

## **Head 216 – Department of Social Services**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Department of Social Services for the year ended 31 December 2019 comprising the statements of financial position as at 31 December 2019 and statements 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. In terms of Sub-section 11(1) of the National Audit Act, No. 19 of 2018, the summary report including my comments and observations on the financial statements of the Department of Social services was issued to the Accounting Officer on 06 June 2020. In terms of Sub-section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the Department was issued on 30 December 2020 to the Accounting Officer. This report which should be read in conjunction with Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka is submitted to Parliament in terms of 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 prepared in accordance with the provisions of the Public Accounts Circular No. 271/2019 dated 03 December 2019 give a true and fair view of the financial position of the Department of Social Services as at 31 December 2019, and of its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### **1.2 Basis for Qualified Opinion**

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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 Responsibility of the Chief Accounting Officer and Accounting Officer for the Financial Statements**

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The Chief Accounting Officer and 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 in terms of Section 38 of the National Audit Act, No.19 of 2018 and for such internal control determination is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per the 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.

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 system and accordingly make any alterations as required for such systems to be effectively carry out.

#### **1.4 Auditor's Responsibility for the Financial Statements**

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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, 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 Department internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- 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.

I communicate with the Accounting Officer regarding the significant audit findings, significant deficiencies in internal controls and other matters that I identify during my audit.

## 1.5 Report on Other Legal Requirements

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As required by Sub-section 6 (1) (d) and Section 38 of the National Audit Act, No. 19 of 2018, I state the followings.

- (a) That the financial statements correspond to the previous year,
- (b) My recommendations regarding the financial statements for the previous year were implemented in the presentation of the financial statements for the year under review.

## 1.6 Comments on Financial Statements

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### 1.6.1 Statement of Financial Position

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The following observations are made.

|     | <b>Audit Observation</b>  | <b>Recommendation</b>  | <b>Comments of Accounting Officer</b>  |
|-----|---|--|--|
| (a) | -----<br>At the end of the previous year, the assets stood at Rs. 139,818,456 but a difference of Rs. 201,771,456 was observed due to the inclusion of Rs. 341,589,114 into the accounts as the opening balance of the year under review. | -----<br>Non-financial assets balances should be presented accurately. | -----<br>The balance of initial balances as at 01.01.2019 included in the CIGAS program during the year is consisted with the balance as at 31.12.2018. This error is due to be corrected after the year 2021, as initial balances cannot be included in the CIGAS program after the date of 31 December 2020. |

- (b) According to details of the advance accounts (ACA 5) as at 31 December 2019 submitted with the financial statements, although received advances were Rs. 20,885,578, the advance receivables as per the trial balance of the department was Rs.22,473,336. According to that, a difference of Rs. 1,587,758 had been observed.
- Act in accordance with the provisions set out in the Public Accounts Department Circular No.271/2019 dated 03 December 2019.
- The cash flow statement was prepared based on the balance of the trial balance and the information for the ACA -5 format was prepared according to the treasury printout.

### 1.6.2 Statement of Financial Performance

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The following observations are made.

| <b>Audit Observation</b>  | <b>Recommendation</b>  | <b>Comments of Accounting Officer</b>  |
|---|--|--|
| -----   | -----  | -----  |
| (a) The imprest adjustment account had not been prepared as per the section (vi) of paragraph 7 of Public Accounts Circular No. 271/2019 dated 03 December 2019.                            | Act in accordance with the provisions set out in the Public Accounts Department Circular No.271/2019 dated 03 December 2019. | Steps will be taken to submit the imprest comparison accounts from the year 2020.  |
| (b) Although the Statement of Financial Performance should not include receipts from other sources, receipts from other sources amounting to Rs. 17,072,556 were included in the statement. | -Do-   | Steps will be taken to include these receipts separately in the preparation of 2020 financial statements.                  |
| (c) Non-revenue receipts amounting to Rs. 10,085,025 were not included in the Statement of financial performance.   | -Do-   | Steps will be taken to include non-revenue receipts in the relevant place in the preparation of 2020 financial statements. |

(d) Acquisitions of capital assets were Rs. 79,927,923 as per the Statement of financial performance, but only Rs. 5,884,363 were included as purchases in the statement of non-financial assets (ACA5) for the year. Therefore, a difference of Rs. 74,043,560 had been observed. According to the statement of cash flow, the expenditure was Rs. 12,976,069.

-Do-

Only the capital assets acquired by this department are represented by the data in this format. But all construction works and other purchasing activities are done by outside institutions by releasing allocations and the values stated as undervalue are the capital expenditure incurred on the construction and purchase of such provisions accordingly.

