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<u>Contribution of the Samurdhi Subsidy Programme for the Empowerment of Sumurdhi Beneficiaries.</u>

1. Executive Summary

Over a several decades in the wake of gaining freedom in Sri Lanka, programmes of diverse forms had been executed with a view to providing assistance to the people and while giving a new facet thereto, the Samurdhi Subsidy Programme was set in motion in the year 1995.

With the expectation of making the vison - “Community Empowered through the Livelihood and Economic Affairs amidst the Alleviation of Poverty ” a realistic, the Samurdhi Development Programme was handled by the Department of Commissioner General of Samurdhi and the Sri Lanka Samurdhi Authority before the year 2014 and for the purpose of eradication of poverty and creation of a society ensuring social justice, the Department of Divineguma Development had been established in the year 2014 under the Divineguma Act, No.01 of 2013 while amalgamating the Sri Lanka Samurdhi Authority, Department of Commissioner General of Samurdhi, Sri Lanka Upcountry Development Authority, Sri Lanka Southern Development Authority and the Upcountry Rural Development Department and subsequent to converting the same as the Department of Samurdhi Development in pursuance of the Divineguma (Amendment) Act. No.02 of 2017, this programme is presently in progress thereunder.

With the objective of ensuring social justice while promoting economic development process and eradicating poverty through the programmes implemented via 1074 Community Banks and 332 Community Bank Societies established covering 14,022 Grama Niladhari’s Divisions in 332 Divisional Secretariat Divisions within the areas of 25 District Secretariat Offices, priority had been given to the community and the number of beneficiaries as at 31 December 2017 stood at 1,388,242. In order to implement this program, Samurdhi Community Based Organizations, Samurdhi Regional Organizations, Samurdhi District Committees and Samurdhi National Association had been established so as to cover individual, family, groups and communities for the formulation of cordination network at zonal, district and national level and thereby the programmes of the empowerment of Samurdi recipients had been broadened.

It was expected to implement the Samurdhi Development Programme in line with the overall development process of the country and alleviation of poverty of the low income families, enhancement of their viability for the generation of income and motivating them towards ensuring their contribution to the overall economic process in a manner not to bear any expenditure by the Government were the other objectives expected form this programme.

A census was conducted for re-recognition of the beneficiaries in terms of the criteria such as education, health, economic level, assets and the nature of the homes during the period from 2015 to 2017. The expenditure incurred thereon amounted to Rs.80 million. Although priority lists (Annexure 03) had been prepared securing information of 1,922,774 families including 1,403,021 families already receiving the benefits and 519,753 re-recognized families, it could not be implemented.

2. Background and the Nature of the Report

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In terms of the vision -"Community Empowered through the Livelihood and Economic Affairs amidst the Alleviation of Poverty", the Government had implemented programmes by spending a colossal amount of money over a period of 23 years. The reporting the matters observed with regard to the efficiency of the programme and the effectiveness of accessing towards the achievement of the targets of empowerment of Samurdhi beneficiaries and the recognition of the manner in which programmes had been implemented to properly discharge the responsibilities of the Department were the matters attributed to the background of the issuance of this report.

3 Methodologies Adopted

In the compilation of this report, the following methodologies were adopted

3.1 Examination of books and registers

3.1.1 Divineguma Act, No.01 of 2013. (Annexure 02)

3.1.2 Account books and annual reports of the Department of Divineguma Development for the years 2015 and 2016.

3.1.3 Account books of the Department of Commissioner General of Samurdhi for the years 2012, 2013 and 2014.

3.1.4 Final accounts of the Sri Lanka Samurdhi Authority for the years 2012 and 2013.

3.1.5 Annual Report, 2016 of the Sri Lanka Central Bank.

3.2 Circulars issued

3.3 Interviews

3.4 Information analytical examination

4. <u>Scope</u>

The scope of this report includes the following development programmes prepared with the intention of economically empowering the Samurdhi beneficiaries while granting financial assistance for the maintenance of their life standard.

