

## **Samurdhi Social Development Trust Fund – 2018**

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### **1.1 Qualified Opinion**

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The audit of the financial statements of the Samurdhi Social Development Trust Fund for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 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 my opinion, except for the effects of the matters described in Paragraph 1.5 of this report, the financial statements of the Fund give a true and fair view of the financial position of the Fund as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

### **1.2 Basis for Qualified Opinion**

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My opinion is qualified based on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAS). 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 Management and Those Charged with Governance for the Financial Statements**

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Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process. As per Sub-section 16 (1) of the National Audit Act No. 19 of 2018, the Fund 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 of the Fund.

## 1.4 Auditor's Responsibilities for the Audit of the Financial Statements

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My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report 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 scepticism 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.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Fund, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Fund has complied with applicable written law, or other general or special directions issued by the governing body of the Fund,
- Whether the Fund has performed according to its powers, functions and duties; and
- Whether the resources of the Fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## 1.5 Financial Statements

### 1.5.1 Internal Control over the Preparation of Financial Statements

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that, transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

Audit observation	Comment of the management	Recommendation
In preparing the financial statements the general ledger had not been prepared and the journal entries and journal vouchers had not been prepared. Therefore it was impossible to confirm whether the all transactions occurred during the year under review had accounted.	Action had been taken to maintain the ledger from the year 2022.	Action should be taken to maintain key accounting records properly.

### 1.5.2 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Audit observation	Comment of the management	Recommendation
The land of 7 acres and 37 perches with Nilaveli Training Center was purchased of Rs.126,255,800 in terms of Sri Lanka Public Sector Accounting Standards 7 and had not been stated and identified separately as land and building of Training Center and action had been taken	As the building and the land are not currently assessed separately that will be and the depreciation will be calculated and accounted in the future and that the Wildlife Conservation Department has the legal right to the land where the tourists circuit is located ,that will be	Action should be taken in accordance with the Sri Lanka Public Sector Accounting Standards.

to depreciate 10 per cent for the year under review. And therefore it had not been disclosed that the legal ownership of Pothuwil Circuit Bungalow valued at Rs.6,003,155 stated in the statement of financial position ,belonging to the Forest Department in the Notes to Accounts. disclosed through the financial statements prepared and presented from the year2019.

### 1.5.3 Accounting deficiencies

Audit observation	Comment of the management	Recommendation
(a) Instead of adjustment is made to the relevant accounts totaling of Rs. 3,526,840 including amount to Rs. 998,027 of settlement of advances, Rs. 38,553 of beneficiary refunds, and the amount of reimbursement of expenses Rs.2,490,260 had been shown in the financial statements as other receipts.	No Comments had been presented.	Action should be taken to account transactions accurately.
(b) The audit fees had not been provisioned for the year 2018.	-- do--	Provisions should be made properly for the expenses relevant to the year.
(c) A sum of Rs. 16,604,276 of withholding tax payable in respect of interest investment had been stated in the financial statements as receivable income instead of accounted as a current liability.	Withholding tax related to the investments interest receivable on the accrued basis in the year 2018 had not been stated under the current liabilities by mistake.	Action should be taken to account transactions accurately.

### 1.5.4 Documentary Evidence not made available for Audit.

subject	Amount	Evidence not presented	Comment of management	Recommendation
(a) Samurdhi Officer's Motor bike loan Fund.	Rs. 8,664,920	Schedule or any other documentary evidence of confirmations	Actions are to be taken to credit this Fund to the accumulated	Schedule or other documentary evidence of confirmation should be presented to the

fund when audit.  
preparing the  
final accounts in  
the year 2021.

(b)	Office Equipment Non- categorized -----				
	Opening Balance	1,248,797	Schedule	No comments had been presented.	Schedules should be presented for audit.
	Provision of depreciation	1,118,450	Schedule	--do--	--do--
(c)	Administrative Expenditure	1,518,354	Classifications	--do--	Classifications should be presented for Audit.
(d)	Other Expenses	106,689	Classifications	--do--	--do--

#### 1.6 Cash Receivables

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Audit Observation -----	Comment of management -----	Recommendation -----
Action had not been taken to settle the unsettled advance balances remaining from the year 2012 to 2018 in 5 District Secretariats amounting to Rs.5,313,240 had exceeded a period from 2 to 6 years.	An amount of Rs.5,055,400 unsettled advances out of the advances had been given to the Nuwara Eliya District in the year 2018 had settled in the year 2021. Accordingly, action to be taken to settle the balance amount of Rs. 257,840 from the year 2012 to 2018 as soon as possible.	Action should be taken to settle the unsettled advances.

#### 1.7. Non - compliance with Laws, Rules, Regulations and Management Decisions

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Reference to the Laws, Rules and Regulations -----	Reference to the Laws, Rules and Regulations -----	Comment of the management -----	Recommendation -----
(a) Public Finance Circular No.2016/05 dated 31 March 2016.	Action had not been taken to ascertain the accuracy of the assets by carrying out Board of Surveys.	In accordance with the circular action to be taken to carrying out Board of Survey activities in future.	Action should be taken in accordance with the Circulars.

- (b) Financial Regulation 877(1) included in Paragraph 15.1 of the Public Finance Circular No.1/2020 dated 28 August 2020. A Budget Estimate and an Action Plan had not been prepared for the activities of the Fund. In relation to activities of the Fund action plan and the budget has been prepared in the year 2022. Action should be taken in terms of the Financial Regulation

## 2. Financial Review

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### 2.1 Financial Results

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According to the financial statements presented, the financial result of the Fund for the year ended 31 December 2018 was a surplus of Rs1,150,393,688 and the corresponding surplus of preceding year amounted to Rs. 778,303,991 thus indicated an improvement of Rs.372,089,697 of the financial result. The increase in other receipts during the year under review had been mainly attributed to this improvement.

## 3. Operating Review

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### 3.1 Management Activities

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#### Audit Observation

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As per the paragraph 6 (9) of the Deed of Trust of the Social Development Trust Fund, even though no member of the Board of Trustees shall be entitled to receive remuneration by way of any salary, allowance or honorarium incurred by them in the performance of their duties, an amount of Rs.215,660 had been paid as acting allowance to the 3 Director Generals who acted as the Chairman of the Fund as ex –officio.

#### Comment of management

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Acting payment had been paid to the Director Generals on approval of the Board of Trustees.

#### Recommendation

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Action should be taken as per the paragraph 6(9) of the Social Development Trust Fund.

#### 4. Accountability and Good Governance

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##### 4.1 Submission of Financial Statements

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Audit observation	Comment of the management	Recommendation
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