### 1.6.3 Cash flow statement

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The following observations are made.

| Audit Observation<br>-----   | Recommendation<br>-----  | Comments of Accounting Officer<br>-----  |
|--|--|--|
| (a) Non-revenue receipts in the cash flow statement were decreased by Rs. 212,500.   | Non-revenue receipts should be properly adjusted and included in the cash flow statement.              | Debit balance of an officer who has been transferred from the Department of building has been incorrectly noted in the head of this department and the balance of Rs. 212,500 has been corrected at the same time. |
| (b) According to the trial balance, during the year Rs. 228,613,687 had been spent on personal salaries and operating expenses, but the personal salaries and operating expenses in the cash flow statement had increased by Rs. 19,632,813 due to mention as Rs. 248,246,500. | Act in accordance with the provisions of Public Accounts Circular No. 271/2019 dated 03 December 2019. | The difference is the expenses related to the Advance B account and that amount is also shown in the operating expenses in the cash flow statement. Action will be taken to rectify this in future.                |

(c) According to the trial balance, Rs. 22,473,337 charged under the Advance B account and Rs. 19,845,313 paid for advances were not mentioned as cash flows generated and spent in the cash flow statement as cash flows generated from investment activities.

-Do-

It was stated that in the future steps will be taken to record the information in the prescribed format.

**1.6.4 Certification to be done by the Accounting Officer**

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| <b>Audit Observation</b>   | <b>Recommendation</b>   | <b>Comments of Accounting Officer</b> |
|--|---|---------------------------------------|
| -----  | -----   | -----                                 |
| <p>According to the provisions of Section 38 of the National Audit Act No. 19 of 2018, the Chief Accounting Officer and the Accounting Officer should ensure that the Accounting Officer develops and maintains an effective internal control system for the financial control of the department and periodically reviews the effectiveness of that system. Accordingly, the necessary changes need to be made for the systems to work effectively. However, the reviews should have been made in writing and a copy should have been submitted to the Auditor General, but no statement had been submitted to the audit that such a review had been made.</p> | <p>Should comply with the provisions of section 38 of the National Audit Act No.19 of 2018.</p> | <p>There were no comments.</p>        |

**2. Financial Review**

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**2.1 Expenditure Management**

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The following observations are made.

| <b>Audit Observation</b>  | <b>Recommendation</b>  | <b>Comments of Accounting Officer</b>   |
|---|--|---|
| -----   | -----  | -----   |
| (a) Although it is a responsibility of the Accounting officer to prepare the annual estimates completely and accurately as possible in accordance with Financial Regulation 50(b) in relevant to 44 expenditure subjects of the department, the amount of Rs. 265,363,770 out of which Rs. 91,856,497 had been saved which was 34.6 percent of the net provision. | Accurate and correct expenditure estimates should be prepared in accordance with the Financial Regulation 50.                            | It is acknowledged that there have been savings in the mentioned expenditure here due to administrative and various reasons affecting the Department and steps will be taken to minimize these savings in future.   |
| (b) The amount transferred to 09 recurrent expenditure subjects and to capital expenditure subject under Financial Regulation 66, had been saved at the ranged from 8 percent to 82 percent of the amount transferred from 08 cases.  | Arrangements should be made to transfer only for essential expenses and to bear the relevant expenses under the Financial Regulation 66. | In case of provisions were not sufficient to perform the essential functions of the head office of the department and the vocational training institutions, the provisions of other expenditure substances had to be subdued and the provisions had to be found through the F.R. 66 fund transfres. |

## 2.2 Approach Liabilities and Obligations

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The following observations are made.

| <b>Audit Observation</b>   | <b>Recommendation</b>   | <b>Comments of Accounting Officer</b>  |
|--|---|--|
| (a) In accordance with Financial Regulation 94, prior to making obligations it should be ensured that there are adequate financial provisions for it. However, the department had incurred liabilities of Rs. 2,458,932 in excess of the provisions for 05 expenditure subjects. | Liabilities should be dealt with in accordance with Financial Regulations and circular provisions.              | Even if the allocation is not received as estimated, essential expenses should be incurred. Continued work should be done, especially in institutions with disabled children. Therefore, liabilities have been exceeded. |
| (b) The sum of Rs. 2,944,805 liabilities and obligations for 18 expenditure subjects were under stated in the statement of liabilities.  | At the end of the year all liabilities should be correctly identified and included in the financial statements. | Expenditures that could not be paid in the year 2019 were due by 15 February 2020, but only liabilities included in the CIGAS program at that time were included in the financial statements.                            |

## 2.3 Statement of comparison of Advance account to public officers

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| <b>Audit Observation</b>  | <b>Recommendation</b>  | <b>Comments of Accounting Officer</b> |
|---|--|---------------------------------------|
| The total balance due from 09 officers, who were transferred, retired and leaved from service as at 31 December 2019 was Rs. 413,320 and out of that Rs. 158,844 was due for more than 5 years. | Get action to settle the balances due from the officers under the advance account as soon as possible. | There were no comments.               |