4.1 Programme of the Social Security Trust Fund

4.2 Programme of the Samurdhi Housing Development Lottery Fund

4.3 Loan schemes implemented by the Community Banks and the Livelihood Development Revolving Fund.

4.4 Social Empowerment Development Programme implemented upon the Treasury allocations. (Reference 6.1.4)

5. Limitation of Scope

This report is compiled subject to the following limitations.

5.1 Since the Samurdhi Subsidy Programme was operated under the Department of Commissioner General of Samurdhi and Sri Lanka Samurdhi Authority up to the year 2014 and was vested in the Department of Divineguma Development in the year 2014, there were restrictions in obtaining the information relating to the years preceding the year 2014.

5.2 As the examinations are carried out based on the numerical data included in the account books, the accuracy of those numerical data could not be established due to the deficiencies pointed out by the Auditor General's reports in each year.

5.3 Restrictions such as failure to meet some beneficiaries in the Divisions selected as the sample, lack of facilities to obtain written evidence for the establishment of matters observed in the field and unwillingness for making statements were cropped up in the audit test check.

5.4 Failure to take action to furnish replies to the draft report presented by the Letter No. EHA/B/DDM/2017/ Special Audit/01 dated 29 December 2017.

6. Introduction

The Community Based Empowerment Programme is being implemented by the Department of Samurdhi Development as follows with an approved cadre of 27,191 and an actual cadre of 25,750 as at 31 December 2017.

6.1 Samurdhi Subsidy Programme

6.1.1 Selection of Beneficiaries

By conducting an island wide survey in the year 1995, families of which the monthly income was less than Rs. 1,000, were identified to be eligible for Samurdhi benefits. In the period 1995-2012, the register of Samurdhi beneficiaries had been revised under the approval of the Divisional Secretary upon recommendations of the Samurdhi Manager in charge of the division through the Samurdhi Development Officer. Based on the criteria of the said revisions such as, a member of a family receiving Samurdhi benefits proceeds abroad for employment, employment in the Government sector, increase in the income, receiving a pension, furnishing misinformation, and addiction to liquor and gambling, the Divisional Secretary had been vested with the authority to either suspend or cancel the benefits. (Annexure 04 – paragraph 1.6) Until the conclusion of the island wide survey conducted on the low income families, the inclusion of new beneficiaries had been suspended since the year 2012. The register of Samurdhi beneficiaries had been revised only in the instances such as, the demise of a member of a Samurdhi beneficiary family, leaving the family after marriage, new birth, and change of the division. Later, the beneficiary families had again been surveyed from the year 2015 up to 2017though, the results thereof had not been implemented. (Annexure 05 – Reference : 7.2)

6.1.2 Classification of Monthly Samurdhi Benefits

The beneficiaries had been provided with monthly benefits under 04 components. Based on the number of family members, the value of the monthly Samurdhi benefit had been revised in 4 instances through the annual budget and supplementary budget during 2012-2017. Particulars are as follows.

Number of Family Members	As per Budget Proposals 2012					As per Budget Proposals January 2015					As per Interim Budget Proposals 2015					As per Budget Proposals 2016				
	Subsidy value	Compulsary Savings	Social Security Fund	Housing Lottery Fund	Net amount payable to the beneficiary	Subsidy value	Compulsary Savings	Social Security Fund	Housing Lottery Fund	Net amount payable to the benef	Subsidy value	Compulsary Savings	Social Security Fund	Housing Lottery Fund	Net amount payable to the benefic iary	Subsidy value	Compulsary Savings	Social Security Fund	Housing Lottery Fund	Net amount payable to the beneficiary
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
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04 or more than 04	1,500	300	45	10	1,145	3,000	300	45	10	2,645	3,500	300	45	10	3,145	3,500	300	100	50	3,050
3 (Three(	1,200	200	45	10	945	2,000	200	45	10	1,745	2,500	200	45	10	2,245	2,500	200	100	50	2,150
3 (less than three(	750	100	45	10	595	1,000	100	45	10	845	1,500	100	45	10	1,345	1,500	100	100	50	1,250
Subsidy suspended	210	155	45	10	-	420	365	45	10	-	420	365	45	10	-	420	270	100	50	-

6.1.2.1 The Net Amount of the Monthly Samurdhi Subsidy

The Head Office directly transfers the benefits, paid to the beneficiaries monthly, to the community based bank. Instructions had been issued through Circulars from time to time that the benefits should be paid to the beneficiaries in cash whenever requested.

