

Samurdhi Authority of Sri Lanka - 2013

The audit of financial statements of the Samurdhi Authority of Sri Lanka for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the income and expenditure statement, statement of equity and liabilities and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory 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 Section 13(1) of the Finance Act, No. 38 of 1971 and Section 17(3) of Part V of the Samurdhi Authority of Sri Lanka Act, No. 30 of 1995. My comments and observations which I consider should be published with the Annual Report of the Authority in terms of Section 14(2)(c) of the Finance Act appear in this report.

1.2 Management's Responsibility for the Financial Statements

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

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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority'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 Authority'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. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

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 Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report the financial statements give a true and fair view of the financial position of the Samurdhi Authority of Sri Lanka as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Going Concern of the Authority

In terms of the Divineguma Act, No. 1 of 2013, Samurdhi Authority of Sri Lanka has been brought under the Department of Divineguma Development and the affairs of that Department has commenced from 03 January 2014. Nevertheless, the liquidation of the Authority had not been finalized even by July 2014.

2.2.2 Sri Lanka Public Sector Accounting Standards

The following observations are made.

- (a) According to the Accounting Policy No. 11 presented with the financial statements it was stated “the comparative values presented for the period in which the error occurred have been rectified by restatement with retrospective effect”. Nevertheless, material prior period erroneous debit balances and credit balances amounting to Rs.25,678,957 and Rs.1,370,442,148 respectively had been adjusted to the deficit brought forward instead of identifying and adjusting with retrospective effect.
- (b) Even though transactions, other events and position should be included in the financial statements in the related periods in terms of paragraph 7 of Standard 03, a sum of Rs.12,483,665 of the Bank Finance Division relating to the preceding year had been included in the administrative expenditure for the year under review.

2.2.3 Accounting Policies

The following observations are made.

- (a) Even though the compulsory savings of the Samurdhi beneficiaries during the period from the year 2006 to end of the March 2012 had been shown as the investments of the Authority in the financial statements, action had been taken from April 2012 to invest those savings in the Samurdhi Maha Sangam. Accordingly, part of the compulsory savings of the beneficiaries is included in the accounts of the Authority and the balance is included in the accounts of the Maha Samngam. But that had not been disclosed in the financial statements.
- (b) Even though the buildings of the Authority are depreciated from the year of construction in accordance with the current policy on depreciation, the buildings of the Bank Finance Division had been depreciated from the year after the year of construction. Similarly, the equipment such as computers had been depreciated by the Authority and the Bank Finance Division at percentages different from each other.

2.2.4 Accounting Deficiencies

The following observations are made.

- (a) The Bank Finance Division had understated the depreciation on buildings by a sum of Rs.29,455,000 and the depreciation on equipment amounting to Rs.122,035 had not been brought to account.
- (b) Lands valued at Rs.5,276,248 had been purchased during the year under review for 05 Bank Sangams. Instead of separately showing in the accounts the value of lands not subject to depreciation those had been brought to account as lands and buildings. As such the computation of depreciation had not been correct.
- (c) A sum of Rs.12,924,674 sent by the profit making Samurdhi Bank Sangam during the years 2009 to 2012 to cover a part of the administrative expenditure of the Bank Finance Division had been brought to account as non-current liabilities instead of adjusting to the retained profit.
- (d) Recoveries of loan installments of Samurdhi employees of 04 districts relating to the period from the year 2009 to the end of the year under review amounting to Rs.49,345,487 had not been posted to their individual accounts even by June 2014.

2.2.5 Unreconciled Control Accounts

A difference of Rs.539,712 was observed between the Schedules of bicycle loans granted to employees presented with the financial statements and the amount appearing to the financial statements was observed. Action had not been taken to identify and settle the difference.

2.2.6 Unexplained Differences

The following observations are made.

