

Samurdhi National Social Development Fund - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Samurdhi National Social Development 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 equity 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 2024, 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 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 Accounting Deficiencies

Following accounting deficiencies were Observed..

	Audit Observation	Management Comment	Recommendation
(a)	The funds raised through the Flag programs on the theme of International No Tobacco Day will be credited to the regional organizations, the Fund and the district organizations, as 90 percent, 8 percent and 2 percent respectively. Accordingly, the Fund prepares financial statements for the fund raised with an 8 percent contribution. In accordance with paragraph 150 of Sri Lanka Public Sector Accounting Standards 1, the financial statements did not include information on the nature of the Fund's operations, details of its main activities and the statutes governing its operations, but the objectives and functions of the Flag Fund were included in the financial statements.	90 percent of the Flag Fund is maintained in the accounts of regional organizations and community-based organizations. The functions of the department's 8 percent contribution fund i being carried out annually according to the plan implemented with the approval of the Board of Directors and the Secretary of the Ministry through an executive committee consisting of the community of each regional organization.	Objectives should be presented in terms of Standards.
(b)	According to the new constitution of the Fund, the registration fees of Samurdhi Community Based Organizations and Regional Organizations, which are a major source of income, had been credited to the Consolidated Fund from 05 September 2022. Accordingly, registration fees of Rs. 9,044,700 had been credited during the	Since the registration fees were not credited to the Social Development Fund as income, they are not recognized as income.	Fund revenues must be accurately identified and accounted for.

year under review directly to the Consolidated Fund without being recorded in the accounts, and no disclosure had been made in the financial statements regarding the change in the policy of accounting the registration fees as income.

- (c) Due to the accounting of stationery expenses of Rs.100,000 relating to the year 2023 in the stationery expenses of Rs.373,892 in the year under review, the stationery expenses of the year under review was overstated and the surplus was understated by that amount.
- Will be corrected in future accounting entries.
- Expenses should be accounted for correctly.

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

Following observations are made.

	Reference to Laws, Rules and Regulations etc.	Non-Compliances	Management Comments	Recommendation
(a)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka 381(1)	The Department had maintained a current account from 2017 until the date of the report without Treasury approval.	The Secretary to the Ministry has requested the Director General of the Treasury Operations Department to open official bank accounts for the Samurdhi National Social Development Fund under the Treasury's individual accounting system, but approval has not been granted so far.	Action should be taken to obtain Treasury approval.
(b)	Financial Regulations as amended by Public Finance Circular No. 1/2020 dated 28 August 2020			
(i)	876 (c)	Although steps should be taken to transfer the remaining funds to the Consolidated Fund after settling the payables and other liabilities, Out of the income	As per the written instructions given by the Chief Accountant, the Chief Operating Officer of the Fund, the registration fees for the	Financial Regulations should be followed.

from registration fees of community-based societies and organizations, which is the main income of the currently operating fund, sums of Rs.6,000,000, Rs.9,231,500 and Rs.9,044,700 had been transferred to the Consolidated Fund in the years 2022, 2023 and 2024 respectively.

years 2022 and 2023 were credited directly from the Samurdhi National Social Development Fund to the Consolidated Fund. That steps have been taken to credit the registration fees of community-based and regional organizations for the year 2024 to the Government Consolidated Fund at the regional level.

(ii)877 (1) (c)	Although the budget document for the year under review should have been forwarded to the Director General of National Budget for approval from the Treasury with the approval of the Secretary to the Ministry and a copy should have been sent to the Director General of Public Finance, action had not been taken accordingly.	The annual action plan has been submitted for approval through the departmental accounts division.	-Do-
(iii)877 (2) (d)	Although a performance report should be submitted to the Auditor General along with the Fund's financial statements within 2 months of the end of the accounting year, performance reports had not been submitted for any of the years for which financial statements had been submitted.	It has been noted that a performance report will be prepared in the future.	-Do-

1.7 Cash Management

Audit Observation	Management Comment	Recommendation
Eight (8) percent of the income generated from the sale of flags and stickers to Samurdhi beneficiaries and the community, which will be implemented in conjunction with the International No Tobacco Day on 31	Since two national elections were announced during the year under review, the activities of Government institutions had to be carried out subject to certain restrictions. Since community-centered projects are	Funds must be utilized effectively to carry out the functions of the Fund.