6.1.2.2 Compulsory Savings

Every beneficiary is required to contribute to compulsory savings with the objective of encouraging the Samurdhi beneficiaries for saving in view of future prosperity. The compulsory savings can be made use of in instances such as, an urgent requirement, hospitalization, or higher educational requirements. (Annexure 04 – paragraph 02 V). Investment and management of the compulsory savings are done by the Head Office. The value of the savings invested as at 31 December 2016, amounted to Rs. 16,142 million, and a sum of Rs. 136 million therefrom had been long term investments (purchasing shares of the Pan Asia Bank in the year 1990), whereas the balance had been invested short term at state banks.

6.1.2.3 Samurdhi Social Security Fund

The objective of the Samurdhi Social Protection Fund, being maintained with the monthly contributions from the Samurdhi beneficiary families, is to provide relief for the beneficiaries in the event of their livelihood is seriously threatened, thus improving their overall socio-economic wellbeing.

6.1.2.4 Samurdhi Housing Development Lottery Fund

The objective of the Samurdhi Housing Development Lottery Fund, being maintained from the monthly contributions of the Samurdhi beneficiary families, is to provide a sustainable solution for the housing problems of the beneficiaries (Annexure 06), and 332 prizes are offered at Rs. 200,000 for each Samurdhi beneficiary of the division of Divisional Secretariat through monthly lotter draws.

6.1.3 Samurdhi Community Banks and Bank Societies

Since the inception of the Samurdhi programme, 1,074 Samurdhi Community Banks had been established island wide whilst 332 Bank Societies had been established at the Divisional Secretariat level under the objective conducting the programme by maintaining relationships with the community at village level, and it was expected to fulfil the following objectives therefrom.

- To establish a new financial culture wherein the people in the area belonging to the Samurdhi Task Force are encouraged for frugality, savings and investments; and loan based transactions are performed productively and efficiently.
- To improve the income and social status of the members of the Samurdhi Bank Society.
- To encourage for saving.
- To encourage for means to improve frugality.
- Implementation of insurance schemes, and facilitation of loans with respect to start, maintain and promote self-employment opportunities relating to agriculture, animal husbandry, fishing and service sectors, projects generating additional income, and small businesses.
- To pave way for organizing as small groups in view of improving social etiquettes through mutual cooperation and dedication, and increased self-dependence.

6.1.4 Development Programme for Social Empowerment

The Samurdhi Development Programme is implemented with the objective of encouraging self-dependence without relying on subsidies through the empowerment of Samurdhi beneficiaries, and the year 2017 had been declared as the Year for Poverty Alleviation. A sum of Rs. 3,060 million for the year 2014, along with a sum of Rs. 1,200 million for each of the years during the period 2015-2017, had been provisioned through the budget of the Government in respect of the Development Programme for Social Empowerment being implemented with the objective of achieving the sustainable development goals published by the Government. Accordingly, action is taken for the empowerment by providing with benefits through the identification of families that can be empowered under the following development projects. In providing benefits to empower the beneficiaries, a minimum contribution of 40 per cent is obtained from the beneficiaries in terms of labor, raw materials, or other whilst the financial contribution of the beneficiaries is assisted with the grant of loans from the Livelihood Development Revolving Fund being maintained by the Community Banks. (Annexure 07)