- (a) Differences totalling Rs.2,281,381 existed between the compulsory savings of beneficiaries remitted to the Authority for investment by 12 Bank Sangam of two Divisional Secretariat Divisions subjected to a test check and the balances in the Authority. Action had not been taken to reconcile the difference.
- (b) Action had not been taken to rectify the difference of Rs.178,083 between the interest income of 3 categories of loans shown in the accounts of the Bank Finance Division as at the end of the year under review and the interest income shown in the position reports relating to those loans.
- (c) According to the Schedules, the expenditure on lands and buildings for Bank Sangam incurred during the year under review amounted to Rs.623,817,076 and according to the financial statements that amounted to Rs.589,100,000 and a difference of Rs.34,717,076 was observed.

2.2.7 Lack of Evidence for Audit

The documentary evidence indicated against the following items of account had not been presented for audit.

Item -----	Value ----- Rs.	Evidence not made available -----
(a) Employees Consumer Loans	600,709,153	Lists of Individual Balances
(b) Deyata Kirula – Expenditure for the year 2014	212,000,000	Confirmation for Reimbursement by the General Treasury
(c) Stores Rent Deposit	1,454,112	Recently obtained Confirmation of Balance from the owner
(d) “E” Samurdhi Training Expenses	1,621,093	Detailed information on Training Programmes Attendance Registers
(e) Expenditure for the preparation of Register of Beneficiaries for the Housing Lottery Draw	1,429,912	Particulars of Registers of Beneficiaries prepared
(f) Stock Difference in the Stationery Revolving Fund	437,287	Detailed Information
(g) Expenditure of 07 Development Divisions	41,587,816	Detailed Information in the Development Programmes
(h)		The detailed information and the present position of the investigation relating to 157 financial frauds / irregularities of Samurdhi Bank Sangam and Maha Sangam committed in the years 2012 and 2013 had not been furnished to audit.
(i)		Even though 36 journal entries of the Stationery Revolving Fund in respect of the year under review had been passed, the detailed information of those journal entries had not been furnished to audit.

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) Employees Motor Cycle Loans
Outstanding balances totalling Rs.345,661 relating to the period from the year 2006 to the year 2013 out of the motor cycles loans granted to 08 officers, had not been recovered even by November 2014.
- (b) Employees Consumer Loans
- (i) Out of 1,417 loan recipients in the Kurunegala District subjected to a test check, the loan balances recoverable from 118 loan recipients in respect of the period from the year 2006 to the year 2011 totalled Rs.983,678 and no action whatsoever had been taken for the recovery of the balance.
- (ii) Lists of Individual Account Balances in respect of 05 districts had not been prepared from the year 2009.

- (c) Employees Housing Loans
- (i) Loans totalling Rs.1,588,423 recoverable in respect of 05 officers who had died during the years 2009 to 2013 had not been recovered even by June 2014.
 - (ii) The loans balances amounting to Rs.1,547,858 relating to the years from 2006 to 2012 receivable from 04 officers dismissed from the Authority services had not been recovered even by June 2014.
 - (iii) Loan balances amounting to Rs.1,819,702 relating to the period from the year 2010 to the year 2013 recoverable from 07 officers whose services had been terminated due to different reasons had not been recovered.
- (d) Employees Distress Loans
- (i) Action had not been taken for the recovery of loan installments totalling Rs.337,625 recoverable in respect of the year under review from 20 officers.
 - (ii) Action had not been taken for the recovery of any installments whatsoever out of the loan balances totalling Rs.484,303 from 12 officers remaining as at the beginning of the year under review and the loans totalling Rs.744,810 granted to 04 officers in the year under review.
 - (iii) A sum of Rs.679,346 over-recovered from 72 officers by the end of the year under review had not been refunded to the officers concerned even by June 2014.
- (e) A sum of Rs.4,981,334 had been shown as District Secretary - Unsettled Advances in the Financial Statements and that balance included advances released during the years 1997 to 2013. These included advances granted to officers interdicted, deceased and transferred out, as well as those granted for failed projects of the Authority. The Authority had not taken an adequate course of action to settle the advances remaining without being settled over long periods.

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

The following non-compliances were observed.

