

## **Samurdhi Social Development Trust Fund - 2019**

### **1.1 Qualified Opinion**

The audit of the financial statements of the Samurdhi Social Development Trust Fund for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 2019, 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**

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**

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

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.

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

| Audit observation<br>-----  | Comment of the management<br>-----  | Recommendation<br>-----  |
|---|---|--|
| In terms of paragraph 57 of Sri Lanka Public Sector Accounting Standards 7 even though each part of an item of property with a cost that is significant in relation to the total cost of that item shall be depreciated separately, the land of 7 acres and 37 perches with the building of Nilaveli Training Centre which was the total cost of Rs.126,255,800 had not been depreciated identifying separately as land and building. | As the building and the land are not currently assessed separately and the depreciation will be calculated and accounted in the future. | Accounts should be prepared in accordance with the Sri Lanka Public Sector Accounting Standards. |

### 1.5.3 Accounting deficiencies

| Audit observation<br>-----   | Comment of the management<br>-----  | Recommendation<br>-----                       |
|--|---|---|
| (a) An amount of Rs.113,074,862 had spent from the fund for printing of Samurdhi Title Certificates and for expenses of ceremony when providing subsidies to the 600,000 number of new families, should be reimbursed from the Banking and Finance section had not been accounted as cash receivables. | As these expenses have not been reimbursed and are not shown in the financial statements due to the surplus of that year will be shown more by showing it as cash receivables ,and necessary actions are being carried out to reimbursed those money as directed by the Board of Trustees of the fund | Action should be taken to account accurately. |

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| (b) | Information required were not furnished for audit to identify the credit balances of Rs.968,265 and Rs. 38,050 received in excess in the insurance premium account and the general deposit account from the year 2015. | Action will be taken to credit the excess balance received in the insurance premium account and the general deposit account to the accumulated fund in the final accounts for the year 2021. | Action should be taken to settle identifying of balances.                             |
| (c) | Schedules and confirmations of balances were not furnished for audit relating to 03 accounts totaled of Rs.11,045,973.   | Actions are to be taken to show by the final accounts for the year 2021 by crediting of it to the accumulated fund.  | Relevant schedules and the confirmation of balances should be presented to the audit. |

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

### 2. Financial Review

| 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.  | The board of survey activities of the Samurdhi Social Security Trust Fund have been carried out under the Samurdhi Development Department so far. In accordance with the Public Finance Circular No.2016/05 dated 31 March 2016<br>Action to be taken to carrying out Board of Survey activities in future.                     | Action should be taken in accordance with the Circulars and provisions. |
| (b) Financial Regulation 371(2)b                            | Even though the Sub Imprest should be settled immediately after the completion of the purpose which it is granted, a sum of Rs.600,000 had issued in 6 instances for the expenses of refreshment for the activities of issuing new subsidies had been reimbursed with a delay in 195 days after the completion of the purpose. | Although the relevant officials had submitted the settlement vouchers relating to the advances given for the refreshment expenses for issuing of new subsidies, in the relevant period due to the deficiencies in the documents attached to the vouchers those have been completed and accounted in the month of December 2019. | Action should be taken in terms of the Financial Regulation             |

## 2.1 Financial Results

The operational result during the year under review was a surplus of Rs.1,450,588,357 and the corresponding surplus of preceding year amounted to Rs. 1,150,393,688 thus indicated an improvement of Rs.300,194,669 of the financial result. The increase in contribution by Rs. 205,928,000 and the increase in interest income by Rs. 157,915,338 during the year under review had been mainly attributed to this improvement.

## 3. Operating Review

### 3.1 Management inefficiencies

| Audit Observation   | Comment of management   | Recommendation   |
|---|---|--|
| (a) A retired government bank officer who was suffering from illness had been declared as a low income earner and contrary to the provisions of Government Procurement Guideline that patient was given a ventilator machine incurring of Rs.480,000. Even though entered in to a condition of that the machine should be handed over to a Government hospital after the relevant requirement is fulfilled after the death of the patient on 5 August 2019 no action had been taken to fulfill in accordance with that condition. | According to a request from the Hon. Minister in charge and under the instructions and approval of the Board of Trustees the ventilator machine has been given to the relevant female patient. Even though instructions were given further to re-use after using of that machine to such patients, the person who had accepted the machine was not currently at that given address. Therefore it was impossible to take actions in accordance with the instructions given and necessary steps are being taken to get back that machine. | Action should be taken in accordance with the relevant conditions.                         |
| (b) Even though a sum of Rs. 625,000 had been given to 250 number of women regarding the empowerment programme for female house hold low income earners based on women day, in the Baddegama Divisional Secretariat in Galle but it had not been confirmed whether they were low income earners or Samurdhi beneficiaries.  | This programme had implemented accordingly the Board paper No.2019/SSSF/02/03 of the Board of Samurdhi Social Security Trust. An amount of Rs.625,000 of subsidiaries had given for the name list of 250 female entrepreneurs submitted by the District Secretary office of Galle district.   | Subsidiaries should be given confirming whether low income earner or Samurdhi beneficiary. |

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| <p>(c) Even though advances of Rs. 69,000,000 had issued to the 25 number of District Director Offices for the ceremonies of new subsidiary title distribution Action had not been taken to settle the advances amounted to Rs.39,255,315 by the date of 31 December 2019. Even though that ceremony was end by the date of 15 June 2019.</p> | <p>Out of the advances which was given to the 25 number of District Offices for the distribution ceremony of new Samurdhi subsidies titles. And unsettled amount of advances was Rs.8,764,103.42 by that time.</p> | <p>Action should be taken to recover cash receivables.</p> |
| <p>(d) An amount of Rs.116,485,853 had been incurred in 10 instances for the activities which are not relevant to the objectives of the Fund are printing, distribution and expenses for ceremony and only the amount of Rs.3,410,992 had reimbursed by the banking associations.</p>   | <p>This money was released on the basis of recover from the community based banks in the year 2019 and with the instructions of the Samurdhi Social Security Trust.</p>  | <p>Action should be taken to recover cash receivables.</p> |

#### 4. Accountability and Good Governance

##### 4.1 Submission of Financial Statements

| Audit observation<br>-----   | Comment of the management<br>-----  | Recommendation<br>-----  |
|--|---|--|
| <p>Even though 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 Financial Regulation 877 (2) (c) as included in paragraph 15 of Public Finance Circular No. 1/2020 dated 28 August 2020, the financial statements for the year under review had been furnished on 10 November 2022 after a delay of 2years period.</p> | <p>Action had been taken to submit the financial statements regarding year 2018, 2019 and 2020 to the Auditor General with a copy to the Director General of Public Finance on 09 March 2022 and the financial statements of the year 2021 on 28 March 2022</p> | <p>In accordance with the Financial Regulation. The financial statements should be presented within the relevant period.</p> |

##### 4.2 Budgetary Control

| Audit observation<br>-----   | Comment of management<br>-----  | Recommendation<br>-----  |
|--|---|--|
| <p>Financial Regulation 877(1) included in Paragraph 15 of the Public Finance Circular No.1/2020 dated 28 August 2020. A Budget Estimate had not been prepared for the activities of the Fund.</p> | <p>In relation to activities of the Fund action plan and the budget has been prepared in the year 2022.</p> | <p>Budget Estimate should be prepared and presented within the relevant period in terms of the Financial Regulation and Circulars.</p> |