6.1.4.1. Social Empowerment and Rural Development Programme

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i. Agricultural Development Programme

ii. Animal Husbandry Programme

iii. Fisheries Development

iv. Small scale Industry and Enterprises Development Programme

v. Development of Infrastructure Facilities for Livelihood Development Projects

vi. Job oriented Vocational Training Course Programme(Annexure 07-paragraph 04)

vii. Model Villages Programme of Samurdhi Products based on Production for the Empowerment of Samurdhi Beneficiaries(Annexure 08) (This programme is implemented since the year 2016 covering a maximum of 03 villages in every District)

6.1.4.2 Samurdhi Marketing Development Programme – This programme expects to pave the way for the implementation of small and medium scale projects and thereby increase the sale of self-productions. (Annexure 09)

6.1.4.3 Samurdhi Social Development and Environment Programme – This programme expects to uplift the living standard socially and to take action for the spiritual development of the low income earning community. (Annexure 10)

6.1.4.4 Establishment of Community Based Organizations and Regional Organizations – The development process of empowerment is carried out by establishing the Samurdhi Community Based Organizations which are voluntarily organized, Regional Organizations and Samurdhi District Commitees covering all Grama Niladhari Divisions for the social justice and eradication of poverty. (Annexure 11)

6.1.4.5 Information Technology Development Programme – The information on officers and samurdhi beneficiaries are maintained by computerizing the community based banks.

6.1.4.6 Media Progarmme – Samurdhi beneficiaries are being made aware of various sectors through audio and video programmes.

6.1.5 Samurdhi Social Development Programme

Spiritual development of Samurdhi beneficiaries is expected from the Samurdhi Social Development Foundation implemented in Samurdhi Community Based Banks with the proceeds of the sale of flags programme initiated island wide to mark the International No Tobbaco and Smoking Day in addition to the programmes mentioned above. Under this programme, the income earned from the sale of flags in the years 2016 and 2017 had been Rs.230 million and Rs.185 million respectively. (Annexure 12 (i) (ii))

6.2 The total Expenditure of the Samurdhi Subsidy and Development Programme

The total cost borne by the Government for the Samurdhi Programme amounted to Rs.126,514 million and it comprised the sum of Rs.121,801 million spent on the subsidies for the upgrading of living standards of Samurdhi beneficiaries and the sum of Rs.4,713 million spent on the Samurdhi development during the period from the year 2012 to 2016. (Annexure 13 (i) (ii))

Year	No. of Samurdhi Beneficiary Families	Samurdhi Subsidy Expenditure	Samurdhi Development Expenditure	Total Expenditure	Average Cost per Family
		Rs.	Rs.	Rs.	Rs.
2013	1,477,173	15,255,979,958	76,981,654	15,332,961,612	10,380
2014	1,479,811	15,041,799,341	2,325,000,000	17,366,799,341	11,736
2015	1,453,078	40,209,736,640	988,252,576	41,197,989,216	28,352
2016	1,409,843	40,740,170,648	1,141,069,334	41,881,239,982	29,706
2017	1,388,242	39,707,051,488	1,148,705,146	40,855,756,634	29,429
Total		150,954,738,075	5,680,008,710	156,634,746,785	

7. Observations

The following observations are made.

7.1 The Government had incurred expenditure annually on a large scale described as below as a result of failure in preparing a State Policy in respect of empowerment of the beneficiaries by defining who is the "Samurdhi Beneficiary"and what is the "Empowerment" and failure in planning and operating programmes for a specified target on poverty alleviation . However, empowering the beneficiaries in a targeted manner, identifying the empowered community and making decisions on the ability to uplift independently without assistance had failed.