Reference to Laws, Rules, Regulations etc., -----	Non-compliance -----
(a) Payment of Gratuity Act, No. 12 of 1983	Even though the gratuity should be paid within 30 days after the termination of service for whatever reason such as resignation, retirement, death or dismissal from service, 30 instances of payments made after delays ranging from 03 months to 05 years were observed in the test check carried out on January to April of the year under review.
(b) Circular No. PCMD/PR/2013 dated 05 June 2013 of the Presidential Secretariat and Public Finance	Even though action on motor vehicles needing repairs should be taken within 03 months either for repair or disposal, action in terms of the circulars

- Circular No. PF/FS/A/Vehicles/2009 dated 14 July 2010
Paragraph 03 and 05
- had not been taken on 10 motor vehicles of the Authority with mechanical defects over periods ranging from 03 to 43 months.
- (c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka
Financial Regulation 371(2)
- (i) Advances totalling Rs.1,214,939 had been granted in 25 instances to 17 Non-staff Grade Officers.
- (ii) Advances totalling Rs.6671,593 granted in 161 instances to 34 officers had been settled after delays ranging from 05 to 256 days.
- (d) No.9 of the Procurement Manual No. 09 of 01 March 2006 and Section 2.14.1 of the Government Procurement Guidelines
- Even though the Chief Accounting Officer should appoint a Procurement Committee for the purpose, the bids for the purchase of computers valued at Rs.13,548,207 for Samurdhi Bank Sangam had been evaluated by a General Procurement Committee of the Authority.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial results of the Authority for the year under review amounted to a deficit of Rs.1,090,472,562 as compared with the corresponding deficit of Rs.771,327,538 for the preceding year, thus indicating a deterioration of Rs.319,145,024 in the financial result. Even though other operating expenditure except the staff cost had decreased by Rs.317,468,990 or 32 per cent, the increase of staff cost by Rs.715,099,144 or 8 per cent had been the main reason for the deterioration.

4. Operating Review

4.1 Performance

4.1.1 Progress of Achieving Planned Targets

The following observations are made.

- (a) Out of the 2,830 Development Programmes planned for the year under review by 10 Development Divisions of the Authority, 2,300 or 81 per cent had only been executed. But out of Rs.150 million allocated for that a sum of Rs.134 million or 89 per cent had been spent.
- (b) Three Divisions of the Authority which had planned to execute 22 programmes costing Rs.2.74 million had failed to execute them in the year under review.

4.2 Management inefficiencies

The following observations are made.

- (a) Even though the Authority had invested Rs.5,250,000 and Rs.750,000 in two institutions no returns whatsoever had been received from the years 2003 and 2008 respectively.
- (b) The Authority had released a sum of Rs.3,457,500,000 in August, September and October of the year under review to the Department of Commissioner General of Samurdhi for the payments of allowances to the Samurdhi beneficiaries.

The following matters were observed in this connection.

- (i) A documented consensus had not been reached prior to the release of the money with the Treasury or the Department of Commissioner General of Samurdhi with regard to the release of money, recovery thereof and interest recoverable.
 - (ii) The above money had been obtained by discounting prior to maturity the investments made by utilizing the compulsory savings of Samurdhi beneficiaries and the other Funds and Reserves of the Bank Finance Division and the interest not received due to this action amounted to Rs.169,139,772.
 - (iii) Out of the total sum of Rs.3,457,500,000 released to the Department of Commissioner General of Samurdhi, a sum of Rs.2,618,639,772 remained receivable as at November 2014, and adequate courses of action had not been taken for the recovery of the money.
 - (iv) The potential income that could have been earned by the authority up to 31 December 2013 from reinvestment of the money amounted to Rs.50,324,000 approximately.
- (c) The investment of sums totalling Rs.20,951,830 sent by 11 Samurdhi Bank Sangam of two Divisional Secretariat Divisions for investment to the Samurdhi Maha Sangam had been delayed for 5 to 17 days.
 - (d) The insurance indemnity amounting to Rs.312,949 receivable in respect of 13 accidents to motor vehicles during the years 2001 to 2012 had not been recovered even by the end of the year under review.
 - (e) The Authority had not taken any legal action whatsoever for the eviction of unauthorized occupants of 06 blocks of land 91.29 perches in extent out of the land of the Nillamba Training Center 21 acres 02 roods and 37.25 perches in extent maintained as a Training Center by the authority. Even though the Board of Directors had, at the meeting No. 232 dated 01 January 2012 decided to recover the current assessed value and transfer the lands to the occupants, no action had been taken.
 - (f) A contract agreement valued at Rs.12,750,000 had been entered into with a supplier on 29 February 2012 for the development, supply, install and demonstrate the operation of a computer software "Open Sources Bank Solution" for the purpose of computerizing of data of all Samurdhi Bank Sangam situated Island-wide and networking of Bank Sangam. According to the terms of the agreement, work should have been completed within 12 months. Even though a

