated from that amount. Further, the actions had not been taken to recover the debts totaled to Rs.114,809 .	The issuance of loans to the officers, recovery of debts and calculation of the balance receivable should be carried out accurately.	Balances of over-recoveries are being expedited to be refunded to the relevant officers. Answers have not been given for other observations.



## 2.4 Entered into Liabilities and Commitments

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) It had been entered into liabilities amounted to Rs.86,168,368 exceeding the savings of Rs.3,810,944 in 09 expenditure objects by Rs. 82,357,424 .	It should be entered in to commitments in accordance with the provisions of the Circular.	It had to release liabilities of the year 2018 and that was due to the unexpected increase in expenditures on new subsidy distribution programs and the necessary instructions have been issued to prevent such situations.
(b) Overstating of Rs.2,689,517,664 for more than the statement of liabilities of the Treasury in 12 expenditure objects and understating of 103,606,031 for less than the statement of liabilities of the Treasury in 20 expenditure objects had been entered into the financial statement.	All the liabilities related to the financial year should not be carried forward to the next year and should be paid and completed within the financial year in terms of the circular provision.	The CIGAS accounting system can only be included liabilities within the provision limit and the value had changed after certain liabilities were reported to the Treasury.

## 2.5 Operating Bank Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
Two cheques deposited in the years 2016 and 2017 but not realized amounting to Rs.2,950,975 and Rs.436,815 had been included into bank reconciliation statement continuously without being properly identified.	Actions should be taken to prepare bank reconciliation statements accurately.	Actions have been taken to prepare revised bank reconciliation statements from March 2016 correcting errors including the direct remittance of arrears of subsidy amounting to Rs. 2,950,975.

### 3. Operating Review

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#### 3.1 Vision and Mission

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##### **Audit Observation**

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A National Policy including the specific criteria for poverty alleviation and empowerment of the community had not been identified by Samadhi Subsidy Scheme which was commenced in the year 1995. Further, it was not observed that the implementing of community empowerment is properly carried out due to the matters such as failure to introduce information systems for conducting programs and sharing information with the community, operating Samurdhi Community Based Banks with the objective of making profits.

##### **Recommendation**

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A National Policy should be formulate identifying specific criteria that can be eradicated poverty and empowered the community.

##### **Comments of the Accounting Officer**

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Samurdhi banking system has been established and deposit growth programmes and loan programmes were introduced to achieve the objective of empowering Samurdhi Beneficiaries.

#### 3.2 Planning

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##### **Audit Observation**

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Only the programmes expected to be performed incurring a sum of Rs.675 million under the Livelihood Development Programmes had been consisted in the Action Plan for the year under review. Nevertheless, the updated organizational structure, Imprest Requirement Plan and

##### **Recommendation**

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Action Plan should be prepared in accordance with the provisions in the Circular.

##### **Comments of the Accounting Officer**

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Comments have not been given.

Annual Procurement Plan had not been included in accordance with the Public Finance Circular No. 01/2014 dated 17 February 2014.

### 3.3 Not Performing the Tasks

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 The following observations are made

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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<p>(a) Two main functions and 7,868 projects planned to be performed from Rs.192,434,820 allocated to empower Samurdhi recipients in the year under review and 70 projects brought forward from the previous year under the provisions of Rs.7,326,946 had not been able to accomplish.</p>	<p>Activities planned should be implemented properly.</p>	<p>Comments have not been given.</p>
<p>(b) Out of the provision made amounting to Rs.180,974,940 for the implementation of 124 infrastructure projects in 23 Districts, 79 projects in the Ampara District incurring a cost of Rs. 116,593,996 and 13 projects in 11 other Districts incurring a cost of Rs.8,141,859 had been implemented. Any project had not been implemented for the remaining 11 Districts.</p>	<p>Infrastructure facilities to be developed throughout the island should be identified making available allocations and should act accordingly.</p>	<p>A sum of Rs. 100 million had been allocated by the first action plan of the year for all Districts.</p>
<p>(c) A sum of Rs. 12,620,000 had been incurred exceeding the amount of Rs. 8,750,000 allocated from the Annual Action Plan by Rs.3,870,000 for 03 activities of 03 programmes.</p>	<p>The relevant changes should be made revising the Action Plan.</p>	<p>Comments have not been given.</p>

