

Head 414 – State Ministry of Samurdhi, Household Economy, Micro Finance, Self Employment and Business Development

1. Financial Statement

1.1 Qualified Opinion

The audit of the financial statements of the State Ministry of Samurdhi, Household Economy, Micro Finance, Self Employment and Business Development for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 State Ministry of Samurdhi, Household Economy, Micro Finance, Self Employment and Business Development was issued to the Accounting Officer on 18 May 2022 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Ministry was issued to the Accounting Officer on 23 May 2022 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 State Ministry of Samurdhi, Household Economy, Micro Finance, Self Employment and Business Development as at 31 December 2021 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

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 responsibility for the financial statements are further described in the Auditor's Responsibilities Section. 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 for the Financial Statements

The Chief Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Section 16(1) of the National Audit Act, No.19 of 2018, the Ministry is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable the preparation of annual and periodic financial statements.

In terms of Sub-section 38(1)(c) of the National Audit Act, the Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Ministry and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

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 summary 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 and its materiality depends on the influence on economic decisions taken by users 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,

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluate the 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.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Chief Accounting Officer regarding, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit

1.5 Report on Other Legal Requirements

I express the regard to the financial statements for the preceding year had been implemented in terms of Section 6 (1) (d) of the National Audit Act No. 19 of 2018 .

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Position

1.6.1.1 Non Financial Assets

The following deficiencies were observed in accounting for Property, Plant and Equipment.

Audit Observation	Comments of the Accounting Officer	Recommendation
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<p>(a) Spending Rs. 121,002,659 for the building related to Seeduwa Training Center which is being constructed, by end of the year under review, had been stated under building of non-houses of non-financial assets as purchasing.</p>	<p>By mistake, the amount to be maintained under working progress in non- financial assets were recorded under purchases of non- houses buildings. Kindly let me know that we are working to correct the mistake.</p>	<p>Arrangements should be analyzed assets and made to report accurately.</p>

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| <p>(b) The value of 77 items of Rs. 3,815,643 belonging to 4 type of assets had not been brought in to account under correct asset classification and it had been brought in to account as computer accessories.</p> | <p>An oversight has occurred. The concerned officers have been informed to accounts under correct asset classification.</p> | <p>Arrangement should be made to report accurately.</p> |
| <p>(c) Having assessed the financial value of Lands and Building of the Trainings and Research Institutes located in Borella and Pilimathalawa belonging to the Ministry, it had not been included into the financial statements.</p> | <p>I will work to reduce such short comings in the future.</p> | <p>Action should be taken to assess the value of land and buildings and include them in the financial statements.</p> |
| <p>(d) The construction value of Rs. 540,000 for Social Security Board building had also been included within the balance of office buildings which had been existed to Rs. 589,293,499 at the beginning of the year.</p> | <p>This amount has been handed over to the instruction to check the structural stability of the Sri Lanka Social Insurance Board office building in 2019. I will get the necessary instructions from the treasury and transfer the balance of this Rs. 540,000 to the Social Security Board.</p> | <p>Arrangement should be made to report accurately.</p> |
| <p>(e) Although 5 vehicles identified by the disposal committee on 26 March 2021 had been transferred to other institutions in the month of December. They had not been removed from the Fixed Asset Register.</p> | <p>It was informed that it will be removed from the Assets Register in 2022.</p> | <p>Do</p> |

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| (f) | Although 144 good items related 15 items to the cost of Rs. 6,626,616 from the assets owned to the Ministry had been shown in ACA-6 as disposed in the year and as per the item disposal list, 259 good items related to 54 items had been disposed. | It was emphasized that the list of disposal of goods were not correctly classified. It will work to reduce such shortcoming in the future. | Do |
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1.6.2 Imprest Balance

The following deficiencies were revealed in accounting for imprest balances.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a)	Although the imprest account number should be noted as 7002-0-0-324-21 in ACA-3, it had been wrongly indicated as 7002-0-0-324-19.	It has happened due to a minor error. The subject officer was informed to attention to this mater in the next year. Accurate cash flow statement should be submitted in terms of the Guidelines introduced by the State Accounts Circular.
(b)	In terms of treasury print SA-70 opening balance of Rs. 2,241,771 of previous imprest account No. 7002-0-0-324-20 had not been included in to the ACA- 3 format.	The opening balances Rs. 2,241,771 has not been entered in to the proper format ACA-3 by mistake and advised to follow the proper format next year. Do

