

## Head 331 - Department of Samurdhi Development

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### 1. Financial Statements

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#### 1.1 Qualified Opinion

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The audit of the financial statements of the Department of Samurdhi Development for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance, and cash flow statement for the year then ended, 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. The Summary Report containing my comments and observations on the financial statements of the Department of Samurdhi Development was issued to the Accounting Officer on 12 May 2021 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Department was issued to the Accounting Officer on 29 June 2021 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements prepared give a true and fair view of the financial position of the Department of Samurdhi Development as at 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

#### 1.2 Basis for Qualified Opinion

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My opinion is qualified based on the matters appear in Paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). 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 opinion.

#### 1.3 Responsibilities of the Chief Accounting Officer and the Accounting Officer on Financial Statements

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Preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally

Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018 is the responsibility of the Accounting Officer.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Department 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.

The Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Department in terms of Sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

#### **1.4 Auditor's Responsibility on Audit of 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 skepticism throughout the audit. I also furthermore;

- Appropriate audit procedures were designed and implemented to identify and assess the risk of possibility of quantitative misrepresentations occurred in financial statements due to fraud or errors in providing a basis for the expressed audit opinion. More than the impact of quantitative misrepresentations due to misrepresentation, the effect of fraud is strong because of malpractice, forgery, intentional evasion, misrepresentation, or evasion of internal controls can lead to fraud.
- Although it is not intended to express an opinion on the effectiveness of internal control, obtained an understanding of internal control in order to plan appropriate audit procedures occasionally.
- Evaluate whether the transactions and events underlying the structure and content of the financial statements are appropriately and fairly consisted in financial statements including disclosures.
- Evaluated whether the transactions and events underlying the structure and content of the financial statements are appropriately and fairly consisted in and presentation of financial statements including disclosures as a whole.

The Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

## 1.5 Report on Other Legal Requirements

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I declare the following matters in terms of Section 6 (1) (d) of the National Audit Act No. 19 of 2018 .

- (a) The financial statements are in consistent with those of the preceding year,
- (b) The recommendation made by me in relation to the Paragraph 1.6.3 (c) of this report with regard to the financial statements for the preceding year had not been implemented.

## 1.6 Comments on Financial Statements

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### 1.6.1 Imprest Adjustment Account

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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The balance in the imprest account as per the statement of financial performance was Rs. 3,986,130,203 and that balance had been Rs. 380,538 as per the books of the Department. Accordingly, the difference had been Rs. 3,985,749,665. An imprest reconciliation statement had been prepared by the Department of State Accounts in accordance with Paragraphs 6 and 7 (vi) of the Guidelines issued. The following observations are made in respect of the reconciliation statement prepared.		

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| <p>(a) As a result of debit of Rs.5,001,862,782 to the imprest adjustment account instead of the amount of Rs. 5,000,281,664 spent on other Expenditure Heads by the Department in terms of Financial Regulation 208, a sum of Rs. 1,581,113 had been over-debited.</p>  | <p>The answer is not relevant to the observation submitted.</p>   | <p>Imprest Adjustment Account should be prepared by accurately identifying all the adjustments in accordance with the Guidelines issued by the Department of State Accounts.</p> |
| <p>(b) Although the revenue amounting to Rs.741,844,910 collected by the Department for other revenue codes should not be recorded in the imprest adjustment account in terms of Paragraph 7 (ii) of Guideline No. 06 of the Department of State Accounts, that value had been shown as debit and credit in the imprest adjustment account.</p>  | <p>Since a collection made on behalf of other Departments, it has been indicated as debit and credit in the imprest account. Because there was no effect to the imprest balance of financial performance from that entry, actions have been taken to revise the imprest adjustment account as pointed out.</p>  | <p>-do-</p>  |
| <p>(c) Even though the advance receipts as per the books of the Department was Rs.50,354,051, the difference of Rs. 2,229,783 occurred thus the advance receipt as per the Treasury Books was Rs. 48,124,268, it had to be credited to the imprest adjustment account. Similarly, even though the advance payment as per the Books of the Department was Rs. 45,636,931, the difference thus occurred was Rs. 1,112,278 because it was Rs. 46,749,209 as per the Treasury Books,</p> | <p>As a result of the mess remained in the adjustments to be made in preparing the imprest adjustment account, the making of adjustments of the entries in the Advance Account B to the imprest adjustment account has also messed. Because of the error indicated in the imprest adjustment account does not affect the balance specified in the statement of financial performance due to not indicating of adjustment entries accurately, actions have been taken to</p> | <p>-do-</p>  |

and it had to be credited to the imprest adjustment account. Accordingly, although a total of Rs. 3,342,061 should be credited to the imprest adjustment account as advances and payments, due to the credit of Rs. 4,542,440, the imprest adjustment account had been over-credited by an amount of Rs. 1,200,380.

reconcile the relevant entries with the imprest adjustment account.

