

Samurdhi National Social Development Fund - 2025

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Samurdhi National Social Development Fund for the year ended 31 December 2025 comprising the statement of financial position as at 31 December 2025 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 material accounting policy information, 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 reported to Parliament, appear in this report.

In my opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 December 2025, 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 Opinion

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 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's 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 intend 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 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 Responsibility 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.

Audit scope 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 Accounts Receivable and Payable

1.5.1 Advances

Audit Observation	Management Comment	Recommendation
In accordance with 371 (5) of Financial Regulation as amended by Public Finance Circular No. 1/2020 dated 28 August 2020, advances should be settled immediately upon the completion of the relevant task. However, a sum of Rs. 50,130 out of the advances issued to District offices for various tasks in 2024 remained unsettled at the end of the year under review.	Out of the Rs. 50,130 pertaining to year 2024, a sum of Rs. 23,180 was remitted to the Consolidated Fund of the Department, and a sum of Rs. 26,950 to the salary account. However, as these funds were not received by the Social Development Fund for the settlement of the advances, I would like to state that it has been recorded as a further advance to be received.	Appropriate action should be taken regarding officers who fail to settle advances in accordance with the Circular, and measures should be taken to ensure that such situations do not occur in the future.

1.5.2 Non- Compliance with Laws, Rules, Regulations and Management Decisions etc.

	Reference to Non-Compliance Laws, Rules, Regulations etc.	Management Comment	Recommendation	
(a)	381 (1) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Even though a current account has been maintained for the Fund since the year 2017, approval of the Treasury had not been obtained for it up to the date of this report.	Answers have not been given.	Action should be taken to investigate the reasons for not obtaining approval for the current account and to obtain the necessary approval expeditiously.

- | | | | | |
|-----|---|--|---|--|
| (b) | 877 (1) (c) of the Financial Regulations as amended by Public Finance Circular No. 1/2020 dated 28 August 2020. | Even though the budget document for the year under review should have been forwarded to the Director General of National Budget for obtaining the approval of the Treasury along with the approval of the Secretary of the Ministry, and a copy thereof sent to the Director General of Public Finance, action had not been taken accordingly. | The Secretary of the Ministry has approved the budget document. This situation has arisen due to the failure to follow up on forwarding it to the Director General of National Budget and sending a copy thereof to the Director General of Public Finance. | The reasons for not submitting the budget document approved by the Ministry for obtaining the approval of the Treasury in accordance with the Circular should be investigated, and measures should be taken to ensure that such situations do not occur in the future. |
|-----|---|--|---|--|

2. Financial Review

2.1 Financial Results

The financial result of the year under review amounted to a surplus of Rs. 7,832,924, and corresponding surplus in the preceding year amounted to Rs. 12,571,739. Therefore, a deterioration amounting to Rs. 4,738,815 of the financial result was observed. The reason for the deterioration was mainly due to the “Prajā Harasara” ceremony expenses of Rs. 5,719,230 incurred during the year under review.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Management Comment	Recommendation
(a)	The sale of flags, which is the primary source of income of the Fund, had earned an income such as Rs. 23,077,572, Rs.16,972,559, and Rs. 15,731,926 in the years 2023, 2024, and 2025 respectively. Accordingly, the continuous decline in flag sale income posed an adverse impact on the financial stability of the Fund.	Compared to 2024, the decline in flag sales income has been successfully reversed to a satisfactory increase in 2025.Plans have been made to identify and implement the necessary measures to further increase income received from flags in 2026. I am confident that this will enable us to successfully meet the challenge of increasing the fund.	The reasons for the continuous decline in main income should be identified, and effective measures taken to increase the income.
(b)	In line with World No-Tobacco Day on 31 May, Percentage 10 of the income earned from selling flags and stickers to Samurdhi beneficiaries and the community will be credited to the fund and amounts should be spent for	The Percentage 10 of the total flag income credited to the Social Development Fund amounts to Rs. 15.73 million. Respective community-based organizations have implemented projects based	Action should be taken to effectively utilize the flag sale proceeds to achieve the objectives of the fund and to conduct continuous

