

**1.1.1 Qualified Opinion**

The audit of the financial statements of the Samurdhi Fund for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 2020, 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 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 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 Documentary Evidence not made available for Audit.

<b>Audit Observation</b>	<b>Comment of the management</b>	<b>Recommendation</b>
Relevant schedules and confirmations of balances relating to 03 accounting items of receivable income to verify total of balances Rs.15,360,370 balances had not been presented for audit.	Jeevanopaya Section had informed in writing to Districts to take actions to furnish Schedules and confirmations for audit relating this.	Relevant schedules and conformations should be furnished for audit.

## 1.6 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>Recommendation</b>
Financial Regulation 876 (3) as established 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.	It was directed the funds and trust funds established for any object at the date of Divineguma Development Department established shall be managed under the Divineguma Development Department ensuring that there shall be no change with regard to the object and the purpose for which those were established.	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.142,083,722 compared with the corresponding surplus of Rs. 181,140,976 for the preceding year thus observing a decrease of Rs.39,057,254 of the financial result for the year under review as compared with the preceding year. Decreasing of the interest income of investments for the year under review had been mainly attributed to this decrease.

**3. Operating Review**  
**3.1 Management Activities**

<b>Audit observation</b>	<b>Comment of the management</b>	<b>Recommendation</b>
<p>(a) Samurdhi beneficiaries had been given loans 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. And total amount of receivable was Rs. 15,348,370 out of the loan for the year 31 December 2020. The Director General of Samurdhi Development Department had been instructed on 16 July 2007 to credit recoveries of these loans to the Gam Pubudu Jeevanopaya revolving account of Divisional secretariats. But documentary evidence had not furnished for audit regarding recovering of loans.</p>	<p>Even though reports were not submitted, a small amount of cash receivables before year 2007 for recovering of loans are being received. An amount of Rs.1,472,051 had received during the year 2018, 2019 and 2020.</p>	<p>Action should be taken to keep proper and documentary evidence regarding the recovering of expenses had given from the Treasury provision.</p>
<p>(b) In the set of financial statement of the fund had submitted for first time in the year 2014 it was stated that 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 provisions for the construction of new buildings and for the renovation of those banks / banking societies. And the circular had been issued on 09 June 2017 by the Director General of Samurdhi Development Department instructing 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. the methodology of keeping records of accounts . Due to giving such a instruction the receivable income of rent amounting to Rs. 30,864,000 from the 1286 number of community based banks and banking societies for the year 2019 and 2020 had not been received to the fund.</p>	<p>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. The approval of the Board of Micro Finance Banking Management had received for this.</p>	<p>Action should be taken to do legislatively when changing the objectives and activities of the Fund has been established.</p>

(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 con-currence with the Deyata Kirula programme in the year 2014, on the basis of it could be reimbursed from the General Treasury. But the director of the Department of National Budget had informed by the letter dated 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.

Answers not given

Should be done with the approval of the General Treasury. When giving money for development activities.

#### **4. Accountability and Good Governance**

##### **4.1 Submission of Financial Statements**

Audit observation	Comment of the management	Recommendation
<p>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 year 2020 had been submitted by the date of 16 September in 2022 after a delay of 01 year and 6 months.</p>	<p>Action had been taken regarding financial statements according to your letter No. EHA/S/SDD/Funds/64 and dated 2019.05.31.</p>	<p>Financial Statements should be presented during the relevant period in terms of Financial Regulations and as per instructions of the circulars .</p>

##### **4.2 Budgetary Control**

Audit observation	Comment of the management	Recommendation
<p>A budget for the activities of the Fund had not been prepared in terms Financial Regulation 877 (1) published by Paragraph 15 of the Public Finance Circular No.1/2020 of 28 August 2020.</p>	<p>It was kindly informed that action to be taken to get steps in future activities after establishing of this fund as statutory on the decision to be taken by the General Treasury reviewing of this fund .</p>	<p>Budget should be prepared and presented during the relevant period in terms of Financial Regulations and as per instructions of the circulars.</p>