### 3. Operational Review

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#### 3.1 Planning

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The following observations are made.

| Audit Observation  | Recommendation  | Comments of Accounting Officer  |
|--|---|---|
| -----  | -----   | -----   |
| (a) Although Rs. 2 million was allocated for the drug prevention and rehabilitation program during the year under review, the entire allocation for the program remained due to non-programing and implementation.   | That action should be taken to formulate plans as well as implement them.               | Due to non-approval of the annual action plan and shortcomings in the project reports, the planned programs had not been implemented.   |
| (b) During the year under review, 467 students were enrolled in 07 vocational training centers belonging to the Department of Social Services, but number of course completed students who had not appeared for the year end examinations was 185. Out of this, the number of left out who failed the exams at 3 centers had increased by more than 50 percent. The reasons for leaving the courses were not reviewed and the necessary steps were not taken to retain them. | That the course should be prepared to the importance of the trainees and the community. | Trainees were recruited at the beginning of the year, but some trainees did not return after going home during the vacation. Steps will be taken to activate the participation of trainees in future. |

### 3.2 Delays in Project execution

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| <b>Audit Observation</b>  | <b>Recommendation</b>   | <b>Comments of Accounting Officer</b>   |
|---|---|---|
| -----<br>Although the construction of hostels at the newly constructed vocational training centers in Kilinochchi and Batticaloa has been completed, the residential training could not commence during the year under review due to the lack of kitchens. Although 100 students out of 50 were selected for the non- residential training at these two centers by the year 2020, the training could not commence until 15 December 2020 due to the inability to recruit instructors. | -----<br>Construction planning and recruitment of instructors to enable the organization to achieve its objectives. | -----<br>Construction work should be carried out taking into consideration the provisions and letters have been sent to the Department of Management Services on 07 October 2019 seeking approval to recruit consultants for the training divisions, but the approval has not been received so far. |

### 3.3 Non-performing funded projects

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| <b>Audit Observation</b>  | <b>Recommendation</b>                               | <b>Comments of Accounting Officer</b>   |
|---|---|---|
| -----<br>The first phase of the construction of the Puwakpitiya mental women care center carried out by the Colombo District Secretariat at a cost of Rs. 44,775,816 from 2018 to 31 December 2019. Although the first phase of construction was completed, due to the construction of the water tank, kitchen, safety wall, well and lightening protection system were included in the second phase, | -----<br>Should make maximum use of the provisions. | -----<br>The site had been handed over to the Building Research Organization to inspect and obtain a report and it has spent much time, but the construction of the first phase was completed by 31 October 2019, but the building was delayed until 15 June 2020 due to some deficiencies. The Colombo District Secretariat has provided Rs. 28 million in June 2019 for the plan submitted for the construction of kitchen. The |

leaving the first construction unusable as a non-performing asset.

engineer of the Colombo District Secretariat has informed that the relevant work could not be carried out as there was not enough time in the year 2019.

**3.4 Assets Management**  
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The following observations are made.

| Audit Observation<br>-----  | Recommendation<br>-----  | Comments of Accounting Officer<br>-----  |
|---|--|--|
| As at 31 December 2019, the department had received 11 plots of land of 50.93 acres as donations and out of which 08 plots of 24.27 acres could not be formally acquired. Also, the Dehigolla land and house in Nuwara Eliya, which the department had received through a gift deed in 2013, remained idle. | Taking action to take over the lands belonging to the department and to utilize them properly. | Assigned and acquisition of 03 lands out of the 15 lands donated to the Department of Social Services has been completed. Also, the District social service officer has been instructed to prepare a project report for the use of the Dehigolla land in Nuwara Eliya. |

**4. Human Resource Management**  
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The following observations are made.

| Audit Observation<br>-----   | Recommendation<br>-----   | Comments of Accounting Officer<br>----- |
|--|---|---|
| (a) As at 31 December of the last year, there were 104 vacancies in the department and by the end of the year under review, the number of vacancies increased to 110. Although the department had requested the Ministry of Public Administration and Disaster | Recruitment should be made for the vacant posts on the service requirement of the department. | There were no comments.                 |

Management to recruit from those vacancies for senior level posts from December 2018 to October 2020, the recruitment had not taken place until November 2020.

- (b) The department has requested from the Ministry of Public Administration and Disaster Management to recruit 13 vocational instructors, 05 housing controller posts and 20 sign language translator posts out of 86 vacancies at the secondary level on 19 March 2019 and 10 April 2019, but the recruitment has not been done till November 2020.
- Recruitment should be made for the vacant posts on the service requirements of the department.
- There were no comments.