

Head - 216 Department of Social Services

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of Social Services for the year ended 31 December 2021 comprising the Statement of Financial Position as at 31 December 2021 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 15 July 2022 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 09 September 2022 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. 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 2021, 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 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 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 skepticism 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 Ministry's / Department's / District Secretariat's 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) and Section 38 of the National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year,
- (b) The recommendations made by me on the financial statements of the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

(a) Property, Plant and Equipment

The following observations were made.

Audit Observation	Comments of Accounting Officer	Recommendation
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(i) The opening balance of non-financial assets as at 01 January of the year under review as per Statement of Non-financial Assets in Statement of Financial Position was Rs.430,274,243 and, there was a difference of Rs.49,808,778 as it was Rs.380,465,465 as per SA 82 Report of Department of State Accounts. Actions had not been taken to maintain the accounting accuracy of non-financial assets by settling through comparing the balances in Department books with individual ledgers in Treasury Accounts Statement according to the instructions in Paragraph 3.9 of State Accounts Guideline No. 2021/02 in relation to the differences mentioned above in non-financial assets.	The reason for Rs.49,623,468 stated as difference between SA 82 Report of Department of State Accounts and values under 9160 in financial statements was inclusion of the expenses made for constructions in institutions implemented under the Department by providing provisions to District Secretariats as opening balances (Opn_Bal_Add) in New CIGAS Programme at the year end. The reason for Rs.129,580 stated as difference between SA 82 Report of Department of State Accounts and values under 9152 in financial statements was the value of machinery and equipment related to previous years that entered during the year. It was stated as Rs.129,580 as opening balance	The accounting accuracy of non-financial assets should be maintained by comparing the balances of Department books and balances of Treasury accounts as per State Accounts Guideline.

additions (Opn_Bal_Add) as per SA 82 in Department of State Accounts and, it was mentioned that Rs.95,791,487 had been stated as the total of those two for the Statement of Financial Position when preparing final accounts.

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| (ii) | The capital expenditure of Rs.49,691,458 that incurred in the year under review for building and constructions, work-in-progress had not been accounted under non-financial assets. | The value of Rs.49,623,468 of the purchases for office buildings was provisions released for other departments. It was accounted as assets through CIGAS Programme by obtaining relevant bills related to the value of released provisions during the year from those institutions and, that amount had been stated under treasury Prints (Opn_Bal_Add) and under opening balances of financial reports. | Actions should be done to account the capital expenditure incurred during the year under non-financial assets. |
| (iii) | Although the constructions of the vocational training institutes, rehabilitation centers and guidance centers of the Department have been completed and the buildings have been put into use, the costs incurred for the constructions in previous years were shown in the financial statements as work in progress. The cost of those constructions completed buildings had not been accounted as buildings and constructions in the financial statements by identifying and calculating. As non-submission of comprehensive annexures as at 31 December 2021 on buildings and constructions non-financial assets, it was unable to examine their cost recognition and the way of calculating cost. | The expenses incurred regarding constructions had been accounted as work in progress when presenting each bill and, the methodology was to account that value as a building after all constructions are completed and, it was a problematic situation to account those assets as a building as the construction works related to the buildings that stated by Audit were not been completed yet. Therefore, it was informed that actions would be done to account the sum of work in progress as a building after completion of all constructions. | The cost of constructions completed buildings should be accounted as buildings and constructions in financial statements. |

2. Financial Review

2.1. Management of Expenditure

Audit Observation	Comments of Accounting Officer	Recommendation
(a) Sum of annual estimated provisions made for 05 recurrent Objects was Rs.9,800,000. Although the provision of Rs.2,135,000 out of those objects had been transferred to other Objects through F.R.66, the savings of those Objects were ranging from 9 per cent to 54 per cent respectively.	The provisions of Objects mentioned here was saved due to the unfavourable situation prevailed in the country and, the provisions were obtained through transfer of F.R.66 for incurring essential expenses using those saved provisions.	Actions should be done to estimate recurrent expenditure without making over provisions.
(b) The provisions of Rs.42,500,000 had been collected from other Objects due to insufficient annual estimated provision of Rs.358,200,000 made for 09 recurrent Objects. Also, it had been transferred to other Objects due to the savings of annual estimated provisions of Rs.250,350,000 made for 14 other recurrent Objects.	The provision in the Objects had been largely saved due to closure of vocational training institutes due to unfavourable situation prevailed in the country during the year 2021. Therefore, the provisions saved unexpectedly had been utilized without obtaining additional provisions at the situation where the requirement of additional provisions arises.	Actions should be done to make annual estimated provision for Objects optimally.

