

Samurdhi Social Development Trust Fund - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Samurdhi Social Development Trust 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 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 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 Non-compliances with Sri Lanka Public Sector Accounting Standards.

	Non-compliance with reference to the relevant standard	Management Comment	Recommendation
(a)	Although, in accordance with paragraph 57 of Sri Lanka Public Sector Accounting Standards 7, each part of an item of property that consisting of significant cost compared to the total cost of that item should be identified separately, the Nilaveli Training Centre buildings and 7 acres 37 perches of land, with a total cost of Rs. 134,683,729, had not been identified separately as land and buildings during the year under review and the depreciation value of the buildings had not been calculated and accounted for.	The Valuation Department has been informed and currently the Batticaloa Valuation Department officials have reported to the Nilaveli Training Centre for relevant matters. After providing those reports, steps will be taken to calculate the depreciation of the buildings and account for them separately.	Assets should be identified and accounted for separately.
(b)	Although a reconciliation should be made by disclosing the additions, disposals, acquisitions, etc. of carrying amounts at the beginning and end of the period in accordance with paragraph 86 of	The Pottuvil Tourist Bungalow was formally handed over to the Department of Wildlife Conservation on 29 February 2024. Accordingly, in preparing the final accounts for 2024, the	Information about assets should be disclosed in accordance with accounting standards.

Sri Lanka Public Sector Accounting Standards No. 7, the Pottuvil Tourist Bungalow under the Fund was handed over to the Department of Wildlife Conservation during the year under review, but it had not been properly disclosed in the Property, Plant and Equipment. value of the building as at 31 December 2023 has been adjusted to the accumulated fund. Also, the value of its equipment has been adjusted to office equipment under property, plant and equipment.

1.5.3 Accounting Deficiencies

	Audit Observation	Management Comment	Recommendation
(a)	The non-receipt of contributions, which is the main income of the fund, due to the absence of Samurdhi subsidies since the year under review, had not been disclosed in the accounting policies.	It is an oversight to fail to disclose the facts regarding the non-receipt of contributions to the Samurdhi Social Development Fund in the year under review.	Accounting policies should be properly disclosed.
(b)	An unrecognized balance of Rs.1,248,798 carried forward as office equipment under fixed assets from the year 1998 in relation to 13 districts as had not been identified and accounted for at fair value in the year under review. Its net realizable value as at 31 December 2024 was Rs. 68,580.	The relevant 13 districts will be informed in this regard and necessary steps will be taken to accurately identify the balances and record them at fair value.	Assets should be identified and accounted for at fair value.
(c)	Although the purchase of office equipment during the year under review was accounted for as Rs.570,391 under property, plant and equipment, when examining the schedules of the relevant fixed assets, the purchase during the year was amounted to Rs.482,742. Accordingly, photocopy machine repairs amounting to Rs. 87,648 had been accounted for as purchases of office equipment during the year under review. Accordingly, the surplus has been overstated due to the understatement of the expenditure for the year under	Since it was necessary to add durable spare parts during the repair of photocopiers, it was considered a capital expenditure and included in property, plant and equipment.	Expenses should be accounted for according to the correct classification.

review by Rs.87,648, while the value of office equipment as at 31 December of the year under review was also overstated by the same amount.

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| (d) | Audit fees of Rs. 804,288 relating to the years 2021, 2022 and 2023 had been accounted for as audit fees for the year under review and no provision had been made for the audit fees relating to the year under review. | Provision has been made for audit fees under “Contractual Services” in the 2024 Estimate of Expenditure. | Expenses should be accounted for accurately. |
| (e) | Due to the fact that the total amount of Rs. 8,787,419 related to other expenses, administrative expenses and technical committee allowances applicable to the year 2023 was accounted for under operating expenses in the financial performance statement of the year under review, the value of expenses for the year under review was overstated by that amount and the overall surplus was also understated by that amount. | <p>Since the written requests for these benefit payments were submitted in the year 2024 to the banks that implemented the online system in the Trincomalee and Monaragala districts, according to the information obtained from the district level these payments were made in the year 2024.</p> <p>Since the procurement activities are carried out by the Chief Accountant’s Division of the Department, the document related to the payment of the Technical Committee allowances had been provided by the Chief Accountant in the year 2024, and therefore that expenditure has been included in the expenses of the year 2024.</p> | -Do- |
| (f) | Since the investment interest income for the year under review, which had been accounted for under non-operating income in the Statement of Financial Performance, had been overstated by Rs. 309,619,189, therefore, the total surplus for the year had overstated by that amount. | According to the statement of financial performance the investment interest income for the year was Rs.1,552,658,284. | Accounting of income should be done correctly. |