7.1.1 The maximum subsidies granted for one family per month up to the year 2104 amounted to Rs.1,500 and it had been increased up to Rs.3,000 in January 2015 and up to Rs.3,500 in April 2015. Accordingly, expenditure on subsidies in the year 2014 for 1,479,811 Samurdhi beneficiary families amounted to Rs.15,045 million, in the year 2015 for 1,453,078 Samurdhi beneficiary families amounted to Rs.40,210 million, and in the year 2016 for 1,409,843 Samurdhi beneficiary families amounted to Rs.40,740 respectively. Accordingly, the expenditure on subsidies had been increased by 167 per cent and 170 per cent in the year 2015 and 2016 respectively as compared with the year 2014. (Reference : 6.1.2 and 6.2)

7.1.2 The expenditure incurred by the National Budget in the years 2014, 2015 and 2016 for the Development Programme for the Empowerment of Samurdhi Beneficiaries in the concurrence of granting financial assistance for the maintenance of the living standard of the Samurdhi beneficiaries amounted to Rs.2,325 million, Rs.988 million and Rs.1,141 million respectively. (Reference :6.1.4 and 6.2)

7.1.3 Accordingly, it was observed that a timely increase of the total benefits received per one Samurdhi beneficiary in the years 2014,2015 and 2016 amounted to Rs.11,736, Rs.28,352 and Rs.29,706 respectively .(Reference :6.2)

7.2 Priority lists had been prepared by obtaining information (Annexure 3) on 1,922,744 families including 1,403,021 families which were entitled by the benefits and 519,753 newly identified families through the survey on re-identifying the beneficiaries implemented by incurring Rs.80 million during the period between the years 2015-2017 and it was expected to revise the Samurdhi Beneficiary Registers with a view to keeping the number of Samurdhi beneficiaries and expenditure on subsidies consistently. Accordingly, the selected beneficiary list had been published in August 2017 by removing 15 per cent reserve for appeals (Annexure 14) from the number of families which obtain subsidies at present among the beneficiaries who got the highest marks in the priority list at the level of Grama Niladhari Divisions as to cover the whole Island. Thus, due to the protests arisen in the country with the publication of revised beneficiary list , it had not been implemented and the community awareness had been made by publishing a newspaper advertisement at a cost of Rs.1,390,695 by issuing statements that the revised list is incorrect and no beneficiary would be removed from the programme. (Annexure 05)

7.3 Even though according to the Poverty Indicators obtained from the Web-page of the Department of Census and Statistics, the poverty existed at the District level in Sri Lanka is irregular, (Annexure 15) discrepancies observed in the distribution of Samurdhi subsidy and Samurdhi development expenditure considering that poverty. Details are given below.

District	Number of Samurdhi Beneficiaries	Number of Poverty Head Counts / Indicators of the Department of Census and Statistics 2012/13	Expenditure on Subsidies		Livelihood Development Expenditure	
			Value Rs.	Percent age %	Value Rs.	Percentage
Colombo	47,555	1.4	1,366,119,320	3	28,540,000	3
Gampaha	110,625	2.1	3,233,919,580	8	55,190,000	5
Kalutara	60,559	3.1	4,600,038,900	11	38,310,000	4
Kandy	83,478	6.2	2,394,406,600	6	62,870,000	6
Matale	40,596	7.8	1,141,304,380	3	31,560,000	3
Nuwaraeliya	39,083	6.6	3,535,710,980	9	37,820,000	4
Galle	68,996	9.9	2,026,504,940	5	45,750,000	5
Matara	62,660	7.1	1,818,550,780	4	38,660,000	4
Hambantota	54,244	4.9	1,566,535,000	4	33,410,000	3
Jaffna	53,627	8.3	1,828,706,500	4	36,980,000	4
Mannar	13,166	20.1	451,696,000	1	22,760,000	2
Vaunia	11,922	3.4	313,814,620	1	24,870,000	2
Mullativ	11,066	28.8	385,890,260	1	19,040,000	2
Kilinochchi	11,639	12.7	400,760,500	1	20,780,000	2
Baticoaloa	78,694	19.4	2,102,264,300	5	40,030,000	4
Ampara	73,267	5.4	1,962,166,900	5	45,540,000	5
Trincomalee	38,215	9.0	1,044,036,540	3	27,180,000	3
Kurunegala	141,113	6.5	4,147,417,920	10	70,220,000	7
Putlam	50,951	5.1	1,502,315,960	4	44,400,000	4
Anuradhapura	59,985	7.6	1,686,877,180	4	44,990,000	4
Polonnaruwa	27,662	6.7	784,364,000	2	42,310,000	4
Badulla	55,441	12.3	1,570,482,420	4	55,740,000	6
Monaragala	45,227	20.8	1,267,027,840	3	30,400,000	3
Rathnapura	106,068	10.4	3,241,860,900	8	68,070,000	7
Kegalle	64,004	6.7	1,829,167,140	4	45,770,000	5
	1,409,843		46,201,939,460		1,011,190,000	

