

Samurdhi Fund - 2022

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Samurdhi 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 equity 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(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. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, 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 Opinion

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

1.3 Responsibilities of 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's 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 intend 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 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 Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules and Regulations	Non-compliance	Comment of the management	the Recommendation
Financial Regulation 876 (3) as established by Paragraph 15.1 of the Public Finance Circular No.01/2020 of 28 August 2020	Even though it was stated that if it seems that it is possible to fulfill under the state budget approved by Government	In terms of Divineguma Development Act No.1 of 2013 and it was directed the funds and trust funds established for any object at the date of Department	Action should be taken in accordance with the circulars.

Appropriation Act. established shall be
 However actions should managed under the
 be taken to end the Divineguma Development
 activities of those funds Department ensuring that
 promptly. Despite the there shall be no change
 Samurdhi Fund not with regard to the object
 meeting sufficient and the purpose for which
 activity requirements for those were established.
 several years, actions as Accordingly action had
 per the circular were not been taken to manage this
 taken. Divineguma Fund under the
 Divineguma Development
 Department ensuring that
 there shall be no change.

2. Financial Review

2.1 Financial Results

According to the financial statements presented the financial result of the fund for the year ended 31 December under review was a surplus of Rs.194,075,494 and the corresponding surplus in the preceding year amounted to Rs. 103,549,896. Therefore an improvement amounting to Rs. 90,525,598 of the financial result was observed. Increasing of the interest income of investments in the year under review had been mainly attributed to this improvement.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation

An amount of Rs. 15,076,420 out of the loan amount that has been given by the Head Office in the year 2007 for agriculture and animal husbandry projects repayable on the recovery basis has to be recovered even at the end of the year under review and however only the amount of Rs.11,730 had been recovered during the year under review and necessary actions had not been fulfilled to recover the outstanding amount. And even credited to the ‘Gampubudu Jeevanopaya revolving account’ as shown by the observations of the previous year had not been done.

Comment of the management

Although reports have not been submitted small amounts of cash receivables before the year 2007 are being received from time to time for the settlement of loans.

Recommendation

Action should be taken to recover the arrears cash amount and accurately accounted for.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit Observation	Comment of the management	Recommendation
Even though the Financial Statements and the Report of the Annual Performance should be required to render to the Auditor General within 02 months after close of financial year in accordance with the Financial Regulation 877 (2) (d) published by Paragraph 15 of the Public Finance Circular No.01/2020 dated 28 August 2020. The Financial Statements for the year 2022 had been submitted on the date of 06 September 2023 with a delay of 06 months.	Action to be taken to submit accounts accurately within the relevant period.	Financial Statements should be presented during the relevant period in terms of Financial Regulations and as per instructions of the circulars.