## 1.6.2 statement of Financial Position

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The following observations are made.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) Communication equipment which were purchased for Samurdhi FM Internet Radio Service of the Department amounting to Rs. 1,127,000 had not been shown as fixed assets.	Since the communication equipment purchased for Samurdhi FM Internet Radio of the Department valued at Rs. 1,127,000 were reported as an asset purchased under the expenditure object 2509, it has not been accounted for under fixed asset expenditure objects.	It should be reported as fixed assets under non-financial assets.
(b) The land plots in extent 1 acre in Bandarawela circuit bungalow and 1 rood 3.82 perches in Kandy office premises had been valued at Rs. 20,000,000 and Rs.21,900,000 respectively and shown in the financial statements without making arrangements to take over legally.	The assessed values were accounted for as per the instructions given by the Circular issued by the Department of State Accounts and the Bandarawela Divisional Secretary has informed that the land where the Bandarawela Circuit Bungalow located has been	Acquisition of relevant lands and buildings and activities of taking over them should be carried out without delay.

surveyed and handed over after receiving the basic plan. The land where the Getambe sub office premises located in Kandy has not been taken over yet.

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| <p>(c) Arrangements had not been made to assess and account for the 10 lands acquired to the Department during the period 1996-2013 .</p> | <p>One land has been assessed and relevant activities are being carried out to assess 07 lands. Letters have been sent to the Divisional Secretary stating that one land is about to landslide and requesting information regarding the other land.</p> | <p>Arrangements should be made to take over to the Land Department and to be assessed and accounted for.</p> |
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### 1.6.3 Cash Flow Statement

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The following observations are made.

<b>Audit Observation</b> -----	<b>Comments of the Accounting Officer</b> -----	<b>Recommendation</b> -----
<p>(a) As a result of the revenue of Rs. 741,844,910 collected for other Heads was shown as Rs. 85,734,851 in the cash flow statement, the cash flow generated from operational activities had been understated by Rs. 656,110,059 .</p>	<p>In preparing the cash flow statement, only the cash receipt has been stated deducting the revenue collected by cross entries for other Heads valued at Rs. 656,110,059 as a result of preparation of it on cash basis.</p>	<p>The cash flow statement should be accurately prepared in accordance with the Guidelines introduced by the State Accounts Circular.</p>
<p>(b) The cash flow spent on operational activities had been understated by Rs. 1,083,476,172 as a result of mismatch of the Expenditure Heads with the balances included in the cash flow statement in relation to personal emoluments and operating expenses, subsidies and transfers and the expenditures made on other Expenditure Heads .</p>	<p>Only the expenses reported in cash have been indicated by deducting the expenses reported by cross-entries in the expenditure objects appear in the observation in preparing the cash flow statement on cash basis.</p>	<p>-do-</p>

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| (c) | Recoveries of advances to public officers account amounting to Rs. 5,083,542 and payments of advances amounting to Rs. 4,866,838 had been understated in the cash flow generated from investment activities. | Only the recoveries in cash and payments made in cash in advance B account has been included in the cash flow statement.   | -do- |
| (d) | Construction of physical assets or purchases and acquisition of other investments had been overstated by Rs. 120,201,516 under the cash flow generated from the investment activities .                      | In preparing the cash flow statement, the value of transaction of Rs. 122,628,387 made in cash after deducting the value of Rs. 39,286,928 reported to the Treasury by cross entries has been included . | -do- |

#### 1.6.4 Failure to Maintain Registers and Books

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It was observed that the Department had not maintained the Registers mentioned below and certain Registers had not been maintained properly and in an updated manner.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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<p>(a) <b>Register of Securities</b></p> <p>-----</p> <p>A Register of Securities consisted of the information of the officers and employees who are required to keep securities had not been prepared in terms of Financial Regulation 891 (1) .</p>	<p>The Circular consisted of the information of the officers and employees who are required to keep securities has been issued .</p>	<p>A Register of Securities on the officers who are required to keep securities should be maintained in terms of the Provisions.</p>

**(b) Register of Losses and Damages**  
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The Register of Losses and Damages had not been updated in terms of Financial Regulation 110 .

Arrangements have been made to update the Register of Losses and Damages.

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**(c) Register of List of Vehicles**  
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A Register of Vehicles had not been maintained in terms of Financial Regulation 1647 (e) .

Actions are being taken to prepare the Register of Vehicles in terms of the F.R 1647 .

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**2. Financial Review**  
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**2.1 Expenditure Management**  
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**Audit Observation**  
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Due to failure of preparing estimates in accordance with Financial Regulations 50 , a sum of Rs. 525,950,000 relating to 7 recurrent expenditure objects had been transferred to other expenditure objects.

**Comments of the Accounting Officer**  
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As a result of special duties assigned to this Department and increase in expenditure requirements in certain expenditure objects, actions have been taken to transfer funds under F.R.66 by making internal adjustments.

**Recommendation**  
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Arrangements should be made to prepare the estimates accurately and maintain the Expenditure Management .