7.4 An expenditure of Rs.4.3 million had been incurred in the year 2016 for the “e” Samurdhi Project on the Development of Data System based on the Management Module including information on Samurdhi beneficiaries and low income earners, created by the Sri Lanka Institute of Information Technology in the year 2012. However, that Data System had not been updated and as such, information on Samurdhi beneficiaries and subsidies granted, could not be obtained.

7.5 Even though the Community Based Banking System had been commenced with the objective of empowering of Samurdhi beneficiaries, it was confirmed according to the decision taken, to grant an allowance in respect of directing the Samurdhi beneficiary towards the profitability that the said System has been commenced with a view to earning profits instead of empowering the Samurdhi beneficiary at present. (Annexure 16)

7.5.1 Even though it had been emphasized by circulars that Samurdhi subsidies can be obtained by Samurdhi beneficiaries at any time, balances ranging from Rs.154 to Rs.106,000 had remained in 175 Bank Accounts of 12 Community Based Banks which were subjected to audit. Moreover, they had been persuaded to obtain loans ranging from Rs.1,906 to Rs.337,200 under various loan programmes by delaying payment of subsidies to beneficiaries. Further, it was observed that subsidies had been paid once in 02 or 03 months and the balance of subsidies had been retained to reconcile with loan balances and settle them.

7.5.2 According to audit test check, the beneficiaries had been deprived of the opportunity for knowing the accurate particulars on balances of their accounts due to matters such as inclusion of only the balance instead of recording receipts, payments and receipt of interests in bank accounts of beneficiaries in banks such as Kaluaggala, Atalugampola, Eheliyagoda, Godagama, Dummaladeniya and Parakaduwa and carrying out the said purposes only once in several months and recording transactions in passbooks in an irregular manner.

7.5.3 Balances ranging from Rs.2,076 to Rs.50,491 had remained in 175 Compulsory Savings Accounts in 12 Banks such as Mirissankotuwa, Nainamadama, Waikkal, Parakaduwa, Eheliyagoda, Lollupitiya, Getahatta, Godagama, Walgama, Matara-City Branch, Atalugampola and Kaluaggala. As such, it was observed that there are instances of failure in withdrawing money due to matters such as failure in making the beneficiaries aware of compulsory savings, record saving balances in accounts books and failure to issue passbooks.

7.5.4 Out of 22,722 Compulsory Savings Accounts remained as at 30 September 2017 in 06 bank branches in Matara and Ratnapura Districts, 10,968 bank accounts had remained dormant. As such, it was observed at the audit test check that there are dormant accounts in Compulsory Saving Accounts.

7.6 Follow up action should be taken for several ensuing years in respect of every project implemented according to the Circular on Divineguma Development Programmes – 2016 (Annexure 17) and changes (income/expenditure/nourishment, etc.) occurred economically and socially in each family, should be evaluated by that project. However, it was not revealed in audit test checks that such follow up action had been taken thereon.

7.7 It has been revealed that a financial fraud is committed annually in Community Based Banking and Banking Society Systems. However, investigation activities thereon are conducted in a sluggish manner. As such, it was observed that failure to recover losses and to impose punishments by revealing offenders, had affected the increase in frauds. The value of financial frauds revealed in 18 banks and banking societies implemented under the Sri Lanka Samurdhi Authority, amounted to Rs.12,023,000 and the value of frauds committed by 63 banks and banking societies from the year 2014 to the year 2016 after establishment of the Department of Divineguma Development, amounted to Rs.108,902,167. Even though financial frauds had been revealed in 25 banks and banking societies, the value thereof had not been computed.