May will be credited to the National Social Development Fund and the main objective of the Fund is to spend this money for the social welfare of Samurdhi beneficiaries in the area. Accordingly, a maximum of 90 percent of the income received from the sale of flags should be spent on approved projects. The total income of the flag programs during the year under review was amounted to Rs. 169,725,587 of which 10 percent was remitted to the fund by community based organizations. Out of the remaining 90 percent or Rs. 152,753,028 only Rs.126,860,000 had been used for 5 community programs. The implementation of programs in relation to the flag income had not been carried out to the maximum extent and no program was implemented in 8 districts. Furthermore, only Rs.310,000 had been spent on implementing community programs in 5 districts. Accordingly, the funds received from the flag income in the year under review had not been effectively utilized for the activities of the Fund that were planned to be implemented and the management of the Fund had not followed up on whether the remaining amount of Rs.25,893,028 was lying idle. Also, the Fund did not have accurate information on the flag income received by the local community-based organizations and the fund balances held by those organizations.

being implemented through community-based organizations and regional organizations, the Election Commissioner's Circular No. EC/EDR/PRE/2024/6-04B and Circular No. 05 dated 26 July 2024 have informed that the said program will not be implemented. Therefore, a low percentage of the flag revenue, which was 90 percent, was spent in the year under review.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a surplus of Rs. 12,571,739 against with the corresponding deficit in the preceding year amounted to Rs. 7,938,883 Therefore an improvement amounting to Rs.20,510,622 of the financial result was observed. The decrease in expenses of the fund had been mainly attributed to this improvement.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
(a) Out of the 16 objectives mentioned in the new constitution of the fund established under the approval given by the Paper No. 05/2009 of the 178 th Board of Directors meeting of the Sri Lanka Samurdhi Authority, attention had not been paid to fulfilling the following objectives.	The executive council of each community-based organization selects and approves projects based on need and priority from among the 16 objectives specified by each community-based organization. Since the amount of money available in the fund varies depending on the productivity of the members' requests and each area, this situation has resulted in projects not being implemented in a way that can meet all objectives.	Action should be taken to achieve the objectives of the fund.
(i) To create an attitudinal change to send school-age children who are not attending school due to economic and social problems, and to provide financial assistance where necessary.		
(ii) Construction of houses for families who are homeless due to helplessness in the face of various disadvantageous situations in society.		
(iii) Identifying families who are in extreme poverty and who cannot be economically empowered by society and providing them with relief.		
(iv) Providing necessary assistance to low-income earners in any problematic situation they face due to various disadvantageous conditions in society.		
(v) Working for the advancement of children, women and the elderly by securing their social rights.		

(vi) Implement programs of the Social Development Foundation Fund in the most effective and transparent manner.

(vii) Implementing programs conducted by the Samurdhi Development Department in a timely and appropriate manner.

(viii) Creating a healthy and pleasant environment for all and building a prosperous society full of values.

(ix) Implementation of economically productive livelihood projects.

(b) Treasury approval had not been obtained for the fund's constitution and information on payments and uses that could be made from the fund had not been included in the constitution.	Discussions are underway with the Treasury regarding the funds and, based on the decision taken there, the matter has been referred to the Attorney General for advice. Further steps will be taken in accordance with that decision.	The constitution should be properly drafted and Treasury approval should be obtained.
(c) Although the audit of all funds under the department was to be conducted through the Auditor General, the constitution stated that the financial statements of the fund should be audited through the Departmental Audit Unit.	As per Cabinet Decision No. ෧෩/25/0630/820/008 and dated 20 May 2025, approval has been given to amend the Divineguma (Amendment) Act No. 02 of 2017 to subject Samurdhi Community Banks and Samurdhi Community Bank Societies to government audit. Further action will be taken in accordance with that approval.	The Constitution should be amended properly.

3.2 Under Utilization of Funds

Audit Observation	Management Comment	Recommendation
According to the revised action plan of the Fund for the year 2024, the allocation for implementing 19 programs and activities was Rs. 53,700,000. However, out of those programs and activities, only 07	Among the programs approved in the action plan by the Election Commissioner's Circular No. EC/EDR/PRE/2024/6-04B and Circular No. 05 dated 26 July 2024, the Community Harasara Program, Printing of the "We Empowered by Samurdhi" Book, Samurdhi Talent Show, "Tharunyata Soduru	Funds should be utilized effectively to carry out the functions of the Fund.

administrative activities and one program were implemented at a cost of Rs.8,078,000. Accordingly, the Fund had utilized only 15 percent of the allocation during the year under review.

Emathumak” Sports Program, etc., which directly engage the community, and the preparation of the Samurdhi Community Education Campus could not be implemented due to land acquisition issues.