## 2.2 Liabilities and Commitments Entered Into

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The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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<p>(a) Although it is stated that all liabilities related to the financial year should be paid and released within the same financial year without carry forward to the next year in terms of State Accounts Circular No. 271/2019 dated 3 December 2019, the liabilities amounted to Rs. 107,202,908 had been included in the financial statements for the year under review. Further, the liabilities amounted to Rs. 102,875,809 had been entered into exceeding the savings of Rs. 1,801,065 in 13 expenditure objects.</p>	<p>As a result of the limits made for the expenditure object provisions to the reported expenditure without prior notice at the end of the first and second quarters of 2020, the liabilities which could not be adjusted even by making transfers as per F.R 66 have been reported at the end of the year and the liability reported in expenditure object 1101, travelling expenses in Programme 02 is an example for that. Because that situation was out of control, a liability exceeding the provision has been reported.</p>	<p>Commitments should be entered into in accordance with the circular provisions.</p>
<p>(b) Details on liabilities totalled to Rs. 10,099,602 with regard to 9 expenditure objects relevant to 5 District Offices had not been included in the statement of liabilities.</p>	<p>It is accepted that the liabilities mentioned in the observation reported after the inclusion of liabilities in the final account were not consisted in the account. Arrangements have been made to document those liabilities and to take necessary actions.</p>	<p>-do -</p>

### 2.3 Certifications to be made by the Accounting Officer

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Although the Accounting Officer is required to certify in the following matters in accordance with the provisions of Section 38 of the National Audit Act No. 19 of 2018 , actions had not been taken accordingly.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
<p>(a) The Chief Accounting Officer and Accounting Officer should ensure that an effective internal control system for the financial control of the Department is being carried out and to conduct periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out and even though such reviews should be made in writing and submit a copy to the Auditor General, the statements that such reviews were made had not been furnished to audit.</p>	<p>Comments have not been given.</p>	<p>Actions should be taken in accordance with the Provisions of Section 38 of the National Audit Act No. 19 of 2018 .</p>
<p>(b) Although the Chief Accounting Officer and the Accounting Officer shall ensure that all audit queries are answered within the specified time period as required by the Auditor General, the answers for the audit queries had not been given in terms of Paragraph 3.7 of the Report.</p>	<p>It is accepted that there have been delays in answering audit queries during the preceding year. Answers to all audit queries have been drafted by now and arrangements will be made to submit soon.</p>	<p>- do -</p>

## 2.4 Non-compliance with Laws, Rules and Regulations

The instances of non-compliance with the provisions of the Laws, Rules and Regulations observed during the audit test checks are analyzed below.

Reference to Laws, Rules and Regulations	Observation	Non-compliance	Comments of the Accounting Officer	Recommendation
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	(i) Financial Regulation 381 (i)	Bank current accounts had been maintained in 03 training centers without obtaining the approval of the Treasury .	Actions are being taken to obtain the approval from the Treasury to maintain the current accounts of 03 training centers.	It should act in accordance with Financial Regulations
(ii) Financial Regulations 189 and 486	Actions had not been taken in respect of the total of Rs. 1,895,569 with regard to the 11 cheques which were deposited but not realized within a period from 11 months to 3 years as per the Bank Reconciliation Statement of December 2020 in terms of Financial Regulations.	The amount of Rs.1,895,569 mentioned in this observation has been identified as entries made in twice in subsidy balance receipts and advance B account receipts and steps have been taken to make corrections accordingly .	-do-	

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| (b) | Public Administration Circular No. 26/92(1) of 3 August 1994             | Actions had not been taken to conduct a survey in respect of 140 vehicles.   | Vehicle survey activities have been completed. Actions will be taken to submit the report soon.   | It should act in terms of Financial Regulations and the circulars.         |
| (c) | Paragraph 15 of Public Finance Circular No. 01/2020 dated 18 August 2020 | Actions had not been taken to legislate the Divineguma Fund, Social Security Trust Fund, Housing Development Lottery Fund, Banking Association Stationary Revolving Fund and Employee Loans Revolving Fund which have been established as Funds considering the necessity of maintaining them. | These funds have become Statutory Funds in terms of Section 45 of the Divineguma (Samurdhi) Act No. 1 of 2013 . Actions are being taken by now to legalize those funds. | Arrangements should be made to legislate funds through Acts of Parliament. |

## 2.5 Improper Transactions

Audit Observation	Comments of the Accounting Officer	Recommendation
As per the Paragraph 1.1 of Trade and Investment Policy Circular No. 01/2016 dated 14 July 2016, there should be the public officers who have completed 6 years of active service and have been confirmed in the post of executive officer belonging to the “Senior Level” mentioned	It has been informed by the letter No. TIP / SS / 01/129 dated 26.02.2020 from the Director General of the Department of Trade and Investment Policy that a vehicle permit on concessionary basis can be issued only for the officers who are	Actions should be taken in accordance with the circular provisions.