7.8 Even though media programmes had been held for briefing the people, an adequate briefing had not been given in respect of the empowerment process, the Samurdhi Beneficiary Fund and the objectives thereof. (Reference 6.1.4.6)

7.9 Even though a sum of Rs.90 million had been spent in the year 2016 for the development of infrastructure facilities under the Development Programme of Empowering Samurdhi Beneficiaries, that amount had been utilized only for the development purposes of 07 Districts without taking action to utilize same in the 25 Districts simultaneously.

7.10 The monies of the Samurdhi Social Development Trust Fund, raised from the contributions of Samurdhi beneficiaries had been utilized for other purposes, deviating from programmes on uplifting Samurdhi beneficiaries for whom that Fund is established and the payments revealed during the course of audit in the year 2017 totalled Rs.102,118,704.

8. Recommendations

8.1 It is recommended that precise criteria which should be achieved in empowering the community should be identified and a formal methodology should be introduced in implementing development programmes on empowerment in accordance with the said criteria.

8.2 It is recommended that, in the selection of empowered families and the families which should be newly entitled to the Samurdhi subsidy, the process of identifying the families entitled for Samurdhi should be carried out on accurate data by removing the families actually empowered in the levels of all Grama Niladhari Divisions, Divisional Secretariat Divisions and at District level in the island.

8.3 It is recommended that a data system including information of Samurdhi beneficiaries should be maintained in an updated manner and that, annual changes in the economic level of the Samurdhi beneficiaries should be included therein.

8.4 It is recommended that a policy should be formulated on obtaining the contribution of the beneficiaries for the development of the country through the ability of rising independently by empowering them within a specific period.

8.5 It is recommended that the Community Based Banking System with the foremost objective of empowering the Samurdhi beneficiaries should be implemented, a computerized accounting methodology should be introduced to the banking system and that the internal control methodologies should be strengthened.

8.6 It is recommended that legal action should be taken in respect of banks that follow the procedure of suspending the subsidy and settling the loan balances therefrom.

8.7 It is recommended that a formal information system including a methodology in briefing the Samurdhi beneficiaries on the empowerment process and a direct methodology in identifying the problems caused to the Samurdhi beneficiaries within the programme, should be introduced.

8.8 It is recommended that formal internal control systems should be introduced in a manner to prevent financial frauds and to reveal them and that methodologies of examination should be strengthened.

8.9 It is recommended that specific responsibilities should be assigned to the officers, showing the targets to be achieved by providing them with training and proper guidance.

8.10 It is recommended that the specific objectives of uplifting the Samurdhi beneficiaries through specifying the objectives and the role of the funds raised by the contributions of Samurdhi beneficiaries and converting them into statutory funds should be monitored.

9. Conclusions

9.1 Specific policies had not been formulated on empowering Samurdhi beneficiaries during a specific period, making them self-sufficient and withdrawal from this programme.

9.2 The expenditure had not been incurred in an effective manner due to failure in directing the staff and the functions in achieving the direct objectives of the Department by solving the structural administration problems existing within the administrative process of the programme.

9.3 Criteria which cannot be evaluated and deviating from fairness had been used as well for withdrawal from Samurdhi beneficiary status. (taking liquor and gambling)

9.4 Prompt action had not been taken in respect of parties responsible for financial frauds and in recovering of those amounts.

9.5 The monies allocated for development programmes on empowering Samurdhi beneficiaries, had not been spent in a planned manner to cover the whole island.

9.6 The monies of the Fund raised out of the contributions of the Samurdhi beneficiaries had been spent for purposes deviating from the objective of uplifting beneficiaries.

H.M. Gamini Wijesinghe
Auditor General
07 September 2018

Sgd./ H. M. GAMINI WIJESINGHE
Auditor General