1.6.3 Cash Flow Statement

The following deficiencies were revealed in prepared statement of cash flow.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
Although re adjusted balances should be included in the format given in the Public Sector Accounts Guideline No. 2021/03, the net activities value of Rs. 9,372,330 generated from operational activities of ACA-C had been included in the financial cash flow prepared for the year ended 31 December 2021, without adjusting again.	It has happened due to a minor error and the subject officer was informed to attention this matter in the next year.	Accurate cash flow statement should be submitted in terms of the Guidelines introduced by the State Accounts Circular

1.6.4 Advanced Account Balances

The following deficiencies were observed in accounting for balance of the advance accounts as at the end of the year.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
The loan balance of Rs. 1,680,826 related to 7 officers in the member loan register had not been included in to the schedule submitted with the loan balance account and the sum of loan balance of Rs. 1,362,971 related to 7 officers had been included in to the schedule submitted	The amount of Rs. 1,680,826 not included in the schedule is a situation missing out of retirement and transfers and the omissions have not been rectified. The amount of Rs. 1,362,971 loan balances have been arranged to recorded	Arrangements should be made to report accurately.

with the total loan balance correctly in the CC 10 account, it had not been Register. included in to the member loan resister.

1.6.5 Non- maintenance of Register and books

It was observed during audit test checks that the ministry had not maintained the following registers had not been maintained in the proper and updated manner.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) A register of damages and losses had not been updated in terms of financial regulations 110 and 104	It is informed that the actions will be taken to update the Register of Damages and Losses.	A record of damages should be maintained.
(b) A Register of Liabilities had not been updated in terms of Financial Regulation 94.	The subject Officer was informed to update and maintain the accounts payable register regarding entering in to Liabilities and Obligations.	A Register of Liabilities should be maintained.
(c) 29 Ministry Officers had nor kept security in terms of Financial Regulation 880.	Bail applications of all officers of the Ministry have been forwarded to the Public Service Mutual Guarantee Association and further action will be taken once the reply is received.	Should be kept the security.

2. Financial Review

2.1 Management of Expenditure

The following observations are made.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
<p>(a) Only Rs. 6,694,694,598 had been utilized from the capital provision of Rs. 11,458,600,000 allocated for the Ministry and other than the balance of Rs. 451,956,397 remaining as per the instructions of Cabinet of Ministers under review of state expenditure, underutilized amount had been Rs. 4,311,949,005 or 37 per cent.</p>	<p>In the year 2021, due to the covid epidemic situation and the shortage of raw materials in the market, the work sites had to be closed due to quarantine, the delay of essential goods, the increase in the price of goods, the lack of funds and the existence of pending bills happened.</p>	<p>Action should be taken to prepare the estimates accurately.</p>
<p>(b) As per section 6 of appropriation act No. 07 of 2020 and in terms of Para 5.1 of the Finance Circular dated 28 August 2020, although it has been mentioned that the expenses should be managed while remaining in limits of capital and recurrent provisions allocated from the annual budget estimate, Rs. 5,755 million had been obtained for 02 objects on Supplementary Estimation and at 31 December, 23.2 per cent or Rs. 1,337,328,743 had been remained out of it.</p>	<p>The reason for the remaining of financial allocations has been mainly due to the lack of resources for that particular construction during Covid Pandemic.</p>	<p>Do</p>

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| <p>(c) In terms of FR 66 and 69 to be read relative with 5 (1) and 5(2) of the Appropriation Act No. of 7 of 2020, provision had been obtained by following Weeramo procedure, 37 per cent had not been utilized at the end of the year.</p> | <p>According to FR 66 and 69 , the allocations were obtained under the Weeramo procedure as per the allocation requests received from the District Secretaries officers and Subject Officer was informed to avoid such errors in the next year by forecasting and providing the required allocations to the District Secretaries in the coming year.</p> | <p>Do</p> |
| <p>(d) In Contradiction with the Para 3.4 of Public Accounts Guideline No 2021/03 dated 26 November 2021, the remaining balance had been from 6 per cent to 100 per cent for 24 objects.</p> | <p>Saving made to comply with the cabinet decisions under the Public Expenditure Review dated 30 August 2021.</p> | <p>Do</p> |
| <p>(e) In terms of FR 138(1), although head of expenditure, program and project should be certified in the voucher by the relevant officer, it had been observed notes had been made to 2 projects when classification the expenditure projects and 79 cases had been observed for classification defects when taking notes.</p> | <p>Since the reserve vehicles owned by the Ministry are generally used by the officials working under the Ministry, the provisions of the relevant expenses have been taken into account as if they were left. In the future the relevant officers have been informed to taken the vouchers under the relevant expenditure categories properly.</p> | <p>Do</p> |