### 3.4 Annual Performance Report

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**Audit Observation**

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The Summary Report of the Auditor General had not been included into the Performance Report for the year 2018 issued in terms of Section 11 (1) of the National Audit Act No. 19 of 2018.

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**Recommendation**

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The Summary Report of the Auditor General should be included in the Performance Report.

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**Comments of the Accounting Officer**

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Comments have not been given.

### 3.5 Procurement

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**Audit Observation**

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Although the actions should be taken to prepare procurement plans in accordance with the guidelines contained in the Government Procurement Guidelines 2006, a Procurement Plan had been prepared for the first quarter of the year under review only and plans for the total budgetary provision for the year had not been made.

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**Recommendation**

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Procurement plans should be prepared as per the instructions of the Government Procurement Guidelines 2006.

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**Comments of the Accounting Officer**

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Comments have not been given.

### 3.6 Assets Management

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**Audit Observation**

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Actions had not been taken to acquire the plot of 2.178 hectares of land where Samanala Wewa Training Center is located whereas a sum of Rs. 2,300,000 had been allocated during the year under review and acquisition of land and buildings of the

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**Recommendation**

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Acquisition and taken over of lands and buildings should be carried out without delay.

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**Comments of the Accounting Officer**

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The land plot where the Samanala Wewa Training Center is located has been referred to the Divisional Secretary for acquisition, acquisition of land and buildings of Nillambe Training Center and

Nillambe Training Center assessed at a sum of Rs. 132,746,000 and to recover the value to be collected from the unauthorized occupants of that land amounting to Rs. 525,000 and to transfer the plots of land.

charging money from unauthorized occupants has become troublesome.

### 3.7 Securities for Public Officers

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
<p>The officers who are in charge of receiving government money, revenue, stamps and goods and who are administratively responsible and responsible for the government account had not made any securities in accordance with the Security Ordinance in accordance with the provisions of Financial Regulation 880.</p>	<p>Actions should be taken to keep securities in terms of Regulations.</p>	<p>Comments have not been given.</p>

### 3.8 Not Responding to Audit Queries

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments given by the Accounting Officer</b> -----
<p>The answers for 09 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 01 month to 01-year period. The value of the transactions relevant to these queries was Rs.10,084.42 million.</p>	<p>The Accounting Officer should inspect the Register of Audit Query referred to in Regulation 452 (1) in accordance with Financial Regulation 155 and answer the Audit Queries promptly.</p>	<p>Comments have not been given.</p>

### 3.9 Management Weaknesses

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The following observations are made.

<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
(a) Annual plans for conducting training programmes had not been prepared and the control of the training centers was carried out outside the supervision of the Head Office.	Annual training plans should be prepared and subject to the supervision of training centers.	It is not practical to prepare annual training plans due to the lack of imprests.
(b) Actions had not been taken to settle the money obtained as Rs.218,493,601 from the Social Security Trust Fund and Rs.100,000,000 from the Community Based Banking Division for conducting subsidy awarding ceremonies.	Necessary actions should be taken to cover the expenditure incurred outside the budgetary provisions.	Answers will be given later.
(c) An allowance of Rs.2,444,074 had been paid to the permanent staff a Rs. 6 per an application to computerize the new Samurdhi subsidy applications and to open and distribute the relevant letters.	The approval of the Ministry of Public Administration should be obtained.	The payments were made from the Samurdhi Social Security Fund for these functions performed outside of office hours.
(d) Expenditure on distribution of appointment letters and holding ceremonies for Samurdhi Development Officers amounting to Rs.14,681,351, a sum of Rs.2,296,461 to buy 72 tires and a sum of Rs.246,283,828 had been incurred for 04 procurements in providing Samurdhi subsidies without following the instructions of the Government Procurement Guidelines 2006 and the storage procedures.	Actions should be taken in accordance with the instructions consisted in the Procurement Guidelines and the Financial Regulations.	Actions have been taken in this manner due to lack of adequate provisions to follow the procurement procedure.

