

Head 216 – Department of Social Services

1 Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of Head 216 – Department of Social Services for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 read in conjunction with provisions of the National Audit Act, No.19 of 2018. The summary report containing my comments and observations on the financial statements of the Department of Social Services was issued to the Accounting Officer on 22 May 2023 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Department was issued to the Accounting Officer on 16 June 2023 in terms of Section 11(2) of the Audit Act. 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 financial statements give a true and fair view of the financial position of the Department of Social Services as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements is further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

The Accounting Officer are 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 the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per 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 the preparation of annual and periodic financial statements.

In terms of Sub-section 38(1)(c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems 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 summary 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 and its materiality depends on the influence on economic decisions taken by users 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:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the 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.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the 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 terms of Section 6(1)(d) of the National Audit Act, No.19 of 2018.

- (a) The financial statements are consistent with the preceding year.

(b) The following recommendations made by me on the financial statements of the preceding year had not been implemented.

Referring to the paragraph of the report related to the previous year	Recommendation that had not been implemented	Reference to the Paragraphs of this report
3.3 (a)	It should be dealt with the surpluses and deficits discovered during the Board of Survey as per the financial regulations.	3.2 (c)
3.6 (e)	Arrangements should be made to take over the legal rights of the land and make arrangements to use the government allocations for the construction of buildings.	1.6.1(a) and (b)

1.6 Comments on the Financial Statements

1.6.1 Accounting Deficiencies

(a) Capital expenditure

The following deficiencies were observed while accounting for capital expenditure related to financial statements.

Audit Observation	Comment of the Accounting Officer	Recommendation
(i) Although more than 10 years have passed since the donation of 05 lands with an area about 33 acres to the department for the establishment of vocational training institutes, rehabilitation centers and guidance centers, the value of those lands and the buildings constructed there have not been assessed and accounted for as land and buildings.	The Wattedgama land has been accounted and since a complaint is pending by the Human Rights Commission regarding the transfer of a part of the original land where the Seeduwa Vocational Training Institute is located to the National Institute of Social Development through an agreement, it is informed that after the completion of the process, the assessed value of the Seeduwa land will be taken and the accounting will be done. Also, the relevant documents have been forwarded to the valuation	Ownership of land and buildings should be taken over and values should be assessed and accounted.

department to obtain the valuation values of the other 07 lands that have been taken over.

- (ii) The legal rights of the lands where 11 vocational training institutes were established had not been assigned to the department and the value was not assessed and the cost of the buildings constructed in the past 10 years was not recognized and accounted for as buildings and constructions in non-financial assets.
- The Wategama land has been accounted and since a complaint is pending by the Human Rights Commission regarding the transfer of a part of the original land where the Seeduwa Vocational Training Institute is located to the National Institute of Social Development through an agreement, it is informed that after the completion of the process, the assessed value of the Seeduwa land will be taken and the accounting will be done. Also, the relevant documents have been forwarded to the valuation department to obtain the valuation values of the other 07 lands that have been taken over.
- Ownership of land and buildings should be taken over and values should be assessed and accounted.

2. Financial review

2.1 Assumption of Liabilities and Obligations

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Although the authorizing officers as well as the certifying officers should regularly check the documents about the liabilities in accordance with Regulation 214 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka, the department had taken steps to record the liabilities in the liabilities register when making payments for the related liabilities in the coming year without such checking. Thus, the control over the liabilities had not been implemented by maintaining the liabilities register as per the provisions of F.R.	Uncontrollable essential expenses will be paid after recording them in the liability register in this way and however, It is mentioned that steps have been taken to inform the relevant departments to pay the liabilities in a very controlled manner from the year 2023.	Financial Regulaions should be covered.

- (b) According to the provisions of paragraph 02(d) of the Public Accounts Circular No.255/2017 dated 27 April 2017, although it has been advised to all liabilities related to a certain financial year should be settled in that year and liabilities should not be carried forward with the intention of settlement in the next year, there were liabilities amounting to Rs.5,045,397 related to 19 expenditure objects over 01 to 04 years that had not been paid and settled.
- Since the relevant institutions have not applied for the provision for payment of the above liabilities, It is informed that the inquiries will be made from district secretaries and rectify the relevant liabilities in the future.
- It should be act as per the Circulars.

2.2 Certification of Accounting Officer

Accounting Officer should certify the following matters in terms of provisions set out in Section 38 of the National Audit Act, No.19 of 2018. However, it had not been done accordingly.