2.2 Entered into Liabilities and Commitments

The following observations are made.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) Exceeding the sum of Rs. 380,743 of 9 objects, liabilities had been made.	Hence the payment vouchers were submitted even after the end of 2021 due to various reasons. Accordingly, payment were made in the year 2022 without requesting additional allocations for the mentioned expenses.	Commitments should be entered into in accordance with the circular provisions.
(b) Although uploaded balance of liability had been Rs. 1,391,475,563 to the commitment and liabilities information system by Divisional Secretariats Office, the value of which was Rs. 2,086,571,257 as per the programs in the financial statements.	The value entered in to the system of Obligations and Liabilities of the Public Accounts Department by the District Secretaries is Rs. 1,391,475,563 even if it is, the value of commitment and liabilities which they have certified to this ministry is Rs. 2,086,571,257.	Do

2.3 Settlement of Advanced

The following observations are made.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) Considering the matters of ability of the Department, strength, scale of expected operation and amount to be funded by the Government for	At the time of preparing the estimates for the year 2021, the staff of this Ministry was 927, and the maximum expenditure limits and the	Action should be taken to prepare the estimates accurately.

the expected work, the appropriate limits had not been made. In subsequence, maximum expenditure and maximum debit balance of the year under review in the year had been 19 per cents and 42 percent respectively.

maximum debit balance limit was decided taking into account that staff. But with the amendment of the Ministries the 272 Development Officers staff attached to the National Entrepreneurship Development Authority has left the scope of this ministry, so the difference between the limits given by the treasury and the actual values has become difference. A request has also been made to the treasury to revise the actual employers for the year 2021.

(b) Unsettled loan balances had been Rs. 202,508 through the years had been passed for vacating the service.

An 11 reminder has been sent to his personal address on 30 September 2021 regarding loan collection. The loan balances of Rs. 53,200 which is more than 3 months after transfer, has been settled through the account summary of January 2022.

Action should be taken to settle the loan balances.

2.4 Deposit Balances

The following observations are made.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) The total of 2 deposit accounts as at 31 December 2021 was Rs. 1,814,858 and there was a deposit balance of Rs.	The deposit of Rs. 200,000 in the tender deposit account has been arranged to be credited to	Actions should be taken in accordance with financial regulations.

1,059,123 between 1 year and 5 years, in that balance. Rs. 240,000 had been settled among it by April 2022.

the state revenue from the account summary of April 2022 and it will inform the Rural Development Excise and Research Institute and It will proceed to credit the Government Revenue as soon as recommended.

(b) The income of Training Centers amounting to Rs. 526,472 collected in 2019 and 2020 and collected amount of Rs. 157,032 for the supply of accommodation facilities from 2018 to 2020 had been remained without crediting to the Government Revenue.

It will proceed to credit the Government Revenue as soon as recommended.

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(c) For training programs received from Asian Foundation Rs. 211,000 were kept in the public deposit account without being used for those training programs and the treasury approval was not obtained for that.

It would like to inform you that it is planned to use the skills of the officers of the counseling service for a training workshop in the future.

Planned Programs should be used.

2.5 Operation of Bank Accounts

The following observations are made.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) The bank had not been instructed, on the maximum amount to be paid under it when providing special signatures.	The bank has been informed through the treasury under the procedures followed in opening a bank account and arrangements have been made to notify the bank in writing of any changes that occur from time to time.	Action should be taken to instruct to the bank on the maximum amount.

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| (b) | As mentioned fewer than 11 of format TOD/BA/01 Cited in Para 02 of the Treasury Operation Circular No. 03/2015 dated 15 October 2015, 29 officers of Ministry had not been kept securities in term of FR 880. | Answers are not provided. | Action should be taken in accordance with Financial Regulations. |
| (c) | A report had been kept for spoiled or cancelled cheques but it had not been forwarded to the Internal Audit Division. | The subject officers were informed to arrange for refers to the Internal audit division. | Do |

2.6 Non-compliance with Laws, Rules and Regulations

Instances of Non-compliance with provisions in laws, rules and regulations observed during the course of audit test checks are analyzed below.

Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Accounting Officer	Recommendation
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(a) Financial Regulations of the Democratic Socialist of Sri Lanka 371 (2) b	As soon as the issuance of an interim imprest, it should be filled, it had not been taken sum with regard to 45 instances for Rs.697,038.	The officers were informed that they should take action to settle the arrears immediately after completing the work of receiving the interim arrears.	Action should be taken in accordance with Financial Regulations.
(b) Financial Regulation 1647(a) and Public Administration Circular No 26/92 (1) dated 03 August 1994	Action had not been taken to conduct a survey on 43 vehicles belonging to the Ministry.	Now the survey has been completed.	Action should be taken in accordance with Financial Regulations.
(c) Public Administration Circular No 30/2016 dated 26 December 2016	Daily running charts or monthly running charts to be held for two vehicles purchased under long-term lease as per the circular were not presented to the audit.	Daily running charts and monthly running charts are already being kept for those two vehicles and it will be made to submit for audit.	Action should be taken in accordance with Financial Regulations.

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| (d) | Management Audit Circular No. DMA/01/2019 dated 12 January 2019 | Although, the pass words of first, second and third to be distributed among officers with regard to prepare salaries in the instruction document on payment of salaries, it had not been performed. | Arrangements are being made to distribute the first, second and third pass words of salary related computer software among the relevant officials. | Internal control system should be followed. |
| (e) | Public Finance Circular No. 01/2020 dated 28 August 2020 | The activities like transfer of assets exchange of assets among institutions, preparation of relevant books and providing such to institutions and adjustment and etc. should be performed, it had not been worked in terms of the circular when transferring the assets in the Ministry. | 5 vehicles recommended for disposal by the Ministries' Disposal Committee have been legally handed over after receiving the Valuation Committee report and efforts are being made to remove them from the fixed Assets Register. | Action should be taken in accordance with circular. |

3. Operating Review

3.1 Mission of the Ministry

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) The function and duties to be performed by the State Ministry and 05 special priorities were introduced by Extraordinary Gazette Notification No. 2196/27 dated 06 October 2020. The operational activities of the 3 statutory bodies entitled to control the Ministry for that purpose are the Small and Medium Enterprise Capital Company, the Small and the Medium Enterprise Authority	Information about these two Institutions was not available. The letter No SMS/ACC/17/1/SME was submitted to the Ministry of Finance, with the signature of the Secretary to prepare a discussion with the appropriate officials in order to be informed about the measures to be taken the next steps.	Operational Activities related to the functions and duties to be performed by the Ministry should be carried out.

and the State Resource Management Corporation. Even though the operation process of Small and Medium Enterprise had been inquired from the Department of Company Register General and Public Enterprise Department, information on these institutions could not be obtained.

- (b) Favorable bank balance of Rs. 1,521,370 and Rs. 61,928,356 Fixed deposit was owned to the Public Resource Management Corporation Company as at 15 July 2021. The Corporation earned Rs. 10,849,164 per year by leasing 3 assets in which the management has been transferred to this corporation but the ownership to the Rubber Export Corporation Ltd, by 15 July 2021, the Secretary to the Ministry had informed to the Finance Ministry that there is not an active governing board to this Corporation. Further the Secretary to the Ministry had informed to the Finance Ministry that Elpitiya Factory has been closed for 20 years and Ministry does not have the reports of assets liabilities relevant legal document to prove the ownership.

A discussion regarding the future operation of the State Resource Management Corporation was held on 22 July 2021 at the Financial Ministry. After that discussion as mentioned in the copy of the letter dated 10 September 2021 bearing Corporation No. PED/P/SRMC/1/11/ (i) the Secretary of the Ministry of Finance informed the Secretary of the Ministry of Finance to immediately liquidate the currently inactive Limited State Resource Management Corporation. In response to that letter, a letter seeking advice SMS/SRMC/ACC/16/2 was submitted to the Ministry of Finance on 24 September 2021. Suggesting that, It would be more appropriate to liquidate the Sate Resource Management Corporation under the direct supervision of the Department of Public Enterprises and the Treasury Law Department.

