

Samurdhi Social Development Trust Fund - 2022

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 2022 comprising the statement of financial position as at 31 December 2022 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 2022, 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 (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 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 Non- Compliance with Sri Lanka Public Sector Accounting Standards

Non- Compliance with the reference to particular Standard	Comment on Management	Recommendation
(a) In terms of paragraph 128 of Sri Lanka Public Sector Accounting Standards 01 each item on the face of the statement of financial position, statement of financial performance presented for audit had not been presented systematically being cross-referenced to any related information in the notes.	Actions are being taken to enter numbers of schedules relating to items when preparing final accounts in the year 2023.	Actions should be taken in accordance with the Sri Lanka Public Sector Accounting Standards.
(b) In terms of paragraph 150 of Sri Lanka Public Sector Accounting Standards 01 information regarding the domicile and legal form of the entity, nature of the operations , a description of its principal activities, reference to the relevant legislation governing the entity’s operations had not been included with the financial statements.	Information will be presented in terms of paragraph 150 of Sri Lanka Public Sector Accounting Standards 01 by the final accounts in the year 2023.	Actions should be taken in accordance with the Sri Lanka Public Sector Accounting Standards.
(c) In terms of paragraph 14 of Sri Lanka Public Sector Accounting Standards15 comparing of the budgeted amount and actual amount as budget columns in the financial statements had not been presented.	Action is taken to enter a budgeted column in the financial statements in terms of paragraph 14 of Sri Lanka Public Sector Accounting Standards15 when preparing the financial statements.	Actions should be taken in accordance with the Sri Lanka Public Sector Accounting Standards.
(d) In terms of paragraph 57 of Sri Lanka Public Sector Accounting Standards 7 even though each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost	Due to renovations are being started in 05 rooms that were finished half in the Nilaveli training center by now and after finishing that actions are taken to account assessing	Actions should be taken in accordance with the Sri Lanka Public Sector Accounting Standards.

of the item shall be identified separately total cost amounting to Rs. 127,636,460 of the land of 7 acres and 37 perches with the building of Nilaveli Training Center had not been identified as land and building. Calculating the depreciation value of buildings had not been accounted during the year under review.

building and the land separately in terms of paragraph 57 of Sri Lanka Public Sector Accounting Standards 7 and as per calculating depreciation of the building .

1.5.2 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. Those assets had not been accounted for a reasonable value identifying those assets.	Instructions has been given in District level to enter to an inventory separately as per able to identify the assets belong in to Social Security Fund. Actions are taken to correct unidentified balances from the year 1998	Actions should be taken to account at a reasonable value identifying assets.
(b) Due to non- submission of board of survey reports as per able to identify the assets relevant to the fund and the cost of Rs.46,133,459 assets owned to the fund could not be observed. (except Nilaveli)	Instructions has been given to districts to maintain entering to an inventory separately as per able to identify the assets belong in to Social Security Fund and send to that information to the Head Office and information has given about 21 districts by this time. Accordingly boards of survey activities are done.	Actions should be taken to board of survey the assets relating to the fund.
(c) Calculating the value of two mobile Air Condition machines which had given to the Center by the Samurdhi Development State Ministry on 06 April 2021 had not been accounted. These equipment had not been confirmed even by the board of survey report of the year 2021.	These two Air Condition machines has been entered in the inventory which maintained in the Nilaweli Training Center and action is taken to include in the financial statements calculating that value	Actions should be taken to account all the assets.

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. 381 (1)	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 this report.	Action needed that is taken regarding that inquiring of this from the Nilaveli Training Center.	Actions should be taken in terms of Financial Regulations.
(b)	Procurement Guideline 4.2.1	Even though an amount of Rs. 52,278,320 of procurements had been done for purchasing computers, construction of buildings, repairing of machinery A procurement plan has not been prepared.	Action is taken to prepare a procurement plan in accordance with the Procurement Guideline 4.2.1 for the purchases in future.	Actions should be taken with provisions of the Procurement Guideline.
(c)	Paragraph 2018/03 of Public Administration Circular dated 20 February 2018.	A retired officer had been appointed for the post of Accountant for a monthly salary of Rs. 107,415 giving service extensions from 08 November 2021 to 07 May 2024 on approval of Board of Trustees without having recommendation of the secretary of the Ministry	This appointment has been done as per the decision of Board of Trustee dated 03 December 2021 in accordance with the authority of the Board of Trustee. Accordingly of Public Administration Circular 3/2016 and 3/2018 has been used to decide the monthly allowance relating to that appointment.	Personnel recommendation of the secretary of the Ministry should be taken.

2 Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a surplus of Rs. 1,328,591,826 as against the deficit in the preceding year amounted to Rs. 1,518,333,556 Therefore an improvement amounting to Rs.2,846,925,382 of the financial result was observed. The increase in contribution of beneficiaries and the increase in interest income of investments had been mainly attributed to this improvement.

