

Elders Social Security Fund - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of financial statements of the Elders Social Security Fund for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 material accounting policy information 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 Finance Act, No. 38 of 1971. My comments and observations which I consider should be reported 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 financial statements give a true and fair view of the financial position of as at 31 December 2023, and 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 opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Institute 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 Responsibility of Auditor regarding the Audit of 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 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 Institute'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 Board 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 Accounting deficiencies

Audit observation	Management Comments	Recommendation
Due to non-calculating interest receivables deducting 5 percent of Holding Tax out of the interest for the fixed assets, the income of the year under review had been over stated by Rs. 12,634,663	That the adjustments required for the corrections will be made in subsequent financial statements.	Fixed deposit interest income should be accurately calculating accounted for.

1.6 Accounts Receivables and Payables

1.6.1 Receivables

Audit observation	Management Comments	Recommendation
Although the money charged from the elders' subsidiary for the Elders Social Security Fund should be returned to the fund by the Divisional Secretariats the amount of Rs.1,682,400 receivable relating to the preceding year had not been reimbursed to the fund even by the end of the year under review by the Divisional Secretariats offices.	That the action will be taken further to get reimbursed money in due.	Action should be taken to get credited the money charged by the Divisional Secretariats to the fund.

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

Reference to the Laws, Rules and Regulations etc.	Non-compliance	Management Comment	Recommendation
Financial Regulation 877 (1)(c) as established in paragraph 15 of Public Finance Circular No. 1/2020 dated 28 August 2020	Even though the budget had been prepared for the year under review a copy of that should be submitted to the Director General of Public Finance forwarding to the Director General of National Budget for the approval of the General Treasury with the approval of the Secretary of the Ministry.	That the budget prepared relating to the year 2024 had been submitted to the Director General of Public Finance also.	Action should be taken in accordance with the circulars.

1.8 Investment Management

Audit observation	Management Comments	Recommendation
As per the schedule III introduces to the Inland Revenue Act No. 24 of 2017 the interest that earned by a Society and accrued to a Society is free from income tax after the 01 April 2021. Accordingly, although it was possible to get tax free from the 5 percent of With Holding Tax for the interest of the fixed deposits of	Finding the information legal situation prompt action is being taken regarding that.	Taking action in accordance with the Act should be taken prompt action.

the Elders Social Security Fund action had not taken the management of the fund to get that right. Accordingly Rs.39,053,431 of interest received on matured fixed deposits of Rs. 2,941,701,428 during the year under review had not been credited to the fund.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a surplus of Rs.99,401,346 and the corresponding surplus in the preceding year amounted to Rs.120,672,455. Therefore a deterioration of amounting to Rs.21,271,109 of the financial result was observed. The increase in project expenses had been mainly attributed to this.

3. Operational Review

3.1 Operational Inefficiencies

Audit observation	Management Comments	Recommendation
<p>To established Elders Social Security Fund for the purpose of incurring expenses of health, nutrition and security and welfare of the elders in the occasions of the emergency and special situations recovering of Rs. 100 from each beneficiary for each month for welfare purpose the approval of the Cabinet of Ministers had been received on the date of 07 September 2016. Accordingly from the year 2016 up to the date of 31 December year under review recovering Rs.100 each from each one of elder an amount of Rs. 3,870.2 million had been funding. From this fund that was collected based on 10 objectives no any programme has been implemented from this fund from the year 2016 to the year 2018. Accordingly the total contribution for 7 years was Rs. 3,870.2 million and the welfare expense for that period was Rs. 1468.6 million. However investment was Rs. 3546.9 million. That is 91.6 percent. Accordingly it was observed that the objective of this fund was using fund for the welfare of the elders was insufficient.</p>	<p>Due to the issues of social, economic and political prevailing in the country that expected outcome was impossible to achieve.</p>	<p>Action should be taken to expedite to fulfill the objectives of the fund established.</p>

3.2 Procurement Management

Audit observation	Management Comments	Recommendation
<p>(a) As per section 5.4.4.(i) of the procurement guideline Rs. 58,806,933 had been released as advances on the date of 28 March 2022 and 18 May 2022 on representing of accepted security, as maximum of 20 percent. However in addition to that without being settled Rs. 41,600,046 as at the date of 28 December 2022 again an amount of Rs. 35,949,264 had been released as material advances as at the date of 28 December 2022. Although more than a year elapsed since the money was released the related jobs were not completed using that advance 5 months after the advance payment the first tile stock was purchased on 02 June 2023 using part of that money and the last tile stock was purchased on 05 January 2024. It was observed that even in the on the date of audit on 29 January 2024 most of tiles were piled un used. Accordingly the remaining of Rs.18,369,827 out of the advance was remained unused for more than year.</p>	<p>That the advance amount was provided to the contractor only to provide the necessary financial facilities for purchase of tiles, toilet sanitary equipment and fittings and elevators with the aim of preventing the project from stalling due to the economic instability prevailing in the country at the time.</p>	<p>Action should be taken as per the procurement guideline.</p>
<p>(b) As per the section 8.13.3 of Procurement Guideline 2006 contingency provision should not be exceeded 10 percent of the estimated contract amount and as per the agreement the contingent provision has been agreed to provide 7 percent of the contingent provision however contrary to that the Ministry Procurement Committee had approved to increase it by 39.79 percent that is Rs.115,860,352.</p>	<p>Due to unexpected economic instability existed in the country since payment had to be made as per the price formula presented by the CIDA Institute. That the Ministry Procurement Committee had approved the payment for the price variation recommended by the consultancy firm.</p>	<p>Action should be taken as per the procurement guideline.</p>

3.3 Defects in Contract Administration

Audit observation	Management Comments	Recommendation
<p>The construction of the Katharagama Elderly Home was awarded to a private company for a tax free amount of Rs. 298,684,667 on the provisions of Elderly Social Security Fund. As per the agreement this job should have to be started on 15 March 2022 and completed on 12 September 2023. The first extension has been requested from 12 September 2023 to 27 November and it was to be completed by 76 days. However due to impossible to finished works as at that date although the contractor has requested the second extension of 125 days up to 31 March 2024 The secretariat of Elders has given 65 days of extension. Accordingly although the contract period has been finished had not been completed even a half of the works.</p>	<p>Since this project was implemented during the period of extraordinary circumstances such as post Covid effects, fuel shortages, prolonged power cuts, period traffic restrictions and peoples struggles it is a significant obstacles for the project, however there was no standard method to calculate those. Therefore the delays caused by them have to be ignored that happened.</p>	<p>Action should be taken to fulfill promptly the project within the proper period as per the agreement</p>