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>The Chief Accounting Officer and the Accounting Officer shall ensure that the department maintains an effective internal control system for financial control and that the effectiveness of the system shall be reviewed periodically and necessary changes shall be made accordingly to make the system effective and those reviews should have been done in writing and a copy of the same should have been submitted to the Auditor General, nevertheless, proof of such reviews being done had not been submitted to the audit.</p>	<p>The Chief Accounts Officer and the Accounts Officer have assured that an effective control system will be developed and maintained for the financial control of the department by clearly mentioning this on page number 03 of the 2022 financial statement.</p>	<p>The provisions of Section 38 of the National Audit Act No.19 of 2018 should be followed.</p>

2.3 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with the provisions in laws, rules and regulations observed during the course of audit test checks are analyzed below.

	Observation	Comments of the Accounting Officer	Recommendation
	Reference to the Value and Rs. Regulations	Non-compliance	
(i)	Bail Ordinance of government officers under the authority of 880 and 612 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Only 16 officers had posted bail out of the 40 officers who had to post bail. There was a long delay in accepting the bail deposits of the remaining 24 officers.	the relevant officers have been informed that they should deposit the entire deposit amount within 03 months after opening a savings account in the National Savings Bank according to the other method of depositing as per the P.A.C.07/2019.
(ii)	Paragraph No.2.2 of Department of Management Audit Circular No.DMA/HT/2015/01 dated 10 February 2016	Annual board of survey had not been done on the vehicles of the department in the year under review and during the last 05 years.	Although the officers in charge of all vocational training institutes have been given written instructions to submit the vehicles and goods belonging to the institute for board of survey, it has been noted in Katawala and the head office survey reports among the board of survey reports of these institutions that a physical inspection of the vehicles was done.

2.4 Irregular Transactions

Non-authorized transactions

The department had made the following transactions without authority.

Audit Observation	Comments of the Accounting Officer	Recommendation
Although the paragraph 4.1 of Public Finance Circular No.02/2020 dated 28 August 2020 has instructed the approved officials to reimburse telephone bills subject to a maximum of Rs.1000 per month, An amount of Rs.1000 was paid as a monthly telephone allowance to the department Social Service Officers and Development Officers who are working as attached to District Secretariats, Divisional Secretariats and Vocational Training Centers from September 2020 at the discretion of the Director contrary to this. Accordingly, a formal authority had not been received for the payment of telephone allowances totaling Rs.8,086,403 for 872 social service officers during the period from September 2020 to December 2022.	The request made to Social Service Officers and Development Officers to receive the allowance was forwarded to the Secretary to the Ministry and approval has been given on 16 March 2021 to give the relevant allowance and pay it to the salary.	It should be act as per the Circulars.

3. Operational Review

3.1 Planning

According to paragraph 03 of the Public Finance Circular No.02/2020 dated 28 August 2020, the following deficiencies were revealed during the preparation and implementation of the annual action plan.

Audit Observation	Comments of the Accounting Officer	Recommendation
According to paragraph 03 of the Public Finance Circular No.02/2020 dated 28 August 2020, although the annual action plan for 2022 should be prepared before 15 December of the conversions year specifying how the annual	That the action plan of the year 2022 could not be prepared and approved by the due date.	The action plan should be prepared and the relevant approvals should be taken according to the circular provisions.

budget allocations will be utilized and approved by the Chief Accounting Officer, arrangements had not been made to prepare the annual action plan up to date and get approval for it.

3.2 Non-achievement of expected Outcome

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>The implementation of a training program for officers with the aim of empowering people with disabilities with knowledge and skills under the Community Based Rehabilitation National Program had been included in the action plan. Nevertheless, this activity was not included in the Human Resource Development Plan but was included in the Community Based Rehabilitation National Program and a training program was implemented for officers at a cost of Rs.760,000 from its allocation. Although a product sales exhibition of Swashakti groups was planned under this program, the desired objectives had not been achieved by only introducing a logo and registration for the products. Also, although Rs.10,500,000 had been allocated for the implementation of community-based programs, only Rs.6,540,000 had been utilized.</p>	<p>It was not possible to implement this program in other districts due to the financial crisis in the country. Necessary arrangements have been made for the use of the trademark "Diriya Products" to promote the products of people with disabilities and the registration of the Diriya logo has been started for that purpose. Regarding the holding of the national operational committee meetings which had been started with the aim of rehabilitating persons with disabilities, instructions have already been given to the divisional and district secretariats to activate the operational committees, and the operational committees will be successfully held in the future according to the action plan.</p>	<p>Efforts should be made to achieve the planned objectives more efficiently and effectively.</p>

3.3 Delays in the Execution of Projects

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
Although the construction of the Kottawa Skill Development Center which was started for the pre-preparation of young men and women between the ages of 14-30 years for the upcoming professional training activities has been completed in the year 2020, its training activities had not started in the year under review.	Due to having to select suitable clients from the children with aged 14-30 of the center for the Kottawa Institute after conducting interviews, it took some time for that and there was a delay in appointing the appropriate staff for the institute.	Assets should be used effectively and for relevant purposes.