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3.2 Performance

The Following observation and made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) Social Security Network Project		
----- Aiming at 165 beneficiaries in 3 selected districts with the aim of gradually taking the extremely poor to prosperity, Rs. 16.08 Million was procured and as at 31 December, a progress of Rs. 10.52 Million had been made for 108 beneficiaries. During the implementation of this pilot project, the selection of 3 districts was done randomly and the fact on the basis of the selection of beneficiaries and the selection methodology and the methodology to evaluate the productivity of the pilot project were not sufficiently disclosed.	Due to the fact that far – off destinations were restricted due to covid epidemic situation at the time of starting the project, the Districts of Colombo, Kurunegala, GamPaha where duties could be completed in one day were selected Regional Secretariat Divisions and Grama Niladhari Division were selected using random sampling method.	Action should be prepared the basis of the selection methodology of beneficiaries and the methodology to evaluate the effective of the pilot project.

(b) Provision of Rs. 672,100,000 provided for projects implemented through other line Ministries and Departments.

As per the revised action plan of the State Ministry of Samurdhi, it had been expected to implement 22,215 projects having allocated Rs. 773.9 Million to the other institutions, as per the report of the 4 quarter progress in the year 2021, Rs. 686.66 Million had been incurred to complete 13,020 projects. Due to receipt of imprest with regard to the projects which were completed, bills in hands had been Rs. 75,625,000 for the value of purchase goods, equipment and other expenditure.

The relevant allocations were released for the requested institutions and the allocations were used for each project according to the project plans of the institution in change of the subject. Apart from this projects related to other institutions were implemented by Divisional Secretaries.

Planned Programs should be used.

(c) Saubbhagya National Village Empowerment Program

The following observation are made.

- i. It was targeted to implement 1250 projects at a cost of Rs.1,800 Million for the development of infrastructure facilities in the Samurdhi Saubbhagya Production Villages. As per the progress report as at 31 December, 1,591 projects had been initiated and among them, Rs. 733.92 Million had been spent for 1,436 projects and cash in hand had been Rs. 819.22 Million. Because, applying for imprest had been done at the end of the year to implement the projects in District Secretariats, so the projects could not completed and Rs. 246.86 Million had been

The reasons for the remaining provision amount of Rs. 246.86 Million were due to the increase in the price of construction materials, the lack of market goods and the lack of contractors.

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remained among provisions.

ii. In identifying production field and selecting villages, the availability of resources in each village, product inequality and the need for sustainable implementation or selection of villages based on non-productive products should be considered and the availability of raw material to continue production is more appropriate in terms of geography/climate, sample inspections carried out at several Divisional Secretariats revealed that villages had been selected without paying attention to specific issues that need to be addressed, such as the potential to increase production capacity. Ex. Homagama production village associated with coconut.

The will of the people involved in the implementation of a production activity is a very powerful factor. Therefore, production villages have been selected by the Divisional Secretaries based on the will of the people and longley adjusted with the criteria. However in the future, It will work to inform the Divisional Secretaries to pay more attention to guidelines, when identifying villages.

Action should be taken in accordance with circulars.

iii. According to the sample test conducted at the Homagama Divisional Secretariat in the Colombo District, only one hundred thousand rupees should be paid per person according to the circulars, but 8 machines for the production of coconut oil worth Rs. 605,000 per machine were also available for 8 beneficiaries. Although a shredder should be provided for two beneficiaries Rs.175,000 worth of coconut husking machine had been given only to one beneficiary. But due to lack of require raw material the projects were found to be inoperable during the physical inspection conducted on 14 November 2021.

It has been issued to the society for promotion of Saubhagya coconut oil products and coconut related products and them distributed to the members of the society for the purpose of carrying out the industry. Any equipment is not personally provided to members. Its operations and supervision are done by Saubhagya Samithi.

Do

Development of common

**infrastructure facilities in the vicinity
of Sawbhagaya Production Villages.**

The following observation are made.

(i) Although it has been informed that only proposals that can be completed in the years 2021 should be selected for the development of public infrastructure, but it has been informed that it will not be dismantled for the coming year, 5 projects in 3 Divisional Secretariats are sum of Rs.8,995,587 bills had been in hand.

There has been some delay in the construction projects due to the shortage of construction materials and non- availability of funds at the end of the year.

Do

(ii) Although the Thimbirigasyaya, Kirulapana Kolakanda/Hela herbal production had been identified as the foremost requirement of the Sawbhaggya production project, the construction of a new factory had not been considered and the provisions for the year under review had been increased to Rs.3,000,000 at a cost of Rs.1,488,402 the balance of Rs.1,511,598 had been withdrawn by the Ministry. Accordingly, it was observed that the objective of developing public infrastructure that directly contributes to the livelihood development of the community in Sawbhagya production villages had not been achieved.

