

National Secretariat for Elders - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Secretariat for Elders for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 and the Financial Act No. 38 of 1971. 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 Secretariat Office as at 31 December 2021, 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 Secretariat Office'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 Secretariat office or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Secretariat Office's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Secretariat Office 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.

1.4 Audit Scope (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 Secretariat Office'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 Secretariat Office'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 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 Secretariat Office, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Secretariat Office has complied with applicable written law, or other general or special directions issued by the governing body of the Secretariat office;
- Whether the it has performed according to its powers, functions and duties; and
- Whether the resources 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

Non-compliance with Reference to Relevant Standard	Comments of the Management	Recommendation
-----	-----	-----
(a) The van cost of Rs.9,100,000 which had been fully depreciated as at 31 December of the year under review but still being used had not been disclosed in the financial statements according to the Sri Lanka Public Sector Accounting Standards 07 and actions had not been taken to review again the estimated error regarding the effective life time of this vehicle to adjust in the financial statements.	The depreciable value of the van has ended on 31 December 2021 and actions have been taken to assess its value and include in the financial statements of the year 2022 after revaluation.	Action should be taken according to the Sri Lanka Public Sector Accounting Standards
(b) The contribution amount to be received from the elderly allowance by crediting the fund for the Elder Social Security Fund had been accounted on cash basis in contrary to the provisions of the Sri Lanka Public Sector Accounting Standards. As a result, the outstanding contributions amounting to Rs.75,999,300 had been dropped from the accounts from the year 2016 which the fund	Deducted money has been sent monthly by cheques from 331 Divisional Secretariats and all receipts will not be accounted in the subsequent month as the delay in receipts due to various reasons. Further, it is difficult to calculate contribution accurately due to receiving money from large number of offices. Contributions have been entered on cash basis. It is informed that the	-do-

was established to 31 December of the year under review.

contributions will be entered to the accounts on accrual basis from the year 2022.

1.5.2 Accounting Policies

Audit Observation

A sum of Rs.253,775 received as aids, donations and contributions from the external parties to implement of various programmes during the period of 2019 to the year under review had been shown under the current liabilities as refundable deposits instead of being accounted as income.

Comments of the Management

It was the money left over from spending from the aids and donations received to celebrate the International Day of Elder Persons. The saving has been temporarily held in the deposit account to be used for the upcoming Elders Day Celebrations with the approval of the National Council.

Recommendation

Grants, donations and contribution should be accounted as income.

1.5.3 Accounting Deficiencies

Audit Observations

(a) A deposit amount of Rs.48,337,714 received to the bank account of the Social Security Fund had not been identified and adjusted to the balance of the fund. As a result the fund balance at the end of the year under review had been understated in the financial statements by that amount.

Comments of the Management

Many divisional secretariats had directly deposited the contribution of Social Security Fund into the bank current accounts as the delay in postal work due to the corona epidemic situation. There was delay in taking those deposits into accounts due to the fact that their deposit slips have not been sent properly. Actions have been taken to account for promptly.

Recommendation

Actions should be taken to identify and clear the deposit balances.

(b) As the actions have not been taken to identify the treasury grants amounted to Rs.7 million received from the General Treasury for the activities of the Secretariat Office as income and state in the financial statements, the

Out of this, 48 deposits amounted to Rs.7,289,771 has been accounted by now and information has been requested from the bank branches for

Actions should be taken to account for revenue of fund properly.

deficit of the year under review had been overstated in the financial statements by that amount. As well as, sundry receipts amounted to Rs.7,563,822 which had been credited to the bank account of Secretariat Office in previous years had not been stated in the financial statements by identifying as income.

further actions. The two deposits of treasury receipt which have the total value of Rs.7 million deposits have already been accounted.

- (c) As the actions had not been taken to adjust to the debtor balances a sum of Rs.7,283,922 related to the 19 cheques received from debtors and remained unrealized for more than a year, the debtor balances stated in the financial statements at the end of year under review had been understated by the same amount.