in Public Administration Circular No. 6/2006 dated 25 April 2006 to obtain a vehicle permit on concessionary basis. However, despite it has been stated that the officers who have been appointed to an eligible post in terms of Paragraph 2.3 of the said Circular are not entitle for this post either personally or on Super Newman Staff Basis, without paying attention on that, the motor vehicle permits had been issued on a concessionary basis on 26 February 2020 for 20 officers who have received the post as personal to them whereas they have passed the Efficiency Bar Examinations but not bearing the post of Assistant Director.

considered under DMS / 1284 / Vi and No. 13 of Annexure 01 of the letter dated 05.07.2019 of the Department of Management Service, if the active service period from 03.01.2014 to date has completed 06 years. Accordingly, it is informed that the actions have been taken as per the approval given .

## 2.6 Issuance and Settlement of Advances

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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(a) Even though the sub- imprest given should be settled just after the task is completed in terms of Paragraph 9 of Public Finance Circular No. 01/2020 dated 18 August 2020, a time period ranging from 02 weeks to 11 months had been spent to settle the advances amounting to Rs. 576,730 provided to 13 officers at 20 instances.	It had been planned to implement a formal programme to be carried out within a period of at least 07 days for the settlement of the ad hoc sub - imprest for the year 2020. Nevertheless, advance settlements could not be accounted for in due time. A formal programme has been commenced to control this situation by now to settle the advances as scheduled.	The sub - imprest given should be settled immediately after the completion of the task in terms of the amended Financial Regulations 371 (5) as per the Public Finance Circular No. 01/2020 dated 18 August 2020 .

- (b) Even though the maximum limit of the debit balance of advances to public officers' account was Rs. 350,000,000, the actual balance as at 31 December of the year under review was Rs. 47,656,425 or 13.6 per cent. Actions had not been taken to make necessary revisions in respect of that limit.
- The Officers have been made aware to take necessary actions with the focus on the limitations of the Advance B Account in future by drawing attention on the points made in the observation.
- The estimates on limits should be prepared accurately.
- (c) A sum of Rs. 66,257,360 had been provided in the year 2020 as distress loans to 302 officers under the issuance of advances to public officers without obtaining the instructions of the Treasury regarding the continuation of the Employees' Loan Revolving Fund which was given to the officers during the period existing of the Samurdhi Authority. Even if the employee loan continues to be lent from the Revolving Fund in this manner, the financial statements for the year 8 years from 2014 to 2021 had not been prepared and submitted to audit.
- The accounts of the Loan Revolving Fund for the year 2014 were prepared and submitted for audit. As a result of the considerable time taken to rectify the shortcomings pointed out by the audit, arrangements will be made to submit those accounts promptly to audit though there is a delay.
- Arrangements should be made to get the instructions of the Treasury and to furnish the accounts of the Fund to Audit.
- (d) The outstanding advance loan balance of 220 officers as at 31 December 2020 was Rs. 4,801,126 . A balance of Rs.751,999 for more than 05 years, a balance of Rs.580,701 in between 4 to 5 years and an outstanding loan balance of Rs. 3,434,065 in between 01 year to 03 years had remained within this loan balance.
- The categories in which the 220 officers belonging as mentioned in the observation were 05 . Since the retirement files of retired and deceased officers are now being prepared, instructions have been given to charge the amount due from each officer accordingly. Instructions have been given to expedite the settlement of debt
- Financial statements should be prepared by accurately carrying out the issuance of loans to officers, recovery of debts and computation of outstanding balances etc.

balances of transferred officers. Arrangements have been made to recover the dues from the interdicted officers also as soon as the disciplinary inquiries of the those officers are completed.

## 2.7 Deposit Balances

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) Without taking actions to credit a sum of Rs. 1,948,408, which had remained after incurring expenses from the revenue collected by the training centers to the government revenue, arrangements had been made to retain in the general deposit account.</p>	<p>Expenditure on training centers is borne by the administrative expenses provided for those programmes. The portion retain for such administrative expenses is kept in the general deposit account and actions are taken to credit the balance to the revenue at the end of two years. As a result of acquisition of Samanalawewa Training Center in the year 2020 as a Corona Treatment Center, the balance remained in the center account has been transferred to the deposit account with the purpose of computing and accounting for administrative expenses and government revenue after the re-acquisition of the center.</p>	<p>All the receipts that are not legally allocated for the purpose should be credited to the Government Consolidated Fund and budget provisions should be made for the maintenance of training centers.</p>