3. Operating Review

3.1 Transactions of Contentious Nature

Audit observation

In terms of paragraph 6(4) of the deed of Samurdhi Social Development Trust Fund the patron shall appoint one of the trustees to be the Vice Chairperson, who shall preside at a meeting in the absence of the Chairperson and even though it was mentioned in terms of paragraph 6(9) no member of the Board of Trustees shall be entitled to receive remuneration by way of any salary, allowance or honorarium incurred by them in the performance of their duties, an amount of Rs.770,000 had been taken as acting salary allowance from February 2020 to December 2022 by the Director General of the Department bearing the position of Chairman of the fund.

Comment of management

The fund had been implemented as a separate fund before established the Samurdhi Department in the year 2014 and the Commissioner General of the Samurdhi has acted as the Chairman of the fund ex-officio. Commissioner Generals as well as Director Generals who has been served at that time under the department this allowance had taken on the approval of the Board of Trustee.

Recommendation

Should be act in terms of Deed of the Trust of the fund.

3.2 Operational Inefficiencies

Audit observation

Even though the recurrent expenditure in the year 2021 and 2022 is Rs.1,389,766 and Rs. 1,907,113 respectively and the capital expenditure is Rs. 2,258,116 and Rs. 2,495,128 respectively in the Nilaveli Training Center and only 03 programmes had been conducted within 16 days with the participation of 216 trainees including resources persons during the year. Even though there were about 128 million assets has to the Center due to non - managing of those assets properly, no actions taking to generate income by the management and no monitoring has been done it was observed that the expenses incurred by the Social Security Fund has been idled.

Comment of management

Training programmes and training sessions have been limited in Government and private sector on the situation of Covid pandemic in the country, fuel crisis and policy decisions were taken by the Government relating to the year 2021 and 2022.

Recommendation

Actions should be taken to manage assets economically and effectively.

3.3 Idle or underutilized Property, Plant and Equipment

Audit observation	Comment of management	Recommendation
Even though the Pothuwil Circuit Bungalow had been constructed in the year 2003 incurring Rs. 7,560,000 of money out of the monthly contribution recovered out of the Samurdhi subsidies given to the beneficiaries however the Department has not the legal ownership of the land. Even though the Pothuwil Circuit Bungalow has the assets cost of Rs. 1,082,284 had bought in the year 2004 this property had been idled due to no action needed taking for generating income by the management.	This construction has been done in the land belong in to the Wildlife Conservation Department and therefore the instructions given by the Board of Trustee of the Social Security Trust Fund actions needed are being taken to hand over the goods and equipment in that building checking as per the inventory registers and listed accordingly and has been informed again in writing to hand over the building to the Wildlife Conservation Department.	Actions should be taken to make decisions in order to gain economically effectiveness compared to the money incurred.

3.4 Procurement Management

Audit observation	Comment of management	Recommendation
Procurement regarding 340 number of computers selected the institute which submitted the minimum bid amount of Rs. 39,593,000 with unit cost of each Rs.116,450 by the procurement committee dated 14 December 2020. After showing by a bidder When making procurement activities by the Government on the basis of that priority should be given to the local manufacturers and the supplier who selected calling bids again and as per the procurement decision dated 08 June 2021 was the institute submitted the highest bid accordingly the second bid calling and the decision had been made by the Technical Committee that bidder was the only one institute which was with local preference. Accordingly 340 computer had been bought to Rs. 50,874,880 with VAT at Rs. 149,632 of each, there had been able to purchase at a value of Rs.39,593,000 in the first procurement and the loss had been to the fund was Rs. 11,281,800 due to procurement has done again following instructions of circulars which was not relevant to the period of calling bids has started.	Public Finance Circular 03/2022 of giving priority to domestic products had been considered when rebidding and accordingly the only one institute which had submit under the category of domestic products has been submit the minimum bid and computers have been purchased from that institute. An amount of Rs.50,847,880 has incurred for 340 number of computers unit cost of Rs. 149,632 for each.	Purchases should be done as per fulfilling the economy, transparency and frugality expecting through the procurement procedure.

4. Accountability and Good Governance
4.1 budgetary Control

Audit observation

Financial Regulation 877 (1)(c) as established in paragraph 15 of Public Finance Circular No. 1/2020 dated 28 August 2020 Even though the budget had been prepared for the year under review a copy of that should be submitted to the Director General of Public Finance forwarding to the Director General of National Budget for the approval of the General Treasury with the approval of the Secretary of the Ministry. Before 30 September of the current year action had not been taken accordingly. And also estimates for expenditure have been prepared only for the expenses of the fund and estimates have not been prepared for income.

Comment of management

The budget is prepared in the future year as per the Circular.

Recommendation

In terms of instructions of the Financial Regulations and Circulars preparing of budget should be submitted within the relevant period of time.