

Samurdhi Social Development Trust Fund - 2021

1. Financial Statement

1.1 Qualified Opinion

The audit of the financial statements of the Samurdhi Social Development Trust Fund for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154 (3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

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

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAS). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

As per Sub-section 16 (1) of the National Audit Act No. 19 of 2018, the Fund is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Fund.

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

- My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Internal Control over the Preparation of Financial Statements

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

Audit observation	Comment of the management	Recommendation
In preparing the financial statements for the year under review except cash books accounting books including ledger accounts, journals had not been maintained.	Action had been taken to maintain other books including ledger, accounts from the year 2022.	Should be maintained key accounting records properly.

1.5.2 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Audit observation	Comment of the management	Recommendation
In terms of paragraph 57 of Sri Lanka Public Sector Accounting Standards 7 the land of 7 acres and 37 perches with the building of Nilaveli Training Centre which was the total cost of Rs.126,255,800 had been accounted calculating of depreciation value of building without identifying separately as land and building,	Action will be taken to calculate and account the depreciation of the building of Centre and the land by assessing separately in this year.	Accounts should be prepared in accordance with the Sri Lanka Public Sector Accounting Standards.

1.5.3 Accounting deficiencies

Audit observation	Comment of the management	Recommendation
(a) A sum of Rs.1,248,798 of unidentified balance relating to 13 Districts had been shown as a balance carried forward from the year 1998 as office equipment under the fixed assets. The annual depreciation value of that assets was Rs.10,452 and cumulative depreciation value was Rs.1,154,725.	Action are to be taken to correct in future the balances which had been carried forward as unidentified balances by checking of district wise.	Identifying of assets should be accounted accurately.
(b) The value of Rs. 46,598 of travelling expenses and overtime allowances should be paid as at 31 December 2021 Rs. 8,784,247 should be paid for the balance applications of beneficiaries left unable to pay in the year 2021 the deficit and the current liabilities had shown less by 8,830,845 during the year under review due to non-accounting as accrued expenses.	An amount of Rs. 63,030 of overtime allowances and travelling expenses to the date of preparing of financial accounts in the year 2021.Action had been taken to show under the current liabilities in the financial statements by the final accounts of 2021.	All the expenses that incurred relating to the year under review should be accounted.
(c) Even though a board of survey had been done as at 31 December 2021 regarding assets of the department board of survey reports had not been presented relating to the assets of the Fund could be recognized. Accordingly assets of Rs.30,953,398 could not be observed. (expect Nilaveli)	In accordance with the Public Finance Circular No.2016/05 dated 31 March 2016 actions that are needed to be taken to carrying out Board of Survey activities in future.	Board of survey reports should be presented as per the assets relating to the fund could be recognized.
(d) A loan had been borrowed from the bank with the guarantee of Rs.2,848,689,752 value of two fixed deposits which are belong in to fund for granting of financial assistance needed to the department for providing of relief to the Covid in the year 2021. Receiving of this loan and paying of it to the department had not been accounted as assets and liabilities in the financial statements and had not been disclosed even by the notes to the accounts. Even though 2 years lapsed by the month of March 2023 fixed deposits could not be released due to no action had been taken by the department to recover the loan.	This loan amount has been borrowed by the department of Samurdhi development keeping two fixed deposits which deposited by the social security fund in the Bank of Ceylon Branch keeping as guarantee. Therefore it had not been accounted in the accounts of social security fund as assets and liabilities.	Should be accounted as assets and liabilities of the fund.

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

Reference to the Laws, Rules and Regulations	Reference to the Laws, Rules and Regulations	Comment of the management	Recommendation
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R.135 and 381 (1)	All the activities of the Nilaveli Training Center had been done without being delegation of authority and even though bank current accounts had been maintained from the year 2017.An approval of the treasury had not been taken up to the date of audited.	Action needed that to be taken regarding that inquiring of this from the Nilaveli Training Center.	Action should be taken in terms of Financial Regulations.
(b) Procurement Guideline 4.2.1	Purchasing of goods amounted to Rs. 25,569,637 and constructions amounted to Rs.1,390.660 had been made during the year under review without preparing of procurement plan.	Action to be taken to prepare a procurement plan in accordance with the Procurement Guideline 4.2.1 for the purchases in future.	Action should be taken with provisions of the Procurement Guideline.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a deficit of Rs. 1,518,333,556 and the corresponding deficit in the preceding year amounted to Rs. 641,568,935 Therefore a deterioration amounting to Rs.876,764,621 of the financial result was observed. The increase in beneficiary payments and the decrease in interest income of investments had been mainly attributed to this deterioration.

3. Operating Review

3.1 Procurement Management

Audit observation	Comment of management	Recommendation
Bids had been called on the date of 08 July 2019 for purchasing of computer and accessories to divisional secretariat offices for the affairs of social security. The approval of the procurement committee had been given on the date of 14 December 2020 for purchasing of Rs. 9,275,200 value of computer and accessories. Even though purchase and distribute this accessories to the divisional secretariat offices had been done on the date of 02 February 2021 providing monitors needed for that had been delayed up to the date of 03 February 2022. Computer accessories which had purchased had been an idle for a period of one year unable to using for official activities due to the delay of purchasing monitors.	The reason for this delay was the unavoidable circumstances had been occurred within this period on the situation of Covid pandemic and the delay had occurred by the institution which computer and accessories had been purchased and had to test the functionality of these 308 number of computers before issuing of it to the divisional secretariat offices.	Should be purchase as required and done those activities without being delay and without being affected to price variances.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit observation	Comment of management	Recommendation
Even though the Financial Statements of the Fund should be submitted to the Auditor General with a copy to the Department of Public Finance of the Treasury within 2 months from the end of the financial year in terms of Financial Regulation 877 (2) (d) as included in paragraph 15 of Public Finance Circular No. 1/2020 dated 28 August 2020, the financial statements for the year under review had been furnished on 03 February 2023.	Action had been taken to submit the financial statements regarding year 2018, 2019 and 2020 to the Auditor General with a copy to the Director General of Public Finance on 09 March 2022. And the financial statements of year 2021 on 28 March 2022.	Financial Statements should be presented during the relevant period in terms of Financial Regulations and as per instructions of the circulars.

4.2 Budgetary Control

Audit observation	Comment of management	Recommendation
Financial Regulation 877(1) included in Paragraph 15 of the Public Finance Circular No.1/2020 dated 28 August 2020. A Budget Estimate had not been prepared for the activities of the Fund.	In relation to activities of the Social Security Fund the budget has been prepared from the year 2022.	Budget Estimate should be prepared and presented within the relevant period in terms of the Financial Regulations and as per instructions of the Circulars.