1.6 Accounts Receivables and Payables

1.6.1 Cash Receivables

Audit Observation	Management Comment	Recommendation
Although advances of Rs.8,539,272 provided to 6 districts as new distribution of subsidies in the year 2019 had been accounted for under the current assets of the Fund, the relevant advances had not been settled during the year under review.	Out of the advance money given to the districts for the distribution of new subsidy entitlements in the year 2019, the amount of Rs. 8,539,272 which has not yet been returned to the fund, even the money sent by 06 districts to the departmental account for settlement of the advance, has been recorded under current assets.	The relevant advances should be settled within the year.

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

Reference to Laws, Rules and Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Financial Regulations contained in paragraph (i)15 of Public Finance Circular No. 1/2020 dated 28 August 2020			
877(1)(c)	(i) Although the budget document for the coming year should be prepared and submitted to the Director General of National Budget for approval from the Treasury with the approval of the Secretary to the Ministry before 30th September of the current year and a copy should be forwarded to the Director General of Public Finance, action had not been taken accordingly.	The budget estimates for the year 2025 have been prepared and submitted to the Chief Accountant for further action after obtaining the approval of the Board of Trustees.	Financial regulations should be followed.
	(ii) Expenditure estimates had been prepared only for the expenses	The main income for this fund at present is investment interest	Financial regulations should be followed.

of the Fund, and income estimates had not been prepared.

income and Nilaweli income.

Accordingly, income estimates have been prepared.

- (b) Financial Regulation 877 (2) (d) contained in paragraph 15 of the Public Financial Circular No. 1/2020 dated 28 August 2020
- The performance report along with the financial statements for the Fund had not been submitted to the Auditor General.
- The performance report of the Samurdhi Social Development Trust Fund, which is maintained under the Samurdhi Development Department, will be included and submitted in the departmental performance report.
- A separate performance report should be submitted for the fund as per the circular.

2. Financial Review

2.1 Financial Results

The operating result of the Organization for the year under review amounted to a deficit of Rs. 804,478,750 and the corresponding deficit in the preceding year amounted to Rs. 258,580,310. Therefore, a deterioration amounting to Rs. 545,898,440 in the financial result was observed. The main reason attributed for this deterioration was the loss of contributions.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
(a) As per the Cabinet Decision No. අමප/16/1392/711/023-II dated 29 July 2016, the Board of Trustees of the Social Security Fund had acquired the 7 acres 37 perches land at Gopalapuram, Nilaveli belonging to the Seva Lanka Foundation and the Vocational Training Centre situated therein at a cost of Rs. 126 million. After the acquisition process was completed, the objective of conducting robust training programs was to improve the income	The income of Nilaweli in the year 2024 is amounted to Rs.5,662,916, and the expenditure is stated as Rs.7,824,370, which is the sum of both recurrent expenditure and capital expenditure. Since the recurrent expenditure of this centre is Rs. 3,382,023, a profit of Rs. 2,280,893 has been incurred during the year 2024.	Action should be taken to achieve objectives.

status and living standards of Divi Neguma beneficiaries, senior citizens, disabled persons and single monthly family groups. However, only a very limited number of such training programs were conducted during the year under review and according to the analysis of the Center's income and expenditure for 3 years, the objectives of the Fund as well as the objectives of maintaining the Nilaveli Training Center had not been effectively achieved due to the fact that a large amount of funds from the Trust Fund had to be spent on the Center.

