

## **Samurdhi Social Development Trust Fund - 2017**

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The audit of financial statements of the Samurdhi Social Development Trust Fund for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 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 Qualified Opinion**

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

## **2. Financial Statements**

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### **2.1 Qualified Opinion**

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In my opinion, except for the effect 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 Social Development Trust Fund as at 31 December 2017 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**

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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
- (b) The land of 7 acres and 37 perches with Nilaveli Training Center was purchased of Rs. 126,255,800 in according to standard No 7 and had not been stated an identified separately as land and building and 10 percent depreciation had been taken from the year under review for land with unlimited life. Therefore had not been disclosed that the legal ownership of Pothuvil Circuit Bungalow valued of Rs. 6,003,155 belonging to the Forest Department in the notes to accounts and 18 items value of Rs 90,972 to be recorded as inventory goods were listed as office equipment under fixed assets.

### **2.2.2 Accounting Deficiencies**

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The following observations are made.

- (a) The expenditures totalled to Rs. 3,330,004 incurred with regard to 02 special projects had been stated as administrative expenses.
- (b) The accrued expenses had not been made in respect of the total amount of Rs. 60,814,119 for 8 Expenditure Heads with regard to year under review .
- (c) A sum of Rs. 27,255,491 withholding tax in respect of interest receivable to the investment had not been stated to year under review.
- (d) The audit fees had not been provisioned for the year 2016 and 2017.

### **2.2.3 Lack of Evidence for Audit**

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The confirmation of balances such as were not furnished to ascertain in respect of transactions totaled to Rs. 9,633,185 pertaining to 02 accounting items.

### **2.2.4 Unreconciled Control Accounts**

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When checking the control account submitted with the account, it was observed that a difference of Rs. 4,684,469 in between settlement of advance and as per the settlement of cash book in 7 Districts.

## **2.3 Accounts Receivable and Payable**

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Actions had not been taken to settle totaled Rs. 38,050 refundable deposit balance from 2 Institute for printing of Sipdora Forms.

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

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Action had not been taken to ascertain the accuracy of the assets by carrying out Board of Surveys accordance with Public Finance Circular No. 05/2016 dated 31 March 2016.

## **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. 778,303,990 and the correspondent surplus of the preceding year was Rs. 1,121,745,567 thus indicated collapse of Rs. 343,441,577 in the financial results of the year under review as compared to the preceding year. The decrease in payments of contribution by Rs. 410,034,200 had mainly attributed to this collapse.

## **4. Operating Review**

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### **4.1 Performance**

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**4.1.1** 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. 5,382,976 had been spent during the year 10 instances under review excluding the objectives and tasks of the Fund.

**4.1.2** Under the request of a Former Kuwait Ambassador and according to the written notification of the Minister's Rs 1 Million has been given to a Foundation called "Sir Ivo Jennings Foundation" to provide scholarship to children from poor and samurdhi beneficiary families, who are selected for the university of Peradeniya, but the details of legality of that foundation, awareness and agreement of the vice-chancellor of university about the implementation of this project had not paid any attention. The Vice-Chancellor had informed to the Auditor General's that this fund was not a fund established through the university and the money had not been received to the university from this fund. The current account opened in the name of this Foundation on 20 March 2017 in the Bank of Ceylon was credited on 9 May and after withdrawing of Rs 713,000 by the trustees on 8 August, it was observed that the remaining balance of the account was Rs 287,000 on that date and it was observed money was not allocated to this purpose.

**4.1.3** According to the request of University of Visual and Performing Arts, the Board of Trustees approved the payment of Rs. 816,000 for air tickets to send 17 student of University of Visual and Performing Arts to represent the Bharathiya Rajjya Mahothsavaya held at New Delhi in India. But the fund did not have any confirmation that these students were Samurdhi beneficiaries and that the money was spent for the relevant purpose.

**4.1.4** A sum Rs 52.45 Million had been allocated under the Samurdhi production Model Village Program of Samurdhi Development Department in the year 2017 to the objectives of the trust fund, the board of trustees decided to give Rs 500 Million from the trust fund to 50 model villages and Rs. 303,133,240 had been given to the Department of Samurdhi Development in the year under review.

The estimates and plan related to this program had not been given to the Board of management of the fund and the fund did not have the information related to identifying the 50 villages.

- 4.1.5 In order to provide sanitary toilet facilities in Katuwana area and Seruwawila and Nelumgama areas, the board of directors had approved to take a total of Rs. 700,000 to 20 beneficiaries of divinaguma and after then according to the requests of the Deputy Minister of Social Empowerment and Welfare, Rs. 3,500,000 had been paid to 100 beneficiaries. Here it was not confirmed whether the beneficiaries of the sanitation services were samurdhi benefited and did not follow-up was done on whether this money was used for the relevant purpose.

## **4.2 Human Resources Management**

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The post of Director of Social Security Fund since the year 2018 and the post of Accountant from the year 2012 to the present have been vacanted and officers were appointed on acting and contract basis without taking actions to permanently recruit.

## **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 8 December 2021 after a delay of 04 years period.

### **5.2 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.