

Samurdhi Social Development Trust Fund - 2023

1. Financial Statement

1.1 Qualified Opinion

The audit of the financial statements of the Samurdhi Social Development Trust 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 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, except for the effects of the matters described in paragraph 1.5 of this report, 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 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 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 Audit Observations on the preparation of Financial Statements

1.5.1 Non- Compliance with Sri Lanka Public Sector Accounting Standards

Audit Observation	Comment on Management	Recommendation
In terms of paragraph 57 of Sri Lanka Public Sector Accounting Standards 7 even though each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately identifying total cost amounting to Rs. 134,683,729 of the land of 7 acres and 37 perches with the building of Nilaveli Training Center had not been accounted for during the year under review Calculating the depreciation value of buildings.	Action will be taken to account for calculating the depreciation of the buildings after making assessments.	Should be accounted for separately identifying the assets.

1.5.2 Accounting deficiencies

The following deficiencies were observed.

Audit observation	Comment of the management	Recommendation
(a) A sum of Rs.1,248,798 of unidentified balance relating to 13 Districts had been shown as a balance carried forward from the year 1998 as office equipment under the fixed assets. Identifying those assets had not been accounted for at fair value even in the year under review. The net realized value of that had been a Rs. 76,195.	Necessary actions will be taken to account for that the balances which are brought forward as unidentified balances accurately identifying at a fair value.	Action should be taken to account for identifying assets at fair value.

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| (b) Due to non- submission of board of survey reports as possible to identify the assets relevant to the fund and the assets (except Nilaveli) cost of Rs.78,542,085 as at the date of 31 December 2023 owned to the fund the action had not been taken to observe even in the year under review. | The board of survey activities is currently conducting related to the assets belonging to Social Security Fund. Once these activities are finalized that the reports will be submitted for the functions of the audit. | The board of survey reports should be submitted as possible to identify the assets relevant to the fund. |
| (c) Calculating the value of two mobile Air Condition machines which had given to the Center by the Samurdhi Development State Ministry on the date of 6 April 2021 had not been accounted. This equipment had not been confirmed even by the board of survey report of the year 2023. | These two Air Condition machines have been entered in the inventory which maintained in the Nilaweli Training Center and that the action is taken to include in the financial statements assessing value of that in future. | Assessing the value should be included in the financial statements. |
| (d) An amount of Rs. 941,280 of audit fees that paid for the previous years had been accounted for as an expenditure of the year under review and provision for audit fees had not been made for the year under review. | To that at the beginning of the year 2023 had not been accounted for as accrued expenses and to that provision has been made by the budget estimates in the year 2024. | Expenses should be accurately accounted for. |

1.6. Accounts receivables and payables

1.6.1 Cash receivables

Audit observation	Comment of the management	Recommendation
Even though an amount of Rs. 8,567,239 out of the advances that given for 6 Districts as new subsidiary issuances in 2019 year had been reimbursed to the Samurdhi Department by the District Offices and had not been settled this amount to the fund up to the date of 31 December 2023 and had not been stated even in the General Deposit account in the Department.	To that report that regarding this money given by the finance division in the Department had been forwarded to the internal audit division as per the instructions of the Board of Trustees to give a report by handling an investigation.	Action should be taken to obtain money receivable to the fund.

1.7 Non - compliance with Laws, Rules, Regulations and Management Decisions

	Reference to the Laws, Rules and Regulations	Reference to the Laws, Rules and Regulations	Comment of the management	Recommendation
(a)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R. 381 (1)	Even though bank current accounts had been maintained from the year 2017. An approval of the treasury had not been taken even up to the date of this report.	Required documents that have been forwarded to the Chief Accountant for submitting to the Department of Treasury Operational for the approval of the Treasury.	Action should be taken in terms of Financial Regulations.
(b)	Financial Regulation 756	Recommendations had not been implemented that given by the board of survey reports of the year 2022.	Action will be taken to that implemented the recommendations of the board of survey reports of the year 2022.	Action should be taken in terms of Financial Regulations.
(c)	Financial Regulation 877 (1)(c) as established in paragraph 15 of Public Finance Circular No. 1/2020 dated 28 August 2020	Even though preparing the budget of the coming year a copy of that should be submitted to the Director General of Public Finance forwarding to the Director General of National Budget for the approval of the General Treasury with the approval of the Secretary of the Ministry before 30 September year under review action had not been taken accordingly.	Preparing the budget relevant to the year 2024 that have been forwarded to the Chief Accountant with the approval of the Secretary of the Ministry for the approval of the General Treasury.	Action should be taken in accordance with the Circular.
(d)	Financial Regulation 880 as established in section II paragraph 9 of Public Finance Circular No. 1/2020 dated 28 August 2020	Securities have not been deposited by the Samurdhi Manager and the Samurdhi Development Officer who have been issuing Cheques and exercising financial control in the training center.	Action needed to deposit securities will be taken in future that by the officers who are signing Cheques.	Action should be taken in accordance with the Circular.
(e)	Financial Regulation 877 (2) (d) as established in	A draft report of performance with the	Since the performance report of the fund is	In accordance with the circular a