sum of Rs.7,165,000 had been paid to the supplier by December of the year under review, the work had not been completed.

- (g) The balances totalling Rs.167,735,462 receivable from 04 institutions over a period exceeding 10 years had not been recovered even by the end of the year under review.
- (h) A sum of Rs.212 million out of the Samurdhi Fund had been spent on 3 districts in connection with the Deyata Kirula Programme – 2014 on the basis of reimbursement by the General Treasury. Nevertheless, the Authority had failed even up to June 2014 to obtain the reimbursement of that amount from the General Treasury.

4.3 **Operating Inefficiencies**

The following observations are made.

- (a) Two officers who had applied for resignation from the Authority in the year under review had been released from service without recovering a sum of Rs.336,908 recoverable from them. Even though this money cannot be recovered from the gratuity payable to them in terms of the Payment of Gratuity Act, the officers had been released on 05 July 2013 with the expectation of making the recovery therefrom. The amount, had not been recovered even by May 2014.
- (b) The balance of Rs.581,211 remaining in the General Deposit Account of the Authority since the year 2011 out of the money made available by the Telecommunications Regulatory Commission of Sri Lanka from the aid received from the Government of Malta for the Project for Establishment of Rural Telecommunication Centres for the upliftment of telecommunication facilities of the people affected by the tsunami in collaboration with the Commonwealth Telecommunications Association, Telecommunications Regulatory Commission of Sri Lanka and the Samurdhi Authority of Sri Lanka, had not been settled even by the end of the year under review.
- (c) **Electricity Helpline Loan Facilities Programme**
According to the agreement entered into between the Samurdhi Authority of Sri Lanka and the Ceylon Electricity Board in the year 2010 for the release of Rs.3,000 million to the Ceylon Electricity Board for the supply of facilities in obtaining electricity connections under the Electricity Helpline Project to the Samurdhi Beneficiaries and the low income communities, loan facilities amounting to Rs.1,080 million had been released to the Ceylon Electricity Board by the end of the year under review. That amounted to Rs.1,300 million by April 2014.

The following matters were observed in this connection.

- (i) According to Clause 5 of the agreement, loan facilities should be released only after obtaining the Progress Reports on the supply of service. But it was observed, that such particulars relating to Rs.350.1 million out of the sum of Rs.1,300 million, for the year under review in respect of 22 districts only had been obtained. Action had not been taken to obtain the particulars relating to the beneficiaries in respect of the years 2011 and 2012.
- (ii) Out of the 22 districts referred to in paragraph (i) above, confirmation of information in terms of Clause 6 of the agreement, of only 5 districts had been obtained by the Authority even by June 2014. As such, out of the information relating to 67,677

beneficiaries furnished by the Ceylon Electricity Board, confirmation had been made only in respect of 1,968 beneficiaries or 2.9 per cent.

- (iii) Meetings between the two parties once in every two months to discuss the progress of the Programme had not been held in terms of Clause 11 of the agreement. Action had not been taken for the preparation of a systematic programme in this connection by a committee of the officers of both parties as decided at the special meeting convened by the Chairman of the Ceylon Electricity Board on 09 January 2014.
- (iv) Even though the Ceylon Electricity Board should remit the installments collected from the beneficiaries to the Samurdhi Authority as agreed at the above meeting, a sum of Rs.149,000 relating to two districts only had been so remitted up to April 2014. Even that amount had not been given to the relevant Samurdhi Bank Sangam as adequate particulars of the beneficiaries relating to the money had not been furnished.
- (v) Out of the 10 per cent interest charged on the loan installments recovered from the Ceylon Electricity Board two per cent should be given to the relevant Samurdhi Bank Sangam. Nevertheless, no payment whatsoever had been made to the Samurdhi Bank Sangam from the sum of Rs.128,179,758 recovered up to April 2014. Information on the recovery of loan installments from the beneficiaries in term of Clause 10 of the agreement had not been obtained from the Ceylon Electricity Board as agreed.
- (vi) In view of the above matters, it was observed that the overall programme had not been operated for the achievement of the objectives.

