Transactions of the Samurdhi Micro Finance Stationary Revolving Fund - 2020 -2022

The audit of the operational activities of the Samurdhi Micro Finance Stationery Revolving Fund for three years ended from 01 January 2020 to 31 December 2022 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 which I consider should be report to Parliament appear in this report in terms of provisions in Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

1.2 Responsibilities of Management and Those Charged with Governance for the Financial Statements

As per section 16 (1) of the National Audit Act No. 19 of 2018, every auditee entity 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 in respect of such entity. As per section 16 (2) of the above Act the annual financial statements in respect of every other auditee entity, is required to submit by the Chief Accounting Officer to the Auditor General along with the annual performance reports, within such period as may be provided by rules. As per section 38 (1)(d) of the above Act ensure the timely preparation and submission of annual and other financial statements and in addition the Chief Accounting Officer should be required to submit annual reports to Parliament pertaining to the auditee entity.

1.3 Submission of Financial Statements

In terms of the Financial Regulation 877 (2)(d) included in Paragraph 15 of the Public Finance Circular No.01/2020 of 28 August 2020. Even though the Financial Statements should be required to submit to the Auditor General along with the annual performance reports, with a copy to the Department of Public Finance of the General Treasury within 02 months after end of financial year. The Financial Statements for the years of 2020, 2021 and 2022 had not been submitted to the audit even by the date of this report.

1.4 Position of the Assets and Liabilities as at 31 December 2019

The details of assets, liabilities, income and expenses shown in the financial statements as at 31 December 2019 prepared at last by the Fund had been shown as follows.

Items of the Financial Statement	Value
Assets	Rs.
Non -current assets	33,198,564
	134,519,860
Total assets	167,718,424
Equity and Liabilities	
Equity	144,867,690
Liabilities	
Current Liabilities	22,850,734
Total Liabilities	167,718,424

Total Income	13,336,957
Total Expenditure	2,318,911

Excess	11,018,046
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2. Audit Observations

2.1 Non - compliance with Laws, Rules, Regulations and Management Decisions

Reference to the Laws, Rules and Regulations	Non-compliance	Comment of the management	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka.			
(i) Financial Regulations 144	Even though issuing stock items should be occurred under the supervision and approval of the accountant action had not been taken accordingly.	Since there are only stationeries in the bank stationery store, purchasing under the stationery revolving fund that store has transferred to the Micro Finance Section on 13 March 2019 by the Chief Accountant with the approval of the Director General.	Action should be taken in terms of Financial Regulations.
(ii)Financial Regulations 189 and 486	As per the bank reconciliation statement in the month of December 2022 action had not been taken in terms of Financial Regulations regarding value of Rs. 349,152 of 14 cheques deposited from 30 January 2017 to 29 August 2022 but not realized.	Cheques relating to the Stationery Revolving Fund had been credited to the other current account of the Department from before the year 2017 and being aware of the relevant bank regarding that action to be taken to accurate in future identifying these cheques.	Action should be taken in terms of Financial Regulations.
(iii)Financial Regulations 396	Action had not been taken in terms of Financial Regulations regarding 10 cheques amounting to Rs. 928,675 had been issued from 05 October 2016 to 26 June 2019 but remain uncashed.	These cheques were directly deposited to the Stationery Revolving Fund from 05 October 2016 to 26 June 2019 by the District offices or other Divisional offices and it was impossible to find information regarding these cheques up to the date.	Action should be taken in terms of Financial Regulations.

3. Operational review

3.1 Procurement

	Audit Observation	Comment of Management	Recommendation
(a)	In accordance with the paragraph 4 of the procurement guideline although the procurement plan should be prepared describing in chronological order, steps of each individual Procurement Action from the point of commencement until its completion. A procurement plan had not been prepared regarding procuring bank stationery in the year 2021 and 2022 amounting to Rs. 107,321,465 and Rs. 121,921,981 respectively.	Procurement relating to the year 2021 and 2022 had not included in to the Procurement Plan and action also is taken to include estimated values in future.	Action should be taken in accordance with the procurement plan.
(b)	In accordance with the paragraph 3.2.2 of the procurement guideline without taking action to call bids making newspaper advertising for National Competitive Bidding method, the same stationeries had been purchased under various prices from the same supplier in several occasions under the shopping method. Due to procurement had not been done accordingly identifying the requirement at the beginning of the year a loss of Rs. 7,209,040 had been occurred to the Fund in procuring stationery in the year 2022.	This procurement procedure has followed due to the facts such as unavailability of suitable stores for stock management, printed books that are environmental sensitive and therefore should be printed short term, and by investing income received in short term basis added interest income to the fund.	Action should be taken in accordance with the procurement plan.
(c)	If the procurement needed to slices the approval should be taken from the procurement committee which has proper authority, however without having such an approval the value of Rs. 69.8 million of stationery procurements had been done in slicing in to 10 occasions within	There were no suitable stores for stock management therefore this procurement method has followed.	Action should be taken in accordance with the procurement plan.

the period from 23 May 2022 to 17 December 2022 the authority limit of procurements as per limited to the department procurement committee authority level.		

3.2 Un Economic expenses

Audit Observation	Comment of Management	Recommendation
Even though all the facts regarding banking system was stated in the Circulars, through the Website and in the Act an amount of Rs. 3,485,000 had been incurred in the year 2022 for printing 3400 number of hand books, with colour pages using cartoon pictures regarding those facts itself to distribute to the officers.	This hand book which is about the community banks was designed and printed under the approval of the Board of Management as possible to use and to be able to easily and attractively understand the content to the officers, community leaders and external parties.	Attention of the Board of Management should be paid the necessity of incurring expenses.

3.3 Un settled Audit Paras

The proper action had not been taken regarding the following observations included in paragraph 3.2 in the report was tabled by me relating to the period from 01 January 2019 to 31 December 2019 in terms of 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

	Un settled Audit Paras	Comments of Management	Recommendation
(a)	Even though the stocks of stationery which stored in the warehouse owned to the Lanka Salusala had been removed in the year 2010, but an action had not been taken to recover the deposit of the warehouse rent paid amounting to Rs.1,454,112.	Request letters has been sent several times to this institute.	Action should be taken to recover amounts receivable.
(b)	Even though more than 04 years had elapsed action had not been taken to settle an amount of Rs. 21,269,895 payable to the Department of Government Printing for printing of stationery as at 31 December 2018.	It has been impossible to pay due to un presenting invoices by the Department of Government Printing.	Action should be taken to settle the balances.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit **Observation**	**Comment of Management**	**Recommendation**
A budget for the activities of the Fund had not been prepared in terms Financial Regulation 877 (1).	Such a budget is not prepared by this time and action is taken to prepare and provided in future.	Action should be taken in terms of Financial Regulations and as per instructions of the circulars.