- (d) (iii) Should be confirmation by the bank statements that the relevant contractor has the financial facilities in recommending the assignment of the contract in accordance with the Public Finance Circular No.01/2021 dated 29 the September 2021. Although satisfaction of the contractor's experience work quality satisfaction whether the contract can be awarded , if a three member committee consisting of two representatives nominated by the Head of the Department and the Divisional Secretary is satisfied with the statements issued by the society regarding the contracted but incomplete contracts and the sub-contracts for the relevant work. Therefore Homagama, Padukka and Kaduwela Divisional Secretariat did not observe any action taken on infrastructure development projects.
- During the implementation of the project due to the revised of estimates from time to time due to the shortage of raw materials, import restrictions, fluctuations in market prices because, the provision of Rs.1,511,598 had been withdrawn by the Colombo District Secretary.
- Do
- (iv) Although the objective of this project is to provide infrastructure that directly contributes to the livelihood development of the community in the vicinity of the Sawbhagya Production Villages, on the contrary, the road construction and construction of side walls and drainage system in the areas outside the Sawbhagya Production Villages are
- The responsibility for the procurement process is assigned to the organization implementing the respective program. Further, this ministry has informed the institutions and various provisions of the Institutions Code and the instructions issued by the government from time to time.
- Do

named as special projects and 4 projects for Rs. 5,306,972 had been spent preceding year.

This is not just a program limited to the production villages and these projects are general infrastructure development of the people of the area, which were not able to developed for a long time due to the public demands of the area.

Planned activities should be implemented properly.

(e) Rural Development Training Research Institute

i Conducting a research on changes in living condition of the community of 50 of model villages, selected under samurdhi production village and saubhagya production cluster village program was included to the Action plan, but only 25 Model villages were researched at the end of the preceding year.

Due to the rising of covid-19 epidemic situation in the country, it was not possible to carry out the works as planned according to the action plan of 2021.

Planned activities should be implemented properly.

ii In accordance with Action plan and Budget of the Institute, from the amount of Rs. 50.36 Million allocated for reviewed year with the aim of poverty alleviation and rural development in Sri Lanka, only Rs. 0.83 Million or 1.6 per cent was allocated for 8 of activities on behalf of achieving objectives of the Institute. 10.6 per cent from rest of Rs. 82.6 Million had been incurred to buildings renovations and purchasing office equipment

Since, the Borella head office has not been repaired for a year and the Borella and Pilimathalawa Institutes will be improved is such a way that the government can get income by providing external services and money will be spent to buy equipment for the hostels in 2021.

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while 72 per cent had been incurred for recurrent expenses. In the year of review Rs. 538,378 had been earned by providing services to outside Institutions the amount incurred directly on behalf of the purposes and objective of establishment of this Institute was only 1.6 per cent.

3.3 Activities Contrary to the Main Function

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
<p>(a) The following observations and made. Apart from Expenditure Head of the Samurdhi State Ministry, Rs. 5,750 Million had been allocated by supplementary for the project of empowerment to lacks of Samurdhi recipient Families by vote-on Accounts under Expenditure Head 240. A Rs. 4,691,980,006 from that amount had been released to all the District Secretariats and Rs. 102,071,740 had been refunded. Rs. 433,337,832 from total expenditure, had been disbursed for home garden expenses of 2021/2022.</p>	<p>Rs. 5750 Million allocated to districts and other line ministries and Institute. Out of the allocation given to the 25 district, Rs. 102,071,740 was taken back and released to the districts that applied for additional funds to maximize the allocations allocated by the government for this program.</p>	<p>Planned activities should be implemented properly.</p>
<p>(b) The amount of Rs. 33.5 Million which was allocated to Department of Samurdhi for awareness programs on</p>	<p>In the year 2021, “a full completed home base economy centered on 200,000 Samurdhi beneficiary families and</p>	<p>DO</p>

project of empowerment to lacks of Samurdhi recipient families had been disbursed to other works, that do not fall under that program such as Rs. 227,788 to purchasing two teak cupboard and table cloths for office for purpose of requirement of the Head Office and Rs. 7,143,750 to printing Samurdhi gold certificates, clear written evidence on awarding Samurdhi gold certificates were not provided in the audit.