(d) Payment of Benefits for Compulsory Savings of Samurdhi Beneficiaries

The following observations are made.

- (i) In the determination of the benefits for the year under review for the funds received for the investments of the Bank Finance Division, the investment income for the compulsory savings amounting to Rs.13,553 million or 72 per cent of the total investment, amounted to Rs.1,655 million and out of that only a sum of Rs.836 million or 51 per cent had been paid to the beneficiaries.
- (ii) Out of the investment income for the year under review, 44 per cent had been deducted for the expenditure of the Bank Finance Division and only 38 per cent of the total investment income for the year had been given for the compulsory savings which account for 72 per cent of the total investments.
- (iii) Other than the payments made for the compulsory savings, 11 per cent in respect of the other funds received for investment and the balance sum of Rs.161 million representing 7 per cent of the total investment income had been retained by the Authority.
- (iv) Interest income on staff loans amounting to Rs.185 million and dividends received amounting to Rs.11 million had not been taken into account in the computation of net interest earnings ratio for the year under review.

- (v) A sum of Rs.46 million not related to the year under review and a sum of Rs.386 million more than the actual expenditure had been deducted from the income for the year in the computation of the net interest ratio.
- (vi) The total sum payable from the return on investments from the year 2008 to the end of the year under review net of all expenses payable to compulsory savings and not so paid amounted to Rs.1,549 million and a process for the direct payment of that amount to the Samurdhi beneficiaries had not been formulated even by June 2014.
- (e) The non-payment of a sum of Rs.1,689,811 payable to 09 Samurdhi Bank Sangam for the year 2012 on account of interest subsidy on the loans granted to the beneficiaries at 10 per cent and 8 per cent interest under the Mihi Jaya Loan Scheme, even by the end of the year under review was observed during the course of test checks.
- (f) A sum of Rs.2,220,000 had been paid on non-recovery basis to 30 beneficiaries in two Divisional Secretariat Divisions inspected, in respect of the year 2012 at Rs.80,000 per person for the construction of protected houses for the production of vegetable horticultural seedlings (fruit, vegetable and flower) with the provisions from the Ministry of Economic Development for distribution among Samurdhi beneficiaries and low income groups for the upliftment of their living standards. Nevertheless, nurseries had not been prepared as suitable for the local conditions in order to achieve the main objective of the Divineguma Programme. It was observed during the course of test checks that action had not been taken to grant these loans to the low income beneficiaries.
- (g) Adequate courses of action had not been taken for the recovery of bad debts totalling Rs.4,413,423 of 15 Bank Sangam in two Divisional Secretariat Divisions.
- (h) Even though the loans granted under the Livelihood Development Programme to the beneficiaries on the basis of recovery of 50 per cent of the loans should be recovered by the Revolving Fund in 10 installments, out of the loans granted in two Divisional Secretariat Divisions during the years 2007 to 2011, loan balances totalling Rs.4,923,484 had not been recovered even by November 2014.
- (i) A sum of Rs.19,848,775 had been spent on 20 Skills Development Certificate Courses on Micro Finance Banking conducted during the year under review for the Samurdhi Managers and Samurdhi Development Officers. But a plan for the conduct of training sessions had not been prepared. In addition, resource persons allowance exceeding the agreed amount by a sum of Rs.120,000 had been paid for two training sessions.

4.4 Transactions of Contentious Nature

The following observations are made.

- (a) Even though the entire stock of stationery stored in the Salu Sala store Jawatta taken on rent for storing the stocks of Banking Stationery had been removed in the year 2010, a sum of Rs.1,454,112 out of the rent deposit made had not been recovered even by the end of the year under review.