Arrangements have been made to correct the errors of all items shown as unrealized deposits.

Actions should be taken to adjust the value of unrealized cheques in timely manner.

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
----- Financial Regulation of the Democratic Socialist Republic of Sri Lanka:	-----	-----	-----
(i) F.R. 395(c)	Even though bank reconciliation statements should be prepared before 15 th day of the subsequent month related to the transaction status of the bank current accounts at the end of each month, it had not been prepared. As a result it was observed that it takes a long time to reveal the errors and frauds of the transactions made through current accounts.	There has been a delay in preparing bank reconciliation statements in some months due to the difficulties in calling officers to the offices as the Corona epidemic situation and the workload assigned to the relevant subject officers. However, it is informed that the duties of preparing bank reconciliations have been	Actions should be taken as per the financial regulations.

assigned to two officers from January 2022 and by that the relevant work can be done before the scheduled date.

(ii) FR 395 (h) Even though the bank reconciliation statements should be prepared by an officer who does not participate in money related activities such as depositing the collected money to the bank, writing cheques or keeping the cash book, relevant to one bank account, preparing the bank statements had been assigned to the officer who does the activities related to cash of the same bank account.

It is informed that after reviewing the functions of the accounts division, the preparation of bank reconciliation statements has assigned to an officer, from January 2022 who does not carry out financial work so as the division of work properly between the officers after reviewing the functions of the accounting division.

-do-

(iii)FR396 (d) Even though the expired cheques should be cancelled and accounted as payables, actions had not been taken to do so regarding the 33 cheques amounting to Rs.509,885 which had expired by 06 months.

Reminder letters have been sent to the respective payees of the not presented cheques for payments and the dates of the cheques have been extended and lieu cheques have been issued based on the responses received. Action had been taken to cancel the cheques which had not received a response and to account to the government revenue.

-do-

1.7 Cash Management

Audit Observation

Out of the contribution received to Elders Social Security Fund, a sum

Comments of the Management

More than Rs.5 Million out of the balance of bank current account as

Recommendation

Financial strength of the Secretariat Office should

of Rs.355,846,655 unutilized for providing benefits to the elders and excess amount of Rs.7,572,048 received as government grants and had not utilized in each year and held in bank current account. The said surplus money had not been invested in a manner that may be decided by the National Council in accordance with the provisions of section 21 of the Protection of the Rights of Elders Act No. 09 of 2000.

at 31 December 2021 has consisted with the money deducted from Development officers' Widows and Orphans Fund and the money retained from other deposit accounts. It is informed that it is not possible to invest the money as it is necessary to settle them quickly to incur expenses.

be increased by effectively investing the surplus money held in bank current accounts.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a deficit of Rs.841,077 and the corresponding deficit in the preceding year amounted to Rs.11,874,301, accordingly an increase of the financial result amounted to Rs.11,033,224 was observed. An increase in government grant by Rs.7,205,000 and increase in staff costs, contractual service cost by Rs.17,016,397 and decrease in elderly benefit program cost, maintenance costs by Rs.19,930,129 had caused for this increase.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation

(a) Sufficient and effective actions had not been taken to prepare a data base that includes the information of the elder community as per the provisions of section 13 of the Protection of the Right of Elders Act No.09 of 2000 to identify the number of elder citizens, district wise distribution, age structure, health condition and economic situation and to make the specific accurate and effective decisions to implement the

Comments of the Management

The elders Data Information Management System has now published covering all 25 districts.

Recommendation

Preparation of complete data system that includes information of the elder community should be expedited.

national level projects and programs for the activities such as ensuring the independence, protection, self-esteem, participation of elders , protection the rights in order to facilitate the providing of benefits equally in a transparent and formal manner.

(b) Sufficient attention had not been paid to plan and implement the relevant practices to evaluate and follow up on whether the main functions such as protecting rights of the elders, protection, self-esteem, protection of dignity etc. had been effectively fulfilled through the implementation of programs and projects.