“Empowerment of Associated Villages” has been included as budget proposal.

3.4 Check on Damage and Losses

The following observations are made.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) Preliminary report on the vehicle, which was met an accident on 24 September 2014 was submitted in accordance with F.R 104 (3) after the two years to the accident and the Ministry had not make complete report in accordance with F.R 104 (3) and had not taken action in accordance with FR 105,106. Actions were not taken to repair this vehicle, though 7 years had been passed to 31 December 2021 and insurance had been claimed by	On 9 February 2017 the preliminary inspection report was submitted. Requests have been submitted to the Sri Lanka Insurance Co-operation along with the relevant documents to get the accident compensation. Actions are being taken to entered the Register of Losses and Damages.	Action should be taken in accordance with the Financial Regulation and Circulars.

the Ministry on 26 October 2020, after 6 years. Detail of this accident had not been reported in the statement on recoverable or written off or waived off losses of financial statements.

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| (b) | The official vehicle assigned for coordinating Secretary to the State Minister, had been met an accident on 17 April 2021 at Dahaiyagama, Anuradhapura and the Service Agency of cab's has estimated that the cost of repair was Rs. 371,945. Rs. 263,508 had been received as compensation from Insurance Company. The rest of due amount of Rs. 108,411 had been paid to the Agency by the Ministry and investigation had been conducted in accordance with FR 104 (3) on 29 September 2021, after 6 month to the accident. | During this period, the covid epidemic was severe and the investigation was delayed due to movement restriction and driver being infected with covid. | Do |
| (c) | Full reports in accordance with the FR 104 (4) about 2 vehicles accidents occurred in 3 occasions were not submitted. | Details about the two vehicles involved in the accident have not been given, so information cannot found. | Do |
| (d) | The damage, lost Rs. 18,400 of a Jeep by an accident on 10 march 2021 was not entered in the statement of losses and waivers of financial statements in accordance with F.R.110 | The Damages and Losses were recorded in the Register, but due to an omission, the information was not submitted to the Accounts Division. | Do |
| (e) | The shortage of Rs. 138,000 revealed by reports of Boards of Surveys in 2020, of the dialog I phone 64 GB (90) 01 of State Minister's office had not been entered in Losses and Waivers Register and actions had not been taken in accordance with F.R. 110. | On 20 April 2022, the Former Minister informed that the phone was missing and the police report will be provided. | Do |

3.5 Procurements

The Following observations are made.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) Procurement plan had not been prepared in detailed and including procurement time table in accordance with 4.2.1 (c) and 4.2.2. (a) of Government Procurement Guideline.	It will work to correct the deficiencies indicated in the preparation of the future procurement plan.	Action should be taken in accordance with the Government Procurement Guideline.
(b) In accordance with Cabinet Decision No අමප/21/1118/313/036 dated 5 July 2021, office equipment, computers and computer accessories had been purchased by State Trading (various) Corporation contrary to the Government approved Procurement Guideline and total worth of those items is Rs. 11,037,137 in 10 occasions.	On the approved of the Cabinet Decisions No අමප/21/1118/313/036 dated 5 July 2021 and 18 June 2020 අමප/20/08887/218/011, to purchase goods up to Rs. 50 Million from the Sri Lanka State Trading (various) Co-operation arrangements are made to purchased computers and computer equipment by the quoted prices.	Do

4. Assets Management

The following observations are made.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) Allocations had been provided by president Secretariat in year 2017,	By letter No. SDB/03/GS/Dist-02 addressed to all District	Action should be prepared the program for implementation of

2018 and 2019 for implementation Grama Shakthi Peoples Movement with the aim of doubling the monthly income of the people to uplift their life standed through establishment of 5000 of community controlled and production services oriented Grama Nildhari Divisions by 2020. The total of allocations was Rs. 2,391.90 million up to 30 June 2020. As per the reports received from Divisional Secretaries to the date of 31 December 2021, the number of Grama Shakthi Societies established in 12 of Districts was 1975 and the cash balance as at the date was Rs. 791,789,538 and the micro finance loan balance to be settled related to Grama Shakthi Bureau was Rs. 200, 394,099. At percent, 999 of those Societies are inactive.

Secretaries and dated 11 November 2021, Institutions have been given that the actively functioning societies should continue to implement are micro finance process.

Grama Shakthi Societies.