- (b) The Authority entered into a Memorandum of Understanding with the Sri Lanka Bureau of Foreign Employment on 07 March 2012 in connection with the Rataviru Housing Aid Programme for providing assistance to migrant labour identified on an all Island basis for construction of houses. According to Section 10 of the Memorandum of Understanding, it had been agreed for the Sri Lanka Bureau of Foreign Employment to establish a deposit of Rs.100 million with the Authority and for the handover of the interest thereon to the Sri Lanka Bureau of Foreign Employment. Nevertheless, the Authority had not taken action to reach an understanding with regard to the benefits accruing therefrom to the Authority and the possibility of covering the loan balances of defaulters from this fund.
- (c) Out of the expenditure of Rs.19,790,806 spent during the year under review from the Bank Sangam Promotion and Publicity Fund established by recovering Rs.10,000 out of the investment income of Samurdhi beneficiaries of each Bank Sangam, a sum exceeding Rs.9 million had been spent on other matters not related to the objectives of the Fund.

4.5 Apparent Irregularities

The following observations are made in connection with the recruitment of a Public Officer who did not possess the qualifications required in accordance with the Scheme of Recruitment of the Authority for the post of a District Samurdhi Co-ordinating Officer of the Authority on the production of forged documents as a retired officer from Public Service and without holding the specified interview.

- (i) The officer who had been temporarily released from the Public Service had been paid a sum of Rs.2,450,815 as salaries from his permanent place of work from July 2007 to November 2013 and the Authority also had paid a sum of Rs.2,630,765 as salaries and allowances for the same period without obtaining adequate information from his permanent place of work.
- (ii) In addition, he had misused a sum of Rs.1,976,990 given under the programme of Social Service for Mending the Broken Links for providing facilities to 28 beneficiaries in the Vavuniya District who were rendered helpless from displacement due to war.
- (iii) The Authority had not taken action to institute disciplinary / legal action against the officer and for the recovery of the money.

4.6 Underutilisation of Funds

The following observations are made.

- (a) Even though the funds collected from the sale of Samurdhi flags, cash donations from philanthropists and from other creative programmes for the Social Development Fund created to provide assistance to the persons rendered destitute due to social inequities should be utilized for the objective based activities within the same Division, a sum of Rs.160,787,882 that remained with 321 Divisional Secretariat Divisions as at the end of the year under review had been idling without being utilized for the objective based purposes.
- (b) The balance of the National Social Development Fund established by collecting Rs.5,000 from each Divisional Secretariat Division, as at the end of the year under review amounted to Rs.2,947,206 and the money had been idling in the General Deposit Account without being utilized for the achievement of the objectives of the Fund.

- (c) A motor vehicle of the Authority in running condition remained parked in the Sethsiripaya premises without being used for a period over one year even by June 2014.

4.7 Identified Losses

A sum of Rs.784,384 had been paid as employees' compensation on the orders of the Labour Tribunal in connection with 03 cases filed in the Tribunal by an officer interdicted and two officers dismissed due to cash frauds / irregularities owing to the administrative weaknesses of the Authority in dealing with the cases.

4.8 Commencement of Projects on Lands not formally vested

According to the information received in audit, the Authority had spent a sum of Rs.657,651,070 for the construction of buildings for 744 Bank Sangam in 228 Divisional Secretariat Divisions in 17 Districts and Rs.249,770,480 for construction of buildings for 143 Samurdhi Maha Sangam in 142 Divisional Secretariat Divisions in 16 districts without formal vesting of the lands in the Authority. Even though the Director General of the Authority informed me on 30 September 2013 that action had been initiated to identify the extent of those lands and cause vesting in the Authority or to obtain on long time term lease basis, the progress on such action had not been furnished even by June 2014.

4.9 Staff Administration

The following observations are made.