2.2 Incurring of Liabilities and Commitments

Audit Observation	Comments of Accounting Officer	Recommendation
(a) Although the liabilities and commitments incurred should be disclosed as per Paragraph 3.3 of Department of State Accounts Guideline No. 2021/03 dated on 26 November 2021 and provisions of F.R.94 of Financial Regulations of Democratic Socialist Republic of Sri Lanka, the liabilities and commitments of Rs.2,433,292 that	The liabilities of Rs.120,000 related to Object No. 216-02-03-1203 could not be identified correctly as per documents in this Department. As it has been instructed to upload liabilities and commitments to the New CIGAS application before 31 January 2022 as per State	Actions should be done to disclose liabilities and commitments incurred as per provisions of financial regulations in the financial statements.

incurred as at 31 December 2021 in relation to 05 Objects had not been stated in the Statement of Liabilities.

Accounts Guideline No. 2012/02 issued by Department of State Accounts, only the liabilities received to this Department until that were accounted. Thus, the values of liabilities presented hereinafter for payment had not been stated in the Statement of Liabilities.

(b) The sum of savings of provisions related to 06 Objects was Rs.2,334,751 and, as the sum of liabilities as at 31 December 2021 for those Objects was Rs.8,249,966, the value of liabilities exceeding the provisions was Rs.5,915,215.

The liabilities exceeding provisions had to be incurred as it had to face some uncontrollable issues when fetching bills and provision management due to the presence of vocational training institutes all over Sri Lanka in addition to head office and due to the continuation of certain essential functions.

Actions should be done to meet the liabilities so as not to exceed the provisions.

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 sample audits were analyzed below.

Observation			Comments of the Accounting Officer	Recommendation
Reference to laws, Rules and Regulations	Value Rs.	Non-compliances		
Financial Regulations of Democratic Socialist Republic of Sri Lanka	-	The monthly summaries and running charts of the running vehicles of the Department had not been submitted to the	Actions will be taken to present as scheduled in future.	The monthly summaries and running charts should be presented to the Audit as per financial regulations.
(i) F.R.1646	-			

Audit before 15th of following month after the month that reports were submitted by transport officer.

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| (ii) | F.R. 104(3) | 68,850 | Actions had not been taken to conduct inquiries and present the preliminary report in relation to losses from vehicle accidents of department. | All repairing expenses in relation to vehicle accidents occurred in this Department in the year 2021 had been reimbursed from the relevant insurance companies. The F.R.104 (3) inquiries were done for all vehicle accidents by now. | Action should be done to conduct inquiries and present reports in relation to losses from vehicle accidents as per financial regulations. |
| (iii) | F.R.757(2) | Not calculated. | The required actions had not been taken in relation to shortages and excesses that revealed at Annual Board of Survey in the year under review and prior three years. Although it had been shown in prior years by audit reports to take actions promptly in this regard, the attention had not been paid on that. | The institution was informed by inquiring for shortages and, it was informed to include the excesses in to books. | Actions should be done promptly regarding the shortages and excesses that revealed at Annual Board of Survey. |

2.4 Unapproved Payments

Audit Observation	Comments of Accounting Officer	Recommendation
<p>Although it was instructed to reimburse telephone bills to the relevant officers subject to Rs.1000 per month as per the provisions of Paragraph 4.1 of Public Finance Circular No. 01/2020 dated on 28 August 2020, in contrary to that, an amount of Rs.1000 had been paid as a monthly telephone allowance since September 2020 to social services officers and development officers of the Department who work attached to vocational training institutes established in connection with District Secretariats, Divisional Secretariats and hospitals at the discretion of the Director. Accordingly, sum of Rs.4,933,000 of telephone allowance as Rs.238,000 to 238 officers in year 2020, Rs.4,695,000 to 391 officers in year 2021 had been paid without proper authority. Further, it was paid Rs.372,000 as telephone allowances during the period of March 2021 to March 2022 to 31 social services officers in the Department that employed in vocational training institutes, child guidance centers and drug addict training centers</p>	<p>The secretary to Ministry had given approval to pay a telephone allowance according to the request of Social Services Officers' Association. The provision of relevant allowance for development officers that served attached to District Secretariats, Divisional Secretariats and hospitals had been approved by the Secretary of Health Ministry. Further, the request for obtaining allowance even for other officers by informing that paying a telephone allowance of Rs.1,000 for development officers that severed attached to District Secretariats, Divisional Secretariats and hospitals had been approved by the Secretary to the Ministry and an approval for pay it to salary was also given.</p>	<p>Actions should be done to reimburse official telephone charges of officers properly as per provisions of the circulars.</p>