- (b) 519 units of office equipment categorized under 49 items were belonged to Grama Shakthi Bureu, but only 38 units related to 14 items were taken over to Saubhagya Bureu. Without taking actions to take over other assets, Rs. 5,717,938 had been disbursed to purchase office equipment for Saubhagya Bureu in year 2021.

These expenditures have been made to meet the necessary facilities for, implementation of the Saubhagya program for Rs. 5,300 Million in the year 2021.

Assets should be taking over and planned activities should be implemented properly.

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| <p>(c) Before the changing the Institutes belonged to the Ministries, functions of Grama Shakthi Bureau, which was under the Ministry of Estate Infra – structure Development, were attached to the Saubhagya Bureau under this Ministry. But the double cab and the van, which were hands over to Grama Shakthi Bureau by President Secretariat, had not been given to the Saubhagya Bureau.</p> | <p>In letter No SMS/ADM/TRS/02 general and 17 September 2020, the ministry of Estate Housing and Estate Infrastructure Development informed that the request made to that ministry could not be fulfilled so in my letter dated 09 October 2020. The President’s office requested that the relevant vehicles be provided this Ministry, a request has been submitted. It inform that no reply has been received yet.</p> | <p>Action should be taking over the Assets.</p> |
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5. Management Weakness

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
<p>Two vehicles had been acquired to the Ministry under the leasing for hire from private Finance Company for five years of period in year 2017 and 2018. Amount of Rs. 13,542,304 had been paid up to 31 December 2021 for these two vehicle but it had not run 3000km per month, which is the minimum limit. When the running of pool vehicles were at least level</p>	<p>Due to the curfew imposed due to the prevailing covid pandemic situation, restrictions on movement due to restrictions on field duties, The running of vehicles owned by the Ministry was limited.</p>	<p>Action should be utilized effectively of the vehicle in accordance with Circulars.</p>

and pool vehicles have not been utilized effectively and the vehicles owned by the Ministry have been lent to other Institutes, the Ministry had obtained vehicles under leasing facility and had paid Rs. 13,542,304 as leasing premiums as at 31 December 2021.

6. Human Resource Management

Detail of approved and actual cadre of the Ministry as at 31 December 2021 is given below.

Service Category	Approved cadre	Actual Cadre	Vacancies/excess
-----	-----	-----	-----
Executive level	25	26	+01
Tertiary level	01	04	+03
Secondary level	16	283	+267
Primary level	18	55	+37
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	60	368	308
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The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) Although the Approved cadre in Tertiary level is 01, 03 positions were excessive including the Administration Officer post, which deployed in service on contract basis.	The Management Services Department has been repeatedly referred to the staff for approval but no approval has been received so far.	Administrative issues should be resolved by expediting activities.

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| (b) | Although the Secondary level and Primary level posts were approved as 16 and 18 respectively due to the actual staff were 283 and 55 respectively a number of 304 had been employed exceeding the approved amount. | Do | Do |
| (c) | This Ministry had identified the contribution of staff with specialized knowledge and skills in the relevant fields in achieving the functions, tasks, priorities and related goals within the scope of the Ministry to achieve the development objectives of the people centered government as per the Paragraph 05 of the letter of the Department of Management Services No. DMS / SM / 02 dated 04 September 2020 . Further, the revisions in staff considering those factors should have been made and although it had been requested to submit formal proposals for that, actions had not been so done. | Do | Arrangements should be made to deploy staff with specialized knowledge and skills in the relevant fields. |
| (d) | Although the Ministry had sent letters no. SMS/ADM/1/2/1-2019 dated 19 January 2021, 11 February 2021 and 2 August 2021 to Department of Management Services for getting approval to the actual cadre serviced at present exceeding approved cadre, the approval had not been received until year 2022. | Discussions were held with the Management Services Department. The dispatch of staff should be done by the Department of Management Services. | Administrative issues should be resolved by expediting activities. |

- (e) In accordance to the President Secretariat Circular No. CA/1/17/1, dated 14 May 2010, the composition and number of Minister's staff were stated, but it had been recruited officers for the posts of Video Cameraman, Trade Union Coordinator and Camera Operator Assistant, that were not including in that composition and attached them to Ministry staff and paid salaries.
- Co-ordinating Secretary of unions has been appointed by a Cabinet Memorandum. Video Cameraman and Camera Operator Assistant that were attached post of *temperi* in the Ministry staff.
- As per the circular, it should be ensured that the number included in the assistant staff Composition of the Minister is not exceeded.