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| <p>(b) In addition to the allowance received for Board of Trustees meetings, contrary to the paragraph 6 (9) of the Trust Deed of the Fund, the former Director General of the Samurdhi Development Department, who serves as the acting Chairman of the Board of Trustees, had received an acting allowance of Rs. 984,322 from February 2020 to October 2023, which is $\frac{1}{4}$ of the basic salary of the regular post of the Department for performing of duties, while the current Chairman had received an acting allowance of Rs. 386,737 from November 2023 to 31 December 2024.</p> | <p>As per the request made on 05 January 2022 by the Director General who was appointed as the Director General on 24 January 2020, and as per the decisions given after presenting the facts to the Board of Trustees on 28 February 2022, the Director General has been paid Rs. 550,000 for 26 months at the rate of Rs. 22,000 each as arrears from the date of appointment i.e. 24 January 2020 to 24 February 2022 and from then on till 23 October 2023, $\frac{1}{4}$ of the salary has been paid monthly and as per the request of the current Director General who was appointed from 02 November 2023, $\frac{1}{4}$ of the monthly salary has been paid with the approval of the Board of Trustees of Social Development. The payment of this allowance has been suspended from 01 February 2025, pending future amendments and decisions to be made to the Samurdhi Social Development Trust Fund Deed.</p> | <p>According to the trust deed of the fund, acting allowances should not be paid and additional payments should be recovered.</p> |
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3.2 Under Utilization of Funds

Audit Observation	Management Comment	Recommendation
Due to the cessation of the Samurdhi Subsidy Program from July 2023, the payment of Samurdhi Social Security benefits was also stopped, and the Beneficiary Management Module, developed at a cost of Rs. 1,010,000, remained idle during the year under review.	The Board of Trustees approved the development of software for the payment of social security benefits made by the Samurdhi Social Development Fund using the CRM database system that includes and maintains Samurdhi beneficiary information within the Samurdhi Development Department. With the commencement of the Aswesuma Benefit Scheme from 01 July 2023, the provision of Samurdhi subsidies through the Samurdhi Development Department was discontinued, and accordingly, social security benefit payments will also have to be stopped.	Efforts should be made to utilize assets effectively.

3.3 Performance

Audit Observation	Management Comment	Recommendation
(a) The main objective of the fund was to provide financial assistance to eligible families whose living conditions were very close to deteriorating in any way, as a safeguard against such deterioration. Under this, benefits were provided as an insurance scheme for expected and unexpected events, mainly births, twins, marriages, hospitalizations, trips and Sipdora scholarships. However, the benefit payment in the year under review had decreased by Rs. 1,422,446,050, i.e. 68 percent, compared to the previous year due to the suspension of Samurdhi benefits. However, the beneficiary payments for this year also included payments related to the year 2023. Furthermore, the beneficiary payments during the year under review were limited to the Sipdora Scholarship	Among the social security benefit payments implemented by the Social Development Fund, the Sipdora Scholarship Program was implemented in the year 2024, and since that program included only families who were Samurdhi beneficiaries and not receiving Aswesuma, therefore, benefit payments have decreased this year.	Action must be taken to achieve the objectives of the fund.

Program only. Investments had increased by Rs. 794,943,365 during the year. Accordingly, it was observed that the objectives of the fund had not been achieved during the year under review.

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| <p>(b) Due to non-receipt of contributions in the year under review, the surplus had decreased by Rs. 1,581,644,268, i.e. 68 percent, compared to the previous year. Accordingly, it was observed that there was a problem in continuing to maintain this fund.</p> | <p>At present, the main income of this fund is the income from investment interest and the Nilaweli Training Center. Since this fund has been built up from the monthly contributions of Samurdhi beneficiaries and since this fund has been established on a non-profit basis for the well-being of low-income earners, there is no obstacle to continuing to maintain this fund and incur expenses for the well-being of low-income earners.</p> | <p>Efforts should be made to ensure the continued existence of the fund and to enhance the welfare of the beneficiaries who have paid contributions.</p> |
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