paragraph 15 of Public financial statements of the furnished including into separate Finance Circular No. fund had not been the performance report of performance report 1/2020 dated 28 August furnished for the Auditor the Department of for the fund should 2020 General. Samurdhi Development be furnished. it was not necessary to that submission of performance report with the financial statements.

2 Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a surplus of Rs. 3,329,823,802 compared with the corresponding surplus in the preceding year amounted to Rs. 1,328,591,826. Therefore a deterioration amounting to Rs.1,001,231,976 of the financial result was observed. The decrease in contribution had been mainly attributed to this deterioration.

3. Operating Review

3.1 Uneconomic Transactions

Audit observation	Comment of the management	Recommendation
<p>With the purpose of providing Samurdhi subsidies to 6 Lakhs newly and establish 5,000 export villages for empowering them and through that develop up to an economic entity which is earning one million dollar per year. An amount of Rs, 144,733,844 had been incurred from the social security fund holding inaugural programmes island wide for awarding Titles, to implement 350 programmes for awareness in divisional level. For this an amount of Rs. 143,075,654 had been recovered out of the subsidies Rs 500 each from Samurdhi beneficiary up to the date of 31 December 2023. Out of this value a Rs.96,612,500 had been directly recovered from the Samurdhi beneficiary in the month of February 2023. However due to non-reaching for the above objectives the expenditure incurred by the fund had been an uneconomic expense.</p>	<p>Out of the amount of Rs, 144,731,154 had been incurred from the Social Security Fund for providing newly Samurdhi subsidies that the amount further receivable as at the date of 01.04.2024 was Rs. 1,002,690</p>	<p>Contributions of the beneficiaries should be utilized effectively for relevant objectives.</p>

3.2 Management Inefficiencies

Audit observation	Comment of management	Recommendation
<p>The land extent which located Nilaweli Training Center owned to the Department of Samurdhi Development was 7 acres 3 roods 28 perches. Two labourers were</p>	<p>Even though a long term and a short term crops cultivation had been made with the corporation of the Agriculture Consultant and</p>	<p>Land should be utilized for productive activities.</p>

indulge in base on the paying daily wages of Rs. 2,000 per day and the annual wages paying for two of them was Rs. 1,596,400. The income of cultivation (Mango) in the year 2023 was only Rs. 7,000. The short term crop cultivations has been planted purchasing at a Rs. 75,055 without having advices from the Agriculture Consultant had been destroyed. The land had not been used productively to obtain crops income with compared to the land extent and the labour wages incurred.

the Coconut Development Officer in the year 2022 due to this is a land with a lagoon it was revealed that it is not suitable for short term cultivation and expect on natural reasons and destroyed by animals that the long term crops were actively to exist.

3.3 Transactions of Contentious Nature

Audit observation	Comment of management	Recommendation
<p>Contrary to the paragraph 6(9) of the Trust deed (instrument No 8) of Samurdhi Social Development Trust Fund the former Director General of the Department of Samurdhi Development who act as a Chairperson of the Board of Trustees, Rs. 984,323 of acting allowance that was ¼ out of the basic salary of the permanent post of the department had been obtained from February 2023 to October during the year under review in addition to the allowance had been obtained for the meetings of Board of Trustees incurred by them for the performing their duties and also an amount of Rs.53,887of acting allowance had been obtained by the current Chairman from November to December2023.</p>	<p>As per the requirements occurred in future relating to the payment of this allowances added to the amendments occasionally to the Deed of Trustee due to be made as per the instructions of the Board of Trustees.</p>	<p>In terms of Deed of the Trust of the fund an acting allowance should not be paid and inconsistent to that money should be charged.</p>

3.4 Idle or underutilized Property, Plant and Equipment

Audit observation	Comment of management	Recommendation
<p>There had been a capability of providing services to the public distributing water needed in drought season and earning income giving for rent to the other entities using the Bowser at the Nilaveli training center however 4 years from the year 2019 action had not been taken to earn income using that vehicle by the management and that vehicle has been parked at the premises of the center as unsecured.</p>	<p>Although inquiries had been made to provide to the government institutes that required to use this type of vehicles, no requests have been received and to that finding regarding this a prompt decision will be made.</p>	<p>Action should be taken to utilize assets effectively.</p>