3.4 Annual Performance Report

The Annual Performance Report should have been prepared in accordance with the format mentioned in Guideline No.14 issued by the Public Finance Department in accordance with paragraph 10.2 of Public Finance Circular No.2/2020 dated 28 August 2020. The following observations are made in this regard.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) the progress towards the desired goal of establishing the rights and equality of the target community by the year 2030 according to the vision of department had not been included in the performance report.	The progress achieved through these programs is outlined in the second chapter of the performance report.	The performance report should be prepared as per the instructions given in the circular.
(b) It had been failed to present the statistics on the nature, size and geographical distribution of the marginalized and disadvantaged communities in Sri Lanka, estimated data on new additions annually to that, detailed statistics, data and information about the community empowered annually by the department and other institutions in the performance report.	That in the year 2023, efforts are being made to prepare a data system of people with disabilities scattered all over the island under the coordination of the Department of Social Services and a Non-Governmental Organization.	Detailed statistics, data and information should be presented in the performance report.

3.5 Asset management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Although the board of survey of 2022 had been completed by 31 March 2023, the activities had not been implemented according to the recommendations of the survey board regarding the deficiencies, excesses and abuses identified according to the provisions of F.R.760 in the board of survey of 2021. Furthermore. The board of survey of year 2022 was not conducted since the books of goods list and goods are not properly maintained in Batugamma Vocational Training Institute.	Instructions have been given to an organization that has found surplus goods to include the surplus in to the books as indicated by the Store goods Survey Boards. As reasons for the deficiencies to the entities which deficiencies were mentioned, that it is mentioned as a deficiencies due to the facts that, efficiencies have not been written off from the books and the same item is mentioned as a deficiency in two places in the inventory register, that the goods mentioned as shortages were found during re-inspection within the institution and that the balances in the inventory register were incorrect and as inventory documents have not been updated, survey has not been carried out.	Deficiencies and surpluses should be dealt with according to financial regulations.
(b) the legal rights of 14 vocational training institutes, rehabilitation centers and guidance centers that were established during the period of 65 years from 1956 to 2021 had not been taken over. More than Rs.500 million had been spent on building construction in previous 05 years and improvement activities without formally taking over the legal rights as shown in the last year's audit.	Process of formally taken over of 09 lands have been completed by now and the the process of taking over the land shares of 04 institutions from the remaining lands to the Department of Social Services have been started in connection with the Ministry of Lands and the respective Divisional Secretariats. Furthermore, as a long process has to be followed in connection with external parties/organizations in order to acquire the land legally to the department, further work is being done regarding the acquisition of the rest of the land and after the acquisition of the land, it will be assessed by the assessment department and accounted for.	Property rights should be settled and assets should be managed as per circulars and guidelines.

4. Human Resource Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>While 196 development officers who were recruited in previous years for the posts of development officers (social services) which are not in the approved cadre are performing the duties in the posts of Social Service Officers, 306 more development officers were recruited for the duties of adult rights promotion officer and since those positions are not in the approved cadre, re-appointments had been given for the same duties as social service officers. Due to this, an excess of 502 employees was observed beyond the approved number of social service officers of 480. However, if development officers were recruited based on the policies and decisions of government and, although the approved cadre should have been revised, it had not been act accordingly.</p>	<p>Development Officers were assigned from time to time by the Ministry of Public Services, Provincial Councils and Local Government to the Department of Social Services under the National Elderly Rights Promotion Officer for the subject duties of the Elderly Rights Promotion Officer and a list of duties for these officers with the approval of the Director of the National Elderly Secretariat for the elderly subject duties has been issued. Accordingly, these officers carry out the duties of the National Elderly General Secretariat and only in workplaces where there is no social service department officer, these officers cover the duties of social services. In order to approve the posts of development officers for the permanent staff of the Department of Social Services, the Director of Social Services has submitted an application of F.R.71 on several occasions to the Department of Management Services.</p>	<p>Arrangements should be made to revise the approved cadre.</p>