- (b) Although the amount of Rs. 2,374 Million obtained from the Banks' Financial Sector for payment of Samurdhi subsidies in the months of August, September and October 2013 was a liability to be settled, it had been continuously shown as a balance in the general deposit account without disclosing it as a liability. This balance has been transferred to the Department of Samurdhi Development as a balance remained in the deposit account of the then Samurdhi Commissioner's Department. This has not been accounted for as a subsidy expenditure object liability, due to not-reporting of expenditure object liability as the payment for the subsidy in the current year has been settled by the money obtained from the Samurdhi Authority. Accordingly, the relevant balance is held in the deposit account as a liability to be settled to a third party. Appropriate actions should be taken to settle the liability and arrangements should be made to disclose from accounts accurately.
- (c) A sum of Rs. 2,955,664 remained and sent back as at 31 December 2020 from the money provided to the District Samurdhi Offices by the Micro Finance Banking Sector for various purposes had been retained in the general deposit account without taking actions to settle to that Sector. There was not enough money at the time of the settlements identified due to the expenses incurred from these funds related to the deposit account when using the cash book balance for essential payments as a result of the drop in imprest receipts in the year 2020. Although the imprests have been requested by making aware of the Treasury about this, since the imprests so requested were not received, it has been impossible to settle this balance to the Micro Finance Sector. The actual expenditure should be identified and settled accurately by the end of the year.



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| <p><b>(d)</b> Sixty six lapsed cheques which were issued but not presented for payment during the period from January 2017 to December 2018 totalled to Rs. 497,375 had been retained in the general deposit account without taking actions to settle in terms of Financial Regulation 396 (a).</p>   | <p>The cheques which had lapsed for more than 02 years were retained in the deposit account in terms of Financial Regulations 570 and has been withheld on the provision to be credited to government revenue .</p>  | <p>Actions should be taken in accordance with the Financial Regulations.</p>        |
| <p><b>(e)</b> A sum of Rs. 1,338,012 that had been credited to the official bank account of the Department on 26 occasions during the period from October 2018 to 25 November 2019 had been retained in the general deposit account without taking actions to make necessary adjustments identifying the financial sources .</p>  | <p>These cash balances have been kept in the deposit account with the view of finding and transferring the financial source to which they should be credited and the transferring of all direct credits which are unable to identify financial source so to government revenue.</p>                                    | <p>Actions should be taken to identify and to correct financial sources.</p>        |
| <p><b>(f)</b> Even though the audit in recent years had pointed out the facts in respect of various transactions of the Microfinance Banking Sector and the Social Security Fund built up from the Samurdhi Beneficiary Contributions are being carried out by general deposits without obtaining the approval of the Treasury, without focusing on that, the transactions were made through the general deposit account in the year 2020 as well. After those transactions, a balance totalled to Rs. 79,770,987 had been retained in the general deposit account as Rs. 79,342,047 to be paid to the Micro Finance Banking Sector</p> | <p>Since those are the independent funds of the Department of Samurdhi Development, the relevant accounting activities have been done by accounting for the receipts from the Micro Finance Banking Sector and the Social Security Fund under the category of deposit accounts pay to third parties on that basis.</p> | <p>Settlement should be made accurately obtaining the approval of the Treasury.</p> |

and Rs.428,940 to be paid to the Social Security Fund as at 31 December 2020 .

- (g) Compensation gratuity which should be paid to the officers attached to the Department of Samurdhi Development had been paid from the funds of the Samurdhi Bank Societies. Even though more than a year had elapsed since it had credited to the general deposit account retaining a sum of Rs. 84,296,720 from the balance to be settled to the Treasury on 31 December 2019 to reimburse the money so paid to the Samurdhi Bank Societies again , actions had not been taken to reimburse to the Bank Societies or credit to the government revenue.
- This money was used to pay salaries until the arrears imprest receive from the Treasury due to the imprests were not sufficient to pay salaries in May 2020. Even though the balance imprest required for salaries has been applied at that time mentioning this fact, the Treasury did not provide the imprest and although requests were made prior to the settlement of accounts on 31.12.2020, this balance could not be settled due to non-receipt of the relevant funds. Instructions have been given to take appropriate action to make the relevant payments in the year 2021.
- Actions should be taken to reimburse to the Bank Societies or to credit to the government revenue.
- (h) The deposit balance older in between 8 to 10 years within the balance of Rs.2,556,871,700 as at 31 December in the temporarily retention deposit account maintain for payments to third parties was Rs. 2,374,500,000.
- Even though the requests have been made by the Treasury on a number of occasions to settle this balance, it has further recorded as a balance in the deposit account because of the imprests or provisions required for it have not been received so far.
- It should act in accordance with Financial Regulations.