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|-----|---|--|--|
| (e) | Four vehicles belonging to the Department had been handed over to the Line Ministry and another vehicle to another Ministry. Out of this, a sum of Rs. 4.4 million had been spent for the maintenance of vehicles given to the Line Ministry.   | The assets of the Department should be utilized to achieve the objectives in accordance with the regulations.                                | The answers will be given later.   |
| (f) | Insurance coverage had been obtained incurring a sum of Rs.132,648 for the period of 2019/2020 for 02 cabs and 09 motorcycles not proved the ownership of the Department.   | The use of the relevant vehicles should be examined.   | The answers will be given later.   |
| (g) | It was revealed that the vehicles had not been used properly due to the matters such as parking of 09 pool vehicles outside at night without permission, running of a motor car in a distance of 593km without approval, issuing of 4,975 liters of fuel for 32 vehicles without recommendations and issuance orders.   | A proper internal control should be maintained in respect of vehicles.   | The answers will be given later.   |
| (h) | A sum of Rs.606,692 had been incurred to re-interview 3,673 candidates who have passed the competitive examination in 2017 and interviewed and given marks despite the approval had not been given to fill the vacancies of Samurdhi Development Officers in the year under review. However, due to non-receipt of relevant recruitments that expenditure had been inutile. | Relevant actions should be taken to obtain the approval of the Department of Management Services and recruit.                                | It is ensured that such improper practices, which were carried out on the instructions of the former Director General, will not occur in future. |
| (i) | Out of 589,472 families included in the waiting lists in 21 Districts, 135,106 families had not been given Samurdhi subsidies. Similarly, out of 43,853 families included in the waiting lists of the Divisional Secretariats in the  | A national policy should be formulated and granting subsidies should be made accordingly and a database consisting of the information of the | Answers have not been given  |

Gampaha District, subsidies had beneficiaries should be been granted to 33,398 families set up. selected excluding the waiting list.

#### 4. Achieving of Sustainable Development Goals

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>-----</p> <p>Actions had not been taken to formulate plans in line with the Sustainable Development Goals Targets and Indicators introduced by the United Nations to make Sri Lanka a poverty free and prosperous country by the year 2030.</p>	<p>-----</p> <p>The Department should identify the Sustainable Development Goals, Targets and Indicators and act accordingly</p>	<p>-----</p> <p>Comments have not been given</p>

#### 5. Good Governance

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##### 5.1 Audit and Management Committee

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>-----</p> <p>Since the necessary corrective measures were not taken to prevent the recurrence of deficiencies properly by 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>-----</p> <p>The functions of the Audit and Management Committee should be performed properly.</p>	<p>-----</p> <p>Comments have not been given.</p>



## 6. Human Resources Management

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The approved and actual cadre were 26,430 and 25,412 respectively as at 31 December 2019 and a sum of Rs.12,823.44 million had been spent for performing the role of the Department for the personal employment category during the year under review. The following observations are made in this regard.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) Minutes of Service and Schemes of Recruitment for 4 Departmental Posts and Schemes for promotion for 13 posts had not been approved.	The administrative issues should be resolved by accelerating the activities.	Comments have not been given.
(b) The number of excess staff was 172 in 06 Departmental posts.	An excess staff cannot be occupied.	Comments have not been given.
(c) Six Posts of Grade I District Directors and 16 Posts of Accountants Grade I in the Sri Lanka Administrative Service had been assigned on the basis of acting and duty coverage.	That appointments should be made properly within the approved cadre.	Comments have not been given.