(a) Reinstatement of Officers who had vacated Posts

- (i) Three Probationary Samurdhi Development Officers and one Samurdhi Development Officer who had been confirmed in service had vacated their posts. These officers had been reinstated in service after the elapse of periods ranging from 04 years to 12 years since vacation of posts, violating the provisions in the Establishments Code, Procedural Rules and also other Government Regulations. They had been placed on the salary scales entitled at the time of vacation of posts and granted salary increments.
- (ii) Even though the three officers who had vacated posts prior to being confirmed in service, and reinstated subsequently after number of years were not entitled to any benefits relating to the previous service in terms of Section 8.1 of Chapter VII of the Establishments Code and the Procedural Rule 164, their previous service had also been included considered in the reinstatement. No disciplinary action had been taken against the officers who were responsible for the reinstatement of those officers.

(b) Recruitment of Officers for Posts of Chief Clerk

The following observations are made.

- (i) Action in terms of the Scheme of Recruitment, and the provisions in the Establishments Code and the Procedural Rules had not been taken in the recruitment of 6 officers for the posts of Chief Clerk in the Authority.
- (ii) A Board of Interview in terms of Section 5.2.6 of Chapter II of the Establishments Code had not been appointed in connection with these recruitments.

- (iii) The criteria for award of marks for this recruitment had not been prepared by the Authority and the originals of the mark sheets had not been furnished to audit.
 - (iv) An officer outside the clerical service who did not possess the qualifications specified in the Scheme of Recruitment had also been appointed as a Chief Clerk.
- (c) The following matters were observed during the course of test checks carried out in two Divisional Secretariats in the Gampaha District during the year under review.
- (i) Action had not been taken to finalise the disciplinary inquiries and issue disciplinary orders in connection with 6 officers responsible for financial frauds amounting to Rs.6,159,674 committed from the year 2009 to the year 2013 by 27 officers of two Samurdhi Bank Sangam in the Divisions of the Divisional Secretaries, Biyagama and Wattala.
 - (ii) Out of the above accused officers an officer against whom 5 charges including a financial fraud of Rs.117,000 had been filed, had already vacated post even by the time of appointing an Inquiry Officer in the year 2011. Even though disciplinary action had not been taken against him. The officer a sum of Rs.128,970 had been paid to the officer in the year under review as gratifying.
 - (iii) Even though instructions had been given that a certain Samurdhi Manager against whom a disciplinary inquiry is in progress should not be attached to any place of financial transactions until the issue of the disciplinary order, she had been attached as the Manager of a Samurdhi Bank Sangam.
- (d) A Formal Register on the Disciplinary Action taken against the staff of the Authority for the breach of disciplinary rules and a Register of Expenditure on Inquiries which would show the expenditure on each inquiry separately had not been maintained. The overall progress of the disciplinary action taken in the year under review had not been prepared. In addition, methodology for the follow up of progress on the implementation of the disciplinary orders issued on the conclusion of disciplinary inquiries had not been followed. Even though the Director General informed on 30 September 2013 that action had already been taken for the preparation of Formal Registers in this connection and that arrangements will be made for supervision, those activities had not been done in the updated manner.

4.10 Motor Vehicles Utilisation

The following observations are made.

- (a) Six motor vehicles obtained from the Ministry of Economic Development in the year 2011 had been kept parked in Sethsiripaya premises even up to the end of the year under review without being used.
- (b) Action had not been taken even in the year under review for the transfer of 12 motor vehicles obtained from external institutions in favour of the Authority and for the recovery of a motor vehicle released to another Ministry.

5. Accountability and Good Governance

5.1 Action Plan

The Action Plan prepared by the Authority for the year under review had been revised in several instances. As such the Action Plan had not been considered as a forecast of the activities of the Authority.

5.2 Internal Audit

An adequate internal audit of each Division of the Head Office of the Authority had not been carried out and reports submitted in the year under review in accordance with the Internal Audit Programmes presented.

5.3 Budgetary Control

The actual expenditure indicated an excess of 138 per cent as against the budgeted expenditure as such the budget had not been made use of as an effective instrument of management control.

5.4 Replies to Audit Queries

Replies to 06 audit queries issued in respect of the year under review and 07 audit queries issued in respect of the preceding years had not been furnished even by November 2014.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Director General of the Authority from time to time. Special attention is needed in respect of the following areas of systems and controls.

- (a) Accounting
- (b) Funds Control
- (c) Budgetary Control
- (d) Staff Management
- (e) Loans Control