3. Operating Review

3.1 Planning

Audit Observation	Comments of Accounting Officer	Recommendation
<p>(a) Although the approval of Chief Accounting Officer should be obtained by preparing 2021 Annual Action Plan for the implementation of approved budget estimates before 15 December of the current year as per Paragraph 03 of Public Finance Circular No. 02/2020 dated on 28 August 2020, actions had not been done to prepare Annual Action Plan 2021 on that day and to obtain approval for that.</p>	<p>The 2021 Annual Action Plan was prepared at the end of the current year and the activities were carried out as per the approval of the Director of Social Services and, it was referred for information of Chief Financial Officer on 20 April 2021. It was informed that actions would be taken to obtain proper approval within stipulated time period by avoiding this shortcoming in future.</p>	<p>Actions should be done to obtain approval of Chief Accounting Officer by preparing Annual Action Plan on time as per provisions of circulars.</p>
<p>(b) The attention on the implementation of programmes and projects for the fulfillment of following objectives in the Action Plan prepared had not been paid.</p> <ul style="list-style-type: none"> ➤ Intervention for reducing the problems faced by handicapped persons in their day to day activities and strengthening them. ➤ Acceptance and promotion of signal language ➤ Residential rehabilitation of drug addicts, provision of vocational training for them and socialization. ➤ Provision of proper guidance for the persons with various social problems. 	<p>Although the areas of intervention for reducing the problems faced by handicapped persons in their day to day activities and strengthening them, acceptance and promotion of signal language and residential rehabilitation of drug addicts, provision of vocational training for them and socialization had not been included in the Action Plan, many programmes had been implemented in the year 2021 in relation to those areas. Also, plans on those areas had been included when preparing Action Plan in the year 2022.</p>	<p>Activities of programmes and project implementation should be planned for the fulfillment of objectives.</p>

3.2 Non-achievement of Expected Outcomes

Audit Observation

It was failed to take favourable decision in national level on the development of handicapped persons, education, economic and social areas due to inactiveness of National Operational Committees during the period of past 27 months, non-fulfillment of reviewing the progress of social services programmes, standardization of products of handicapped persons and introduction of the market under Community Based handicapped Rehabilitation National Programme commenced with the aim of rehabilitating handicapped persons. Further, the expected objectives such as the weakening of effectiveness and productivity of implementation of programmes, identification of products of handicapped persons, standardization, provision of training, selection of standard products and presentation to national level had not been achieved. although the provision of Rs.12,500,000 had been made for the year under review for the implementation of community based programmes, out of it, provisions of Rs.7,703,248 had only been released for 25 authority areas of District Secretariats. even, it had been failed to evaluate and review the progress of the implementation of programmes from released provisions.

Comments of Accounting Officer

Actions had been taken to not to conduct this programme in year 2021 under the situation where inability to gathering handicapped persons and the officers as imposition of travel restrictions under the condition of Covid-19 pandemic and, it was planned to implement this programme in 2022. actions were done to release the relevant provision to District Secretariats by considering the requests obtained from Divisional Secretariats and project reports.

Recommendation

Actions should be done to implement programmes, review and evaluate progress in order to fulfillment of the expected objectives from the Community Based handicapped Rehabilitation National Programme.

3.3 Delays in Implementation fo Projects

Audit Observation	Comments of Accounting Officer	Recommendation
The construction works of kilinochchiya Vocational Training Institute that commenced on year 2017 for giving vocational training in tamil medium for the youths in North-East Provinces had not been completed even by 30 April 2022. Due to this, the vocational training activities could not be commenced in the year under review as targeted.	The buildings were constructed so as to commence the courses in this institute and ti continue the administration works and, only kitchen adn canteen are to constructed further.	Measures should be taken to commence the vocational training works in Kilinochchiya Vocational Training Institute promptly.

3.4 Asset Management

Audit Observation	Comments of Accounting Officer	Recommendation
(a) Books with printing cost of Rs.290,998, 22,460 copies of 07 kinds of magazines and leaflets had been retained in the stores since more than 05 years without using by the Department.	Actions are being taken to distribute the books that include articles written by field officers in the Department based on their experiences and th leaflets that mentioned hte functions of the Department at various workshops organized by the Department. Also, actions are being done to distribute even for libraries in District Secretariats and Divisional Secretariats.	Actions should be done to use books, magazines and leaflets productively.
(b) 288 books of poetry books, translation books, novels that purchased at Rs.130,815 in year 2019 for libraries in Vocational Training Institutes had been retained in the stores for more than 02 years without issuing for library use.	It is informed that the poetry books, translation books and novels that purchased in year 2019 would be distributed to libraries in Vocational training Institutes in future.	Actions should be done to issue poetry books, translation books and novels purchased promptly for the use in libraries.