(c) The Motor car used as the official vehicle of director, purchased value amounted to Rs.5,795,000 had been met with an accident while driving by the director himself and the front side of the vehicle had been completely damaged. Even though almost a year had passed since the accident, actions had not been taken to obtain the preliminary report including the information about the accident as per the F R 104 (3) of the Financial Regulation of the Democratic Socialist Republic of Sri Lanka and actions had not been taken to calculate the value of the loss specifically and to implement the disciplinary actions against the responsible parties.

Follow-up activities have been carried out in the districts of Galle, Matara, Hambantota, Jaffna, Mannar and Ampara in relation to the year 2021.

An official vehicle had reserved for Director as per the approval of the Secretary of State Ministry and such vehicle was met with an accident while driving. An examination of F.R. 104 is being conducted by the Committee appointed by the ministry. The preparation of estimate for repair was problematic as the procurement of spare parts was difficult due to the poor economic condition prevailed. It is informed that, currently an estimate had forwarded to the Sri Lanka Insurance Co. Ltd and after obtaining the approval of the Sri Lanka Insurance Co. Ltd the vehicle would be able to run after carrying out the repairing activities quickly.

Practices should be designed and implemented for the evaluation and follow up of the effective performance of elder welfare activities.

Actions should be taken to compensate the damage caused by accident and to start the disciplinary actions against the responsible parties.

(d) Even though the Cabinet approval was received on 30th August 2016 to establish and conduct the Elders Social Security Fund, actions had not been taken to create a legality through a Parliament Act by obtaining the approval of the as per Financial Regulation 876 (2). Parliament as per Financial Regulation 876(2). Despite that a sum of Rs.2826.20 Million in between the time period from August 2016 to December of the year in review and even without a Cabinet approval a sum of Rs.308.86 Million in between the time period of January to July 2016 had been recovered to the Fund. Even though funds amounted to Rs.1,384.27 million during the period of 2016-2018 and a sum of Rs.1,441.93 million during 2019-2021 had been collected as well, funds had not been utilized to the activities of the funds during above 03 years and only a sum of Rs.573.32 Million had been utilized during the second year. The annual percentage of it was 59 percent, 26 percent and 32 percent.

According to the Cabinet approval to establish the Elder Social Security Fund contribution is collected to the fund by receiving a sum of Rs.100 each from the beneficiaries who receive the elder allowances. Even though allocations had sent to the District Secretariat offices based on the amount of beneficiaries of elder allowances, the amount actually paid varies due to death, changing of residences, etc. Fund was launched in 2016 and programs were implemented in late 2019. It was difficult to achieve the targeted objectives due to the Covid pandemic prevailed in year 2020 and 2021. It is informed that the actions have been taken to invest the surplus funds.

Actions should be taken to create a legality by a Parliamentary Act to Elder Social Security Fund by obtaining the approval of the parliament and to utilize the amount collected to fund to fulfill the activities of the fund effectively.

3.2 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
-----	-----	-----
(a) Even though allocations amounted to Rs.13.5 Million	Even though it had been planned to provide 1000 hearing aid	Actions should be taken to conduct the targeted

had been obtained to provide 700 hearing aid equipment to promote the health condition of the elder community during the year in review, only 419 hearing aid equipment had been provided by utilizing a sum of Rs.7.5 Million.

equipment in the year 2020, the amount of applications received from the beneficiaries had decreased due to the Covid pandemic. Therefore it was difficult to provide hearing aid equipment to targeted beneficiaries. As a result of the absence of beneficiaries due to the Covid pandemic, 295 hearing aid equipment to 295 beneficiaries related to the year 2020 were given during the year 2021. Actions have been taken to provide 419 hearing aid equipment during the year 2021.

performance of the Secretariat Office.

