

## **Samurdhi Fund -2019**

### **1.1 Qualified Opinion**

The audit of the financial statements of the Samurdhi Fund for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance, statement of changes in equity and cash flow statement, for the year then ended, 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 financial statements of the Samurdhi Fund give a true and fair view of the financial position of the Fund as at 31 December 2019, 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 (SLAS). 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 Institute 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 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

<b>Non Compliance with the reference to particular Standard</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
a) Even though in terms of the Paragraph No.07 of the Standards No. 03 of the Sri Lanka Public Sector Accounting Standards, transactions other events and conditions are recognized when they occur and are recorded in the accounting records and recognized in the financial statements of the period to which they relate. An amount of Rs. 15,432,000 of receivable income of rent relating to the 1286 number of buildings which are using for Samurdhi community based banks and banking societies had not been disclosed in the financial statements.	In accordance with the circular No. 2017/07 of Samurdhi community based banks, recovering of building rent from the year 2017 had been suspended.	Financial statements should be prepared in accordance with the Sri Lanka Accounting Standards.

### 1.5.3 Documentary Evidence not made available for Audit.

<b>Subject</b>	<b>Amount Rs.</b>	<b>Evidence not presented</b>	<b>Comment of the management</b>	<b>Recommendation</b>
Receivable balances of fisheries animal husbandry and balances of agriculture.	16,235,231	Schedules and conformations.	Conformations relating to the cash receivable were furnished for audit as possible.	Relevant schedules and conformations should be furnished for audit.

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

Reference to Laws, Rules and Regulations	Non-compliance	Comment of the management	Recommendation
Circular No. PF/ 423 of 22 December 2006 and Financial Regulation 876 (3) published by Paragraph 15.1 of the Public Finance Circular No.01/2020 of 28 August 2020	Action had not been taken to legislate the Fund and the necessity of maintain this Fund Under the Divineguma (Samurdhi) Development Department further had not been reviewed.	In accordance with section 36 of the Devineguma Act this Fund is being maintained until the Samurdhi Development Fund is established.	Action should be taken to legislate the Fund.

## 2. Financial Review

### 2.1 Financial Results

The operating result of the year under review was a surplus of Rs.181,140,976 and the corresponding surplus for the preceding year was Rs. 159,271,733 an increase of Rs.21,869,243 of the financial result was observed accordingly. The said improvement had mainly been attributed by the increase in the interest income of investments by Rs.22,185,798.

## 3. Operating Review

### 3.1 Management Activities

The following observations are made.

Audit observation	Comment of the management	Recommendation
a) A sum of Rs. 16, 235,231 included in the cash receivable was the value of recoverable loan amount which had lent for beneficiaries on the revolving basis for agriculture, fisheries and animal husbandry projects on Treasury provisions from the beginning of the Samurdhi programme to the year 2007. In accordance with the instructions of the Director General of Samurdhi No. ස/අධි/10/ජාස.ගම් of 16 July 2007 had ordered to credit recoveries of these loans to the Gam Pubudu Jeevanopaya revolving account of Divisional secretariats. As far the year under review recovering of loans or presenting of records had not been occurred.	Implementing of the programme had been assigned to the Divisional Secretary offices since year 2007. Therefore only the instalments relating to the projects given before 2007 would be received to the Head Office.	Action should be taken according to the objectives of the Fund and should be taken to recover loans by taking reports properly.
b) Even though the objective of the Fund was obtaining the rental of buildings from the divineguma community based banks /banking societies for providing of financial facilities to be needed to construct community based banks / banking societies. And providing financial contribution to be needed excluding Treasury	It was explained in the circular No. 2017/7 the objectives of the Fund and the method of payment for that as the building development of banks and maintenance Fund.	Action should be taken according to the objectives of the Fund has been established

provisions for the construction of new buildings and for the renovation of those banks / banking societies in accordance with the Samurdhi community based banks circular of the Director General No.2017/7 of 9 June 2017 had been issued mentioning the building rent which had credited as far shall not be credited to the Samurdhi Fund from the year 2017 and those rent should be credited to the their own account of” building improvement and maintenance Fund” by the Samurdhi community based banks and banking societies. And the circular had been issued instructing the methodology of keeping records of accounts .Accordingly a contentious situation may be occurred on management decisions which had taken relating to the objectives of the Fund established was observed in audit.

c) An amount of Rs.212, 000,000 had been given to District Secretariat Offices from the Fund without an approval of the Treasury for development activities of 03 Districts concurrence with the Deyata Kirula programme in the year 2014, on the basis of it could be reimbursed from the General Treasury. The director of the Department of National Budget had informed by the letter of BD/RDS/331/01/01 of 02 January 2018 this amount could not be reimbursed due to the documentary approval had not been given by the Treasury relating to that payment.

In the year 2014, requests have been made again to reimburse from the Treasury , the money had incurred from the Samurdhi Fund in line with the Deyata Kirula programme .Further more regarding the expenditure from this Fund, it was implemented based on the decisions taken in a meeting which held on 05 July 2013 at the Ministry of Finance under the chairman ship of the Secretary of Treasury was then.

Actions should be taken to recover this money.

#### 4. Accountability and Good Governance

##### 4.1 Submission of Financial Statements

###### Audit observation

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 15.1 of the Public Finance Circular No.01/2020 of 28 August 2020. The Financial Statements for the year2019 had submitted by the date of 6 May in 2022.

###### Comment of the management

Delayed due to resubmission of financial statements year after year audited.

###### Recommendation

Financial Statements should be presented during the relevant period in terms of Financial Regulations and as per instructions of the circulars .

## 4.2 Budgetary Control

<b>Audit observation</b>	<b>Comment of the management</b>	<b>Recommendation</b>
A budget for the activities of the Fund had not been prepared in terms Financial Regulation 877 (1) published by Paragraph 15.1 of the Public Finance Circular No.1/2020 of 28 August 2020.	Actions to be taken to do future activities based on the decisions to be taken in the future reviewing this Fund by the Treasury.	Budget should be prepared and presented during the relevant period in terms of Financial Regulations and as per instructions of the circulars.