### 3. Operating Review

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#### 3.1 Vision and Mission

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
<p>-----</p> <p>Actions had not been taken to formulate a national policy identifying specific criteria that can eradicate poverty and empower the community and to conduct programmes aiming targets, to introduce information systems by conducting necessary awareness and sharing information with the community through the Samurdhi Subsidiary Programme which had been started in the year 1995 and the 1,074 Community Based Banking System established to empower Samurdhi Recipients has been conducting with the aim of making a profit. The expenditure of Government Samurdhi Subsidy during the period of 08 years 2013-2020 amounting to Rs. 300,364 million and the Samurdhi development expenditure was Rs. 7,413 million. Attention had not been drawn on the establishment of methods to identify future development programmes to achieve the objective of empowering Samurdhi Recipients.</p>	<p>-----</p> <p>The success of the projects is the empowered Samurdhi Recipient. Accordingly, even though the Departments did not have a system to identify empowered Samurdhi Recipients, actions have been taken to formulate a system for this in the year 2020 .</p>	<p>-----</p> <p>Actions should be taken to conduct on targeted programmes identifying specific criteria that can eradicate poverty and empower the community by formulating a national policy.</p>

## 3.2 Planning

<b>Audit Observation</b> -----	<b>Comments of the Accounting Officer</b> -----	<b>Recommendation</b> -----
<p>Due to the lack of an Action Plan in accordance with the provisions of the Public Finance Circular No. 2014/01 dated 17 February 2014, the following deficiencies were observed.</p>		
<p>(a) Even though an Annual Action Plan needs to be prepared as including the overall tasks of Community Based Banks and other Divisions of the Department, a plan had been prepared including only the expected activities for the provision of Rs. 194.58 million under the Livelihood Development Programme. Out of those provisions, Rs. 97.47 million or 50.09 per cent had been allocated for the bills in hand in the year 2019 and continued projects.</p>	<p>In addition to the Action Plan prepared for the provision of Rs.194.58 Million allocated for the development expenditure object of the Department for the Action Plan 2020 , the completed report including all information consisted of Community Based Banking Plan, Social Security Division Plan, Housing Lottery Program Plan, Internal Audit Plan and Procurement Plan have already been prepared.</p>	<p>Arrangements should be made in order to achieving goals with proper management by formulating the Action Plan and preparing estimates accurately as consisting of the overall task of the Department in terms of the Circular.</p>
<p>(b) Imprest Requirement Plan, Annual Planning Plan and Organizational Chart for annual activities to be included in the Action Plan had not been consisted.</p>	<p>The Annual Imprest Requirement Plan was not included therein and I would like to mention that it will be included in future plans.</p>	<p>Actions should be taken to prepare an Action Plan and achieve the goals with a proper management in terms of the Circular.</p>

### 3.3 Failure to Perform Tasks

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
<p>A sum of Rs. 1,000,000 had been paid to Kotmale Institute for the construction of a cattle sheds from the provision of Rs. 1,820,000 obtained during the year under review based on 50 beneficiaries for dairy farming in Pallepola Demadaoya village, Matale through the Samurdhi Production Model Village Programme. This project had suspended as a result of failure to provide dairy cattle by the supplier who had agreed to supply dairy cattle and the Beneficiaries had rejected the equipment due to the increase in the price of the equipment.</p>	<p>Since the imprests have been received for the bills in hand in May with the situation exists in the country in the year 2020, the cows in the Serudandapola dairy village where they had agreed to buy the dairy cattle had been sold by that time. Similarly, Beneficiaries had refused to obtain the equipment on the increase in the price of dairy equipment when the money is received.</p>	<p>Planned activities should be implemented properly for Samurdhi Beneficiary Empowerment Development Programmes.</p>

### 3.4 Failure to Obtain the Expected Outcomes

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
<p>(a) Out of 2 Suwabojun and Marketing Centres which were completed by incurring Rs. 5,133,875 in the year 2019 and 4 Suwabojun and Marketing Centres which were completed incurring Rs. 11,314,925 in the year 2020 , only the Hambantota Suwabojun and Marketing Centres had been opened during the year under review .</p>	<p>Even though the bill payments relating to 02 Suwabojun and Marketing Centres where the expenditures were made in 2019 have been done in the year 2020, it was unable to open at the end of the year due to Covid 19.</p>	<p>Planned activities should be properly implemented.</p>

- (b) The first phase of the construction of a two storied Suwabojun and Marketing Centres and a Samurdhi Rest House building with a total of 5218 square feet in a land in extent half an acre belonging to the Department of Forest Conservation, Ampara Maha Oya had been commenced in the year 2017 . The total from the year 2017 to 2020 had been estimated as Rs. 43,457,347 and the provision amounting to Rs. 35,042,514 had been allocated from the Head Office to the District Office up to the year 2020 . Even though a sum of Rs. 13,812,142 had been paid to the contractor for the first and second phases and the second phase was expected to be completed and handed over in 2018, the works had not been completed even by the year 2021.
- Ampara Maha Oya Sales Center and the Suwabojun and Marketing Centres has been estimated and commenced in 2017 . Even though the allocations have been made for the year 2020, a situation where the work of the relevant project could not be completed had arisen as a result of Covid 19 and the heavy rainfall. Since it is expected to complete the work on this project by 2021, the provision of Rs. 14.8 million and imprests have been requested by the Ampara District Secretary.
- Planned activities should be properly implemented.