(b) Even though on behalf of the Elders' welfare, 10 basic activities under various fields had been targeted during the time period from the year 2016, the Elder Security Fund was established and to the year in review, the progress of fulfilling those activities had been in a poor status. Projects such as providing the self-employment grants on behalf of elders and providing facilities to sell the projects which they produce through it, make them shareholders of national development, constructing elders 'day care center had not been implemented.

Even though lots of programs had been planned to implement during the year 2021, it was difficult to implement the programs due to the fact that being unable to go in to the fields by relevant officers, and restricting of calling- up the employees to the offices due to the Covid epidemic. Based on this situation, the planned programs had to be revised again.

Activities of providing welfare of elders should be done efficiently by implementing the project activities for achieving the targeted activities of the fund.

(c) As the actions had not been taken to present a document including the information of beneficiaries relevant to the payment of monthly allowance amounted to Rs.2,000 to the law income senior citizens

A document including the amount of beneficiaries is submitted to the District Secretariat offices at Divisional Secretariat level and a document containing the information of beneficiaries is not provided. It is clear that there are

Actions should be taken with proper control to prevent the errors and frauds occurred when paying the allowances.

over 70 years of age to the Divisional Secretaries, testing of the accuracy of the payment of allowances , preparing a data base including the relevant information and maintain it in an updated manner had not been done, Furthermore, actions had not been taken by secretaries office to obtain a summary expenditure report including the information about the allowance payments before the 30th of next month after the end of the each month and the following up the allowance payments, collecting data about the beneficiaries as at 31st December had not been done by the officers in charge of adult affairs quantitatively and effectively. The attention had not been paid by the Elder Secretariat office related to this. It had been revealed to the audit that the financial frauds amounted to Rs.476,000 had been occurred during the time period of year 2014 to year 2018 in the Divisional Secretariat areas of Maharagama and Kaduwela in Colombo district, due to the insufficient control over the payment of elder allowances and not conducting the following up activities.

some discrepancies in the reports as the remaining unpaid allowances will not be received in the same month of allowances paid and will be received in the subsequent month. It is informed to the Divisional Secretaries to obtain the reports in the same month when the remaining unpaid allowances are retrieved back. Actions are being taken to enter the information to the data base by preparing the monthly summaries through the District Secretariat offices according to the reports submitted by the divisional Secretariat offices. I would like to mention that there was a delay in submitting the detailed report and monthly summary reports by District Secretariat offices due to covid pandemic during the years in 2020 and 2021, and actions will be taken to obtain the reports properly in future.

3.3 Transactions of Contentious Nature

Audit Observation	Comments of the Management	Recommendation
-----	-----	-----
(a) A Montero Jeep which was being repaired, owned by the Ministry	A sum of Rs.1,585,521 incurred for repair had been paid to the	Actions should be taken to recover the amount

of Women and Child Affairs and Social Security was requested for the duties of the office citing the reasons such as the difficulties in fulfilling the duties of the secretarial office and lack of vehicles, had been put in to run as the official vehicle of the former director, by paying a sum of Rs.1,585,521 informally for repairs done by the running period of the ministry. Out of the repair expenditure, a sum of Rs.1,093,823 had been paid from the Elder social Security fund without the approval of the National Council and as the approval of the National Council was not received, a sum of Rs.1,093,823 from the Elder Secretariat Fund had been paid back to the Elder Social Security Fund . After being transferred of the director at the time, the jeep had been handed over to the Ministry on 10th December 2020 as per the request made by the Ministry. A loss amounted to Rs.1,585,521 had been occurred as the actions had not been taken to retain the Jeep to put in to the run adequately to cover up the repair expenditure incurred or to recover the repair expenditure spent. Even though nearly 02 years had been passed, the expenditure incurred could not be compensated.

relevant institutes On the approval of the Secretary of the Ministry of Women and Child Affairs and Social Security , and the Jeep was acquired for the official use of former Director. Out of the repair expenditure of the vehicle, a sum of Rs.1,093,823 had been paid by the Elder Social Security Fund and according to the instructions given by the Council, Treasury allocations amounted to Rs.1,093,823 had been credited to the Elder Social Security Fund. The non- opening of the offices to official duties due to the Covid Epidemic situation, running of pool vehicles and official vehicles had been minimized. As per the instructions of the Secretary to the Ministry, request was made to recover the incurred amount..

incurred for repairing from the ministry and compensate the loss incurred to the fund.

