

1 Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Samurdhi Fund for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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 and 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, except for the effects of the matters described in paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of as at 31 December 2024, and 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 Statement

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 skepticism 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.

1.5.2 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
In accordance with the Sri Lanka Public Sector Accounting Standards No. 1 although a revenue is an gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets or other than increases the amount of Rs.45,205,328 remained out of the Rs. 300 million had been paid to the National Water Supply and Drainage Board from the Samurdhi Fund for the water project of Kundasala Haragama in November 2017 had been accounted to the revenue in the year under review. Further, this money had been received to the Department of Samurdhi Development and had been credited to the fund in the year under review.	Action will be taken to correct over stating of surplus of the year and credited to the fund in the year under review.	In accordance with the standards should be accurately accounted for.

1.5.3 Accounting Deficiencies

Audit Observation	Management Comment	Recommendation
(a) As per the statement of financial position in the year under review the investment interest receivable was stated Rs.218,956,499 however, according to the calculation that interest was Rs.218,346,499.	Action will be taken to correct the difference occurred due to the difference had been in days when	Calculations should be accurately made and accounted for.

Accordingly due to the overstatement of receivable interest on investments by Rs.610,000 the income and the current assets of the year had been over accounted by that amount. calculating the interest related to the year 2024.

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| (b) | The investment interest stated under the revenue in the statement of financial performance was Rs.306,945,255 however, according to the calculations that interest was being Rs.306,335,255 and due to that investment interest in theyear under review had been overaccounted by that value the surplus of the year had been over accounted by that amount. | -Do- | -Do- |
| (c) | As per the calculations has been done the accrued withholding tax related to the year out of fixed deposits in the year under review is Rs.8,789,739 and that value had been accounted in the statement of financial position as Rs.10,516,665. Accordingly, accrued withholding tax had been over accounted by Rs.1,726,926. | -Do- | -Do- |
| (d) | Withholding tax had been accounted as Rs.25,728,975 under expenses in the statement of cash flow and, as per the calculations has been done that value was Rs.25,880,871. Accordingly, withholding tax in the year under review had been stated as less of Rs.151,896 expenses in the statement of cash flow. | Due to the difference had occurred when calculating interest related to the years 2023 and 2024. The withholding tax amount also differed. Action will be taken to correct that. | -Do- |
| (e) | In the year under review, withholding tax of Rs.15,476,129 had been accounted under expenses in the statement of financial performance and as per the calculations has been done that value was Rs.13,901,099. Since withholding tax of a Rs.1,575,030 had been accounted more, accordingly, the excess of the year under review had been stated less by that value. | -Do- | -Do- |
| (f) | Audit fees amount of Rs.297,360 paid for the preceding years, had been accounted as an expense of the year under review and provision for audit fees had not been made for the year under review. | Action will be taken to correct accounting as an expense of the year under review. | Accounting accurately should be done. |

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
Financial Regulation 877 (2)(d) as established in paragraph 15 of Public Finance Circular No. 1/2020 dated 28 August 2020	Although the Financial Statements along with the Annual Performance Report of the fund should be submitted to the Auditor General with a copy to the Department of Public Finance of the General Treasury within 2 months from the end of the financial year, the Performance Report had not been submitted along with the Financial Statements of the year under review.	Action will be taken to submit the Performance Report also when submitting the Financial Statements.	Action should be taken in accordance with the Circulars and provisions.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a surplus of Rs.336,964,484 and the corresponding surplus in the preceding year amounted to Rs.437,833,541. Therefore a deterioration of amounting to Rs.100,869,057 of the financial result was observed. The decrease in investment interest had been mainly attributed to this deterioration.

3. Operational Review

3.1 Irregular Transactions

Audit Observation	Management Comment	Recommendation
In the year 2014 contrary to the main functions of the fund an amount of Rs.212,000,000 had been given to the General Treasury for Deyata Kirula (Tile Project) had been accounted for as a receivable value and provision for receivable amount of money under the current assets in the year under review. In accordance with paragraph 39 of Sri Lanka Public Sector Accounting Standards No.08 a contingent asset should not be recognized and in accordance with paragraph 105 where an inflow of economic benefits or service potential is probable, an entity had not disclosed a brief description of the nature of the contingent assets at the reporting date.	According to the decision of the National Council action will be taken to record as an expense of the fund and along with to disclose a description of the nature of the contingent assets.	In accordance with the standards should be accurately accounted for regarding the money receivable.

3.2 Performance

Audit Observation	Management Comment	Recommendation
<p>Loans had been provided to the Samurdhi beneficiaries on recovering basis for fisheries and animal husbandry projects on Treasury provisions in the year 2007. Recovering of these loans as per the Circular No. S/AU/10/NA.GM dated 16 July 2007 it was decided to credit to the Gampubudu revolving account. No any report had been recorded to the Samurdhi fund regarding recovering and repayment of these loans by the Samurdhi banks. Accordingly, a balance of Rs.14,947,065 has been stated in the financial statements of the Samurdhi fund as receivable fisheries and animal husbandry however, no any information about issuing and recovering of loans had been stated in the financial statements. Accordingly, the functions of the fund are collecting installments and rent income received from the income generating projects and investing/reinvesting the income received from the projects that are functioning all over the country had not been fulfilled by the fund.</p>	<p>Money is being recovered through the district secretariats amount of Rs.13,917 each one of the Samurdhi banks for 1074 Samurdhi banks.</p>	<p>Action should be taken to promptly recover the outstanding amount.</p>