

Head 124 – Ministry of Social Empowerment, Welfare and the Kandyan Heritage

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ministry of Social Empowerment, Welfare and the Kandyan Heritage for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance and cash flow statement for the year then ended, 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 in conjunction with provisions of the National Audit Act No.19 of 2018. The summary report including my comments and observations on the financial statements of the Ministry of Social Empowerment, Welfare and the Kandyan Heritage was issued to the Chief Accounting Officer on 06 June 2019 in terms of sub-section 11(1) of the National Audit Act, No. 19 of 2018 and the detailed Annual Management Audit Report in terms section 11(2) of the National Audit Act was issued to the Accounting Officer on 31 May 2019. This report will be tabled in parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Ministry of Social Empowerment, Welfare and the Kandyan Heritage as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

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 Chief Accounting Officer and Accounting Officer for the Financial Statements

Chief Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Accounting Officer determines in necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per sub-section 16(1) of the National Audit Act, No.19 of 2018, the Department 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.

As per Sub-section 38(1) of the National Audit Act. The Chief Accounting Officer shall ensure that effective internal control system for the financial control of the Ministry exists and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for the such system to be effectively carried out.

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.
- In order to design audit procedures that are appropriate in the circumstances, I do not an opinion on the effectiveness of the Department's internal control.
- Evaluate the statement and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in affair and reasonable manner
- In the overall presentation, of the financial statements, structure and content of the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the chief Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1,5 Report on Other Legal Requirements

I express the following matters in accordance with Section 6(d) and Section 38 of National Audit Act, No. 19 of 2018.

In view of the fact that there was no need of preparing the financial statements for the last year by the Ministry of Social Empowerment, Welfare and Kandyan Heritage, it cannot be expressed that the

financial statements are consisted with the last year. In subsequence, this report does not also present the recommendations on the financial statements of the last year.

1.6 Comments on financial statements

1.6.1 The Statement of financial performance

The following observation is made.

Audit observation -----	Recommendation -----	Comments of the Chief Accounting Officer -----
Liabilities to the total value of Rs. 15,424,225 belonging to one Capital Object and 10 Recurrent Objects had not been included into the statement of liabilities	Liabilities related to the year should be brought to the accounts.	At the time of audit, a register had not been maintained to note down liabilities for the year 2018 and actions would be taken to maintain a liability register from this year.

1.6.2 Non – compliance with Laws, Rules and Regulations

A situation of non compliance with provisions in the laws, rules and regulations is analysed below.

Laws, Rules and Regulations Reference -----	Audit observation Non – compliance -----	Recommendation -----	Comments of the Chief Accounting Officer -----
Financial Regulations of the Government of the Democratic Socialist Republic of Sri Lanka. FR 104,105 and 110	Rs.10,713,494 had been spent for the repair activities of a damaged vehicle that met with an accident in 2016 and Rs. 8,557,877 had been received as the insurance compensation in the year 2018. The preliminary and final inquires had been not done and the responsible persons had not been fixed. For the reason that incurred expenditure of Rs.2,155,617 had been a lost	Should be compliance with the Financial Regulations	At the time of repairing the damaged vehicle bearing No. CAH - 0485, occurred due to the accident in 2016, the damage had not been noted in the statement of loss and damage advance of the Appropriation

to the Ministry. Because the details of this accident had not been included into the Register of Losses and Damages, this loss had not been reported under losses and damages in the Statement of Financial Performance of the year under review.

Account and therefore, officers were instructed to note such damage in the statement of loss and damage advance of the final account.

2. Operating Review

2.1 Failure to discharge functions

The following observations are made.

Audit observation -----	Recommendation -----	Comments of the Chief Accounting Officer -----
<p>Rs. 250,000 had been allocated by the Pilimathalawa Rural Development Training and Research Institute to conduct a research in order to identify the issues of the communities and to improve the living standard of low income families following the identification of 02 model villages for the year under review. However this research had not been implemented.</p>	<p>Arrangements should be made to perform the scheduled activities in an appropriate manner</p>	<p>The plans that had been scheduled in the beginning of the year 2018, had been changed due to the changes in the government. At the end, only 02 existed model villages which had been implemented from the previous year, had been approved by the letter dated 03.09.2018. Therefore, the proposal on two model villages had not been implemented.</p>

2.2 Delays in executing the projects

The following observations are made.

Audit observation	Recommendation	Comments of the Chief Accounting Officer
-----	-----	-----
(a) Provision of Rs.5,000,000 had been allocated to complete the research project on social issues within the year. However, the preparation of project proposal had only been done by spending Rs. 2,183,000/- in the year under review.	Arrangements should be made to complete the projects that commence in the year, within the scheduled period of time.	Rs. 5 Million had been allocated under this. For the reason that it had been decided that it would be appropriate to implement this research project by the officers themselves who serve in the relevant institutions under the guidance of an expert consultant in the field, subject to this provision, the responsibility of implementing the research had been vested in these officers. Since the subject scope of the Ministry had been changed in May 2018, it had been decided to implement 03 research only.
(b) With the objective of improving the rural development activities, Training and Research Institute in Borella and Pilimathalawa had planned to issue 1000 copies of "Tharanaya" newsletter semi annually. In subsequence, although a provision of Rs. 50,000 had been allocated to the first volume, it had been delayed to print the first volume for 06 months and it had been printed in the final quarter. Therefore the second volume had not been printed.	Actions should be taken to implement the plans that are prepared annually.	Annual plan relating to the year 2018 had been approved in April. Further, for the reason that, annual plan had again been revised in August and September and development activities related to the Institution had been delayed to perform as scheduled, only one volume of "Tharanaya" newsletter, which is due to be published semi annually, had been printed and distributed in the final quarter.