3.4 Under -utilization of Funds

Audit Observation

To formulate the national policies, a sum of Rs.4,245,807 on government

Comments of the Management

I would like to inform that as the actions related to formulate the

Recommendation

Actions should be taken to streamline the poor

annual estimate provisions had been granted in the year 2016, Even though a sum of Rs.2,438,715 was sent out of it, actions had not been implemented to formulate the national policies. The balance amount of Rs.1,807,092 had been remained idle in general deposit account for about 05 years.

national policy for elder citizens are not finished yet, the amount required for that purpose has been retained in the General deposit account.

performance of formulating the national policy and introducing the national policy.

3.5 Procurement Management

Audit Observation

 Even though a provision amounted to Rs.10mn had been made to provide disability aids such as walking canes, walkers, commodes, wheel chairs and crutches for 925 disable adults, due to the long delays existed in implementing the procurement activities of purchasing disability aids, implementing of the said procurement activities were suspended and postponed up to the year 2022.

Comments of the Management

 Even though the procurement procedure to purchase disability aids was started in a proper manner, restricting of calling up the employees to the offices and lockdown of the country due to the Covid epidemic had caused to a delay in the procurement process. Due to the rapid appreciation of the dollar relative to the rupee and restricting of the imports, with a notification from the supplying institute that the equipment cannot be supplied, the purchasing was stopped as per the approval of the National Council.

Recommendation

 Actions should be taken to complete the project activities effectively by streamlining the procurement.

3.6 Human Resources Management

Audit Observation

 Approved carder of the Secretariat office was 129 and 117 actual carder and 12 vacancies related to the senior, tertiary, secondary and primary categories. 06 posts of senior level as Director, Assistant Director (Development), Assistant

Comments of the Management

 The scheme of recruitment was approved on 28 January 2011 and post of Assistant Director (admin) on 22 July.2020, post of legal officer on 29 January .2021, post of Assistant

Recommendation

 Actions should be taken to fill the long-time vacancies existing in the senior level posts and to streamline and formalize the administrative and

Director (Admin), Accountant, Legal Officer, Assistant Director (Information and Communication Technology) and the post of Administration Officer of tertiary, level had been vacant and even though 21 years had been passed since the date of incorporation, in the year 2000, actions had not been taken to recruit to those posts. Furthermore recruitments had been done under secondment basis for the two posts of Director and Accountant held vacant and temporary to the Admin officer post under acting basis. Large number of vacancies in senior level posts had been adversely affected to the implementation of institute's administrating and operating activities.

Director(Information and Communication Technology) on 31 January 2017 have been approved. Appointments have been made by the line ministry from time to time for those posts under secondment, acting or covering up basis. Approval had been received for the post of Administration officer on 22 October .2009 and the scheme of Recruitment had been approved 28 January 2011, Acting appointment has been made for that post. Due to the restriction of recruitment by the circular No.02/2020, those recruitments have not been made and after the government approval is obtained for recruitments, immediate recruitments will be made for those posts.

operational activities in Secretariat office.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation

 Relevant sufficient internal control tests had not been done to confirm the formulating of the urgent efficient and effective policies on innovative approaches, certifying the freedom protection, self-protection participation and pride of the targeted community through achieving the targeted results and implementing the finance and operational activities and the accuracy of the practices and policies.

Comments of the Management

 There is only one management service officer works in the internal audit division and she works in this division while working in another sector also. As well as audit examinations are made according to the audit plan.

Recommendation

 Internal Audit actions should be fulfilled sufficiently to certify the accuracy of the policies and procedures followed, effectiveness of implementing the operational activities on behalf of achieving the objectives of the Secretariat office.