

## **Samurdhi Fund - 2023**

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### **1. Financial Statements**

#### **1.1 Opinion**

The audit of the financial statements of the Samurdhi Fund for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 material accounting policy information 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 2023, 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 a 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, Journal and Journal vouchers, payment vouchers etc. may include under this heading.

### 1.5.2 Non- compliance with Laws, Rules, Regulations and Management Decisions

<b>Reference to Laws, Rules and Regulations</b>	<b>Non-compliance</b>	<b>Comment of the management</b>	<b>the Recommendation</b>
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 can be fulfilled under the state budget that approved by Government Appropriation Act. However action should be taken promptly to end the activities of those funds. Despite the Samurdhi Fund not meeting sufficient activity requirements for several years, action as per the circular were not taken.	After recovering the balances receivable to the Fund, which the next action is being taken as per the Circular.	Action should be taken in accordance with the circulars and provisions.

## 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.437,833,541 compared with the corresponding surplus of Rs. 194,075,494 for the preceding year thus observing an increase of Rs. 243,758,047 of the financial result. Increasing in 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	Comment of the management	Recommendation
(a) Loans had been given to the Samurdhi beneficiaries for agriculture, fisheries and animal husbandry projects on Treasury provisions in the year 2007 on recovery basis and it was decided to credit the relevant recoveries of these loans to the Gampubudu Jeevanopaya revolving account as per the Circular No. ස/අධි/10/ජාස.෧෧ of 16 July 2007. Although a sum of Rs14,947,065 had been stated as receivable (fisheries and animal husbandry) in the financial statements of the Samurdhi Fund, no any information had been recorded to the Samurdhi Fund up to the date regarding recovering of loan installments and reissuing by the Samurdhi Banks. Accordingly, the activities of the fund which are collection of installments and rental income receiving from the income generation projects and investing/reinvesting of the above income receiving from the projects implemented throughout the island were not fulfilled by the Fund.	That the banks have been informed that to provide details of the installments recovered and reissues by the Samurdhi Banks and reinvestment of installments and interest is done at the bank level and that steps have been taken to report that information.	Action should be taken to recover the outstanding money and accurately accounted for.
(b) The balance amount of Rs.45,205,328 out of the Rs.300 million paid to the National Water Supply and Drainage Board for water supply project of Kundasala, Haragama from the Samurdhi Fund in the month of November 2017 had been returned to the Samurdhi Department on the date of 02 January 2023. This amount retained in the General Deposit account by the Department, was credited to the Samurdhi Fund on the date of 21 May 2024 and 06 June 2024. Thus due to retaining in the General Deposit account, compared to the interest rate that existed on the date of 02 January 2023, there had been a loss of Rs.10,849,278 in interest to the Fund in the year under review.	Internal measures have been taken to prevent such a situation from arising again.	When issuing money for projects, funds should be released as required and also investments owned to the fund should be promptly provided to the fund by the department.