2.3 Asset Management

 The following observations are made.

Audit observation	Recommendation	Comments of the Chief Accounting Officer
-----	-----	-----
(a) (b) 12 vehicles belonging to the Ministry had not been in running conditions. Among these vehicles, there had been 4 vehicles costing Rs. 16,600,000 and one vehicle that was not included in the books, parked in the Ministry premises in inactive manner from 01 year to 05 years . Remaining 07 vehicles had also not been used for about one year. Moreover, 02 vehicles belonging to Borella Rural Development Training and Research Institute had been parked in the said institution premises without any purpose.	Vehicle repairs should be done in the appropriate time or if it is unable to do so, such vehicles should be disposed of.	Actions are in progress to repair the vehicles
(b) Equipment had been brought to the hostel and dining hall of Borella Rural Development Training and Research Institute to the value of Rs. 3,385,762 in 2017 and 2018. Warranty period of the said electric equipment had been expired without even using such equipment at least a day, because these equipment had been remained in underutilized manner until 07 June 2019.	Purchases should be made as per the requirements and distributions should be made as appropriate	In view of the fact that the repairing activities of the hostel had been delayed, equipments that had been purchased, had to keep in the store itself.
(c) There had been a situation that officers could not obtain residential facilities in the hostel here, although there were enough space for 30 officers in the hostel, because the hostel had not been repaired. Further, although Rs. 6,789,461 had been given to the	Repairing activities should be done in the scheduled time period.	Repairing activities of the hostel are delay

Divisional Secretary of Thimbirigasyaya in the month of October in the year under review, repairing activities had not been started even on 7 June 2019.

2.4 Management Inefficiencies

The following observations are made.

Audit observation	Recommendation	Comments of the Chief Accounting Officer
-----	-----	-----
(a) Rs.9,816.50 Million had been allocated for 416,667 elders for providing the monthly allowance of Rs. 2000 each to low income elders over 70 years of age in the year under review. However, Rs. 9,590.0 Million had been provided to 410,397 beneficiaries, elders allowance had not been provided to all elders whom had been approved to provide the allowance.	Actions should be taken to provide the allowance to the maximum number of elders whom are eligible.	Number of beneficiaries had been 416,667, whom to be provided the allowance upon the provision received in 2018. In subsequence, even though provision had been released to such total number of beneficiaries, some had not obtained the allowance due to death of beneficiaries, change of residence, sickness or any other reason. Without identifying these matters certainly, it is unable to remove the elders from the waiting list.
(b) The provision of Rs.1,322.9 Million had been allocated for 21,500 kidney patients in 11 districts for providing the monthly allowance of Rs. 5,000 each in the year under review. However, the money had been provided to pay 23,338 patients including 1,838 more patients than the approved number; Rs.5,064 Million had been remained at the end of the year. Further, waiting list of the kidney patient had not been presented to the audit.	Actions should be taken to provide the relief to patients through the maximum utilization of provision.	For the reason that deaths of kidney patients and new inclusions of such patients are being occurred very rapidly, it is practically difficult to prevent remaining of small amount of money. However, the maximum effort would be taken to minimize this issue and to provide relief to more kidney patients in future.

- (c) Rs.1,151.76 Million had been obtained to provide the monthly disabled allowance of Rs. 3000 each to 34,667 disabled persons in 25 districts in the year under review. Allowances had been provided to 31,956 disabled persons and Rs.10.5 Million had been remained. Further a waiting list had not been presented to the audit.
- (d) Although 03 vehicles belonging to the Ministry had been remained in the institutions, in which such vehicles had been forwarded to repair, from 1 year to 3 years, these vehicles had not been repaired.
- Actions should be taken to provide the relief to the disabled persons through the maximum utilization of provision.
- Internal control with regard to the vehicles should be strengthened .
- It is agreed with the matters pointed out from the audit and from three months to three months (quarterly basis) provision is released from this office to the district secretariats for beneficiaries.
- Instructions have been given to the Heads of the Departments to identify the underutilized vehicles in the Ministry and all institutions under the Ministry's purview and to dispose of such vehicles within the month of August in 2019.

3. Human Resource Management

The following observations is made.

Audit observation	Recommendation	Comments of the Chief Accounting Officer
-----	-----	-----
The post of Director in Borella Rural Development Training and Research Institute had been remained vacant from August 2018. Further, 02 posts of Deputy Director / Assistant Director in the same Institute had been remained vacant for long time and one Deputy Director had been employed in the service	Permanent Director should be appointed to maintain the functions of the institute.	This director post had been unable to fill due to scarcity of the officers in the Sri Lanka Administrative Service.

outside the approved Scheme of Recruitment. Therefore, it had been difficult to perform the functions of the Institute.