	approved projects, subject to a maximum limit of Percentage 90 of the income. Accordingly, out of the total income of Rs. 157,319,268 earned from the flag program in the year under review, 10 i.e., amounting to Rs. 15,731,926 had been credited to the Fund. Out of the remaining Percentage 90, which amounted to Rs. 141,587,341, only Rs. 78,529,480 had been spent during the year under review. Consequently, a balance of Rs. 63,057,861 remained, and the management had not conducted adequate follow-ups regarding the effective utilization of these amounts. Further, as the specific value was not stated on the flags, an adequate control mechanism had not been maintained to ensure the completeness and accuracy of the flag sale income.	on the amounts available to them from the remaining Percentage 90 of the flag sale proceeds i.e., Rs. 141.59 million. Accordingly, 7 identifiable programs, along with a large number of other programs, have been carried out. The amount incurred for these all programs was Rs. 78.53 million. Accordingly, programs are implemented to the fullest extent possible based on the income earned from the sale of flags. The reason for not specifying a fixed value for the flag is that stating a price of the flag could limit the income collected, as the community contributes donations at different levels.	follow-up activities in this regard. Further, a formal system of control and reporting regarding the issuance of flags, sales, and income collection should be established to ensure the completeness and accuracy of the flag sale income.
(c)	The Treasury concurrence had not been obtained for the constitution of the Fund, and provisions regarding the payments that could be made from the Fund and the utilization of the funds were also not included in the constitution	Action has not been taken to obtain Treasury concurrence for the constitution of the Fund, only the approval of the Samurdhi National Council and the Board of Directors had been obtained.	The constitution of the Fund should be formally drafted to incorporate the relevant provisions, and action should be taken to obtain the Treasury concurrence.
(d)	It was observed that Percentage 90 of the funds collected through flag programs conducted based on the theme of World No-Tobacco Day are allocated to the accounts of the respective regional organizations, and the remaining Percentage 10 is credited to the Fund. However, the objectives and functions of the Fund maintained through this Percentage 10 contribution were not clearly or distinctly defined within the constitution of the Fund. Further, adequate control and administrative mechanisms had not been established to formalize and supervise the operational activities of the Fund in	In accordance with the recommendations and guidance of the report of the committee appointed by the Director General to update the funds belonging to the Department, plans have been made to amend the constitution of the Samurdhi National Social Development Fund to incorporate distinct objectives and functions for the contribution of Percentage 10 and 90.	The constitution should be formally amended to clearly define the objectives and functions of the Fund maintained through the Percentage 10 contribution and to incorporate them into the constitution. Further, in accordance with those objectives and functions, necessary control and administrative provisions should be established, and formally supervision of

accordance with such objectives and functions.

those activities should be ensured.

- | | | |
|--|---|---|
| <p>(e) In accordance with Paragraph 6 of the report dated 02 July 2025 submitted by the Fund Review Committee appointed to address matters regarding Non-Statutory Funds under Sub Section (4) of Section 39 of Part VIII of the Public Financial Management Act, No. 44 of 2024 approved by the Cabinet Decision No. CP/25/1531/804/179 dated 04 September 2025, this Fund had been identified as one to be taken further action based on the instructions of the Attorney General. Although the instructions of the Attorney General had been obtained, the measures to be taken regarding the future existence of the Fund and the related legal procedures had not been finalized even by the date of this report.</p> | <p>The relevant decision has been received following consultation with the Attorney General, and the Department of Public Finance has been made aware in this regard. Further action is being taken regarding these funds through special committees appointed as per the discussions of the Audit Management Committee to formalize these tasks of the Department.</p> | <p>Since the timeframe given for the relevant activities under sub section (4) of Section 39 of the Public Financial Management Act, No. 44 of 2024 has expired, the future measures to be taken regarding this fund should be finalized expeditiously, taking into consideration the instructions of the Attorney General and relevant legal requirements.</p> |
|--|---|---|

3.2 Operational Inefficiencies

Audit Observation	Management Comment	Recommendation
During the year under review, adequate attention had not been paid to fulfill 10 out of the 16 objectives mentioned in the new constitution of the Fund which was approved by Board Paper No. 05/2009 dated 16 March 2009 at the 178th Board of Directors meeting of the Sri Lanka Samurdhi Authority.	The selection, approval, and implementation of projects based on need and priority, incorporating the 16 objectives specified by each community-based and regional organization is carried out by the executive committees of the respective community-based organizations. As the amounts available in the fund vary according to requests of the members, effectiveness of the project, and each area, projects might not be implemented in a way that fulfills all objectives at the District or organizational level in this situation. However, many of these objectives have been achieved through programs implemented across the island.	Action should be taken to plan and implement projects by identifying the requirement and the priority in a way that covers all the objectives mentioned in the constitution of the Fund.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Management Comment	Recommendation
Even though a sum of Rs. 56,000,000 had been allocated for 12 programs/activities to fulfill the objectives of the Fund in accordance with its revised Action Plan for the year 2025, only Rs. 29,100,000 had been spent during the year under review, and it was only about 52 percent of the allocated provision. Consequently, a considerable amount of the provisions allocated under the approved Action Plan had not been utilized during the year under review.	In implementing certain programs in the approved plan, the remaining balances from the amounts allocated for the projects after reducing the expenses incurred also led to this through following a formal financial management and formal procurement processes.	Action should be taken to allocate provisions realistically for carrying out tasks of the Fund and to ensure the effective and efficient utilization of the allocated funds.