### 3.5 Payment of Rs. 5,000 for Covid - 19 Social Benefits

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 The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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<p>The following observations were made in relation to the expenditure made totalling to Rs. 51,038.92 Million consisted of Rs. 50,462.19 Million for 10,021,055 families and 71,383 disabled, kidney diseased elderly beneficiaries, Rs. 34.63 Million for indirect expenses for officers and</p>		

Rs. 542.10 Million as bank loan interest under Phase I and II for the 5 benefited groups.

- (a) A total Rs. 53,588.96 Million had been obtained by bank loans (secured with fixed deposits), by realizing of investments in the Micro Finance Banking Sector, savings in the Micro Finance Sector and from Samurdhi Banks to get the money required to pay the above subsidies as per the information provided by the Micro Finance Banking Sector. Out of that, a total of Rs. 53,482.21 Million had been remitted to Community Based Banks as Rs. 34,225.63 Million by official bank account, the compulsory savings account of Samurdhi recipients, Rs. 7,893.26 million through compulsory savings account of Samurdhi Beneficiaries and Rs. 11,363.32 Million from Direct payments of Samurdhi Community Based Banks. Information with regard to that had not been properly maintained and actions had not been taken to reconcile the expenditure out of the money utilized in the Regional Offices and the cash balances.
- All the balance receivables which were transferred by Samurdhi Banks have been accounted for as receipts in the general deposit account and recorded after paying the allowance of Rs. 5,000 . All such receipts have been recorded in the deposit registers as well. District Offices have been instructed to reconcile and to report the expenditure and cash balances of the Regional Offices.
- Actions should be taken to maintain information properly and reconcile the money utilized and to reconcile the balance remained.

- (b) The interest which should be received for Samurdhi recipients' compulsory savings amounted to Rs. 556.46 Million had deprived because of get realized the investments of compulsory savings of Samurdhi recipients that had invested in 31 fixed deposits amounting to Rs.22,754 Million before the maturity .
- Agree with the observation.
- Actions should be taken to pay the deprived interest for the compulsory savings for investment of Samurdhi recipients.
- (c) Out of Rs.51,038.92 Million spent from the money obtained from various sources, only Rs. 16,000 Million of bank loans and Rs. 542.10 Million in interest on it had been reimbursed by the Treasury and confirmation was not given as to how the balance would be settled.
- Even though a provision of Rs. 24 Billion has been released to settle the debts of Micro Finance Banking Sector, that amount could not be settled in December, due to non-receipt of the relevant amount. Requests have been made from the Treasury on several occasions to reimburse the money.
- Actions should be taken to settle the balance.
- (d) The allowance of Rs.5,000 for adults, disabled and kidney patients in waiting had been given to Divisional Secretariats after crediting a sum of Rs. 356,915,000 to the official accounts of all Community Based Bank Societies for the 71,383 beneficiaries as per the instructions provided to pay through Samurdhi Based Bank Societies. Even though it had been informed to credit the balance once the payment is made, to the official account of the Samurdhi Development Department and to fax the
- A letter has been sent to the Secretariat for Persons with Disabilities by 19 March 2021 requesting the amount of Rs. 356,915,000 paid for the elderly, disabled and kidney patients mentioned in this observation to be reimbursed to this Department.
- Actions should be taken to credit the balance to the official account of the Department of Samurdhi Development and to obtain progress reports on payments .



receipts to the Head Office and to prepare a combined report on the progress of the payment by the Social Service Officer and Elderly Promotion Officer and send to the Department with the approval of the Divisional Secretary, in terms of the letter of the Accountant of the Samurdhi Department No. DSD/03 /ACC /8 /IMP / 2020 dated 01 May 2020, actions had not been taken to obtain the relevant reports or the balance money.

### 3.6 Uneconomic Transactions

#### Audit Observation

Despite having purchased a vehicle with a contract value of Rs. 11,880,000 for a period of 5 years with the 2018 tax-free monthly rent of Rs. 198,000 each under the operating lease scheme, for the use of the Director General, a vehicle had been purchased for the use of the Director General in March 2018. Accordingly, even though attempts were made in the years 2018 and 2020 to cancel the agreement and return the vehicle since there was no need of a vehicle on lease, as a result of inclusion of conditions that cannot be withdrawn from the agreement it had been impossible to cancel. Therefore, as a result of not running of vehicles, the amount of Rs.4,918,320 paid from April

#### Comments of the Accounting Officer

Answers have not been given.

#### Recommendation

It should be applied economically and efficiently in order to achieve the objectives of the Department.

2018 to February 2020 and the total of Rs. 7,270,560 with the liability of Rs. 2,352,240 from March 2020 to January 2021 were fruitless expenditures.

### 3.7 Failure to Answer Audit Queries

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#### **Audit Observation**

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Answers had not been provided for the 7 audit queries submitted during the preceding year and 3 audit queries submitted during the year under review and the delay had ranged from 5 months to more than 20 months. The value of transactions that can be computed in relation to those queries was Rs. 13,814 Million.

#### **Comments of the Accounting Officer**

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Offices were closed and officers were not called for duties during the period from March to July 2020 due to the Covid - 19 epidemic. Later on, many tasks had to be limited because of the epidemic existed during the period from September to December. It is accepted that the delays have occurred in answering audit queries during the preceding year. Answers to all audit queries have been drafted by now and arrangements will be made to submit soon.

#### **Recommendation**

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The Accounting Officer should check the Register of Audit Queries mentioned in Financial Regulation 452 (1) and take actions to correct the deficiencies pointed out and answer audit queries immediately in terms of Financial Regulation 155 .

### 3.8 Management Weaknesses

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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<p>(a) Letters of appointment had been issued by the Public Service Commission on 31 July 2019 absorbing 20 officers who have expressed preference with entitlement for pension right into Executive Services Class III Grade with effect from January 2014 as personal to the bearer, subjected to all the conditions and provisions of Section 44 (e) II of the Divi Neguma Act No. 01 of 2013 and Circular 3/2019 issued by the Director General dated 4 April 2019 in accordance with the Promotion Scheme for the Executive Service Category approved by the Public Service Commission on 05 April 2018. Despite the efficiency bar test which should be conducted before 3 years had also not been conducted, actions had not been taken to resolve the problematic situation occurred due to creating of posts again by removing "Personal to the bearer" for relevant officers by the letter from the Department of Management Services No. DMS / 1284 / VI dated 05 July 2019 .</p>	<p>The facts have been presented by letter dated 16.02.2021 to the Secretary of the Public Service Commission to resolve the problematic status in the appointment letter mentioned here.</p>	<p>Actions should be taken to resolve the problematic situation.</p>

**(b)** The instances of failure to comply with the “b” of Samurdhi Department Circular No. 3/2019 dated 4 April 2019 on absorption and promotion of Officers of the authorities to the Department of Samurdhi Development were observed as follows.

**(i)** Although it was stated that the Officers who are absorbed into the Department with pension entitlement from the date of first appointment in an Authority, 60 per cent of the total contribution of the Employees Provident Fund in his name should be repaid to the Government from the date of the first appointment of the Authority to the date of closing of his account under Section 44 (e) ii of the Divineguma Act in terms of Paragraph 3 (1) i of the above Circular, it was not observed that the money had been recovered.

Answers have not been given. It should act in accordance with the circulars.

**(ii)** If a gratuity has been obtained, the full amount received should be repaid to the Government under the Gratuity Act No. 12 of 1982 ( Paragraph 5 of the above circular ). The amount is to be deducted from the salary not exceeding 60 installments before the age of 55 years on reaching the optional retirement age and if this is not possible, not more than half of

Answers have not been given. It should act in accordance with the circulars.

the total amount to be recovered can be recovered from the converted committed pension and also the full amount due should have been paid to the Department of Pensions by the date of sending the pension application. Nevertheless, necessary actions had not been taken to recover the gratuity of all the officers except the retired officers. A total of Rs. 3,057,258,460 had been paid as the total gratuity paid as at 31 December 2020 amounting to Rs. 2,214,097,760 and the 30 per cent surcharge amounting to Rs. 843,160,700 as well according to the information of the Accounts Division.

#### 4. Achieving the Sustainable Development Goals

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>Actions had not been taken to formulate plans in line with the Sustainable Development Goals and targets introduced by the United Nations to make Sri Lanka a poverty free and prosperous country by the year 2030 .</p>	<p>Comments have not been given.</p>	<p>The Department should identify sustainable development goals, targets and indicators and to act accordingly.</p>

## 5. Human Resources Management

<b>Audit Observation</b> -----	<b>Comments of the Accounting Officer</b> -----	<b>Recommendation</b> -----
<p>The approved and actual staff as at 31 December 2020 were 26,431 and 25,255 respectively and 1,178 posts were in vacant. A sum of Rs. 12,823.44 Million had been spent for the personal emoluments category during the year under review to perform the role of the Department. The following observations are made in this regard.</p>		
<p>(a) Even though four officers who have made continuous contributions to the Employees Trust Fund and the Employees Provident Fund and have agreed to join the service of the Department had been approved by the Public Service Commission, actions had not been taken by December 2020 to approve the promotion scheme and make the relevant recruitments. These officers were performing their duties in the post of Assistant Director.</p>	<p>Answers have not been given.</p>	<p>Administrative issues should be resolved by expediting activities.</p>
<p>(b) Recruitments of 30 per cent through an open competitive examination and 70 per cent through an open competitive examination from the officers who are paid under the MN-1 and MT-01 salary categories of the Department of Samurdhi Development should</p>	<p>Answers have not been given.</p>	<p>Administrative issues should be resolved by expediting activities.</p>

be made as per the Scheme of Recruitment for the Samurdhi Manager. Nevertheless, actions had not been taken to fill the 54 posts which had remained in vacant as at 31 December 2020 and out of those posts, duties are carried out on 16 acting and 38 covering duties basis.