- (c) Although it has been elapsed a longer period of more than 10 years by donating 05 lands with extent of nearly 33 acres that receipt as donations to the Department for the establishment of vocational training institutes, rehabilitation centers and guidance centers, it had not been accounted as land and buildings under non-financial assets by confirming their legal ownership and valuing the values of those lands and building constructed in it.
- The land belonging Seeduwa Vocational Training Institute out of the lands received as donations to the Department to establish vocational training institutes, skill development centers, rehabilitation and guidance centers was taken over and it had been referred to us by completing the valuation works by the Department of Valuation and, it will be accounted in future. As it had followed a longer process to vest the lands to the Department legally, the future actions related to take over rest of the lands are being done. Actions will be done to account those lands by getting them valued by the Department of Valuation after taking over legally.
- Actions should be done to confirm the legal ownership of the lands and account the valuation amount including even buildings in there.
- (d) The buildings that were constructed in the period of more than 10 years had been missed from the accounts without accounting as non-financial assets due to not taking over the legal ownership of the lands to the Department that established 11 vocational training institutes and not valuing the values.
- It was informed to the Department of Valuation to provide relevant values by valuing lands and buildings in vocational training centers and, the valued amounts of 2 institutes were received by now. It is stated that the relevant values are accounted after receiving the valuation amounts of lands and buildings of the rest of the institutes.
- Actions should be done to take over the legal ownership of the lands that established the vocational training centers and account valuation amounts.

3.5 Losses and Damages

Audit Observation	Comments of Accounting Officer	Recommendation
(a) The television amounted to Rs.50,000 that lost from a theft occurred in Seeduwa Vocational Training Institute in the year under review had not been disclosed in the Statement of Losses and Waivers.	The preliminary report on losses under FR.104(3) in respect of the theft occurred in Seeduwa Vocational Training Institute had been referred to the Secretary of the Ministry. It is to be scheduled to obtain order for recovery from relevant parties and do future actions after receipt of the order of the Department Head as this loss prevails within the financial authority of Accounting Officer as per Public Finance Circular No.01/2020. It has been included in to the Register of Losses even by now.	It should be disclosed in the Statement of Losses and Waivers in relation to the assets lost form theft.
(b) Six items of machines and machineries amounted to Rs.70,800 had been lost from the theft done in Ragama Vocational Training Institute in previous year. That loss had not been stated in the Statement of Losses and Waivers and, measures had not been taken even to implement the actions properly as per the provisions of FR.104.	The final report on losses under FR.104(4) in respect of the theft done in Ragama Vocational Training Institute had been referred to the Secretary to the Ministry. It is to be scheduled to obtain order to write off from the books and do future actions after receipt of the order of the Department Head as this loss prevails within the financial authority of Accounting Officer as per Public Finance Circular No.01/2020. It has been included in to the Register of Losses even by now.	Measures should be taken promptly to disclose in the Statement of Losses and Waivers in respect of assets lost from theft and take actions as per provisions of financial regulations.

- (c) It was damaged due to being expired and destroyed of 24 consumable items that were stored in the main stores of the Department without using for a longer period from 03 years to 08 years. It was not disclosed in the Statement of Losses and Waivers in respect of damaged stocks. Measures had not been taken to write off from books or take suitable actions as per provisions of Financial Regulations 108 by calculating that stock loss.
- 06 consumable items that was unable to use had been identified and, they were auctioned at the head office auction related to year 2020.
- It should be disclosed in the Statement of Waivers regarding damaged stocks due to being expired and damaged and, measures should be taken to act regarding said stocks as per provisions in financial regulations.

3.6 Management Weaknesses

Audit Observation	Comments of Accounting Officer	Recommendation
<p>(a) A van that removed from running for period of nearly 02 years from year 2016 to 2018 was decided to dispose in year 2018 and later it had been decided in year 2019 that it was suitable to use by repairing. Accordingly, the repair works had been done in year 2020. Although it had been incurred Rs.320,020 for that, it was failed to make the van in suitable condition to run even by 30 April 2022.</p>	<p>The relevant repair was done as per recommendation of the technical Officer in order to make this van suitable condition to run and, the recommendations were given by an estimate committee. The Technical Officer had confirmed that the repairs had been done properly. As it was unable to incur the cost for rest of the repairs within the prevailing limit of provision, it was informed to Comptroller General to make required arrangements to give it to an institute that willing to obtain this van.</p>	<p>If the van can be repaired and made into suitable condition to run, the repairs should be completed promptly and, If that is not possible, steps should be taken promptly to carry out the dispose activities.</p>
<p>(b) Although it was been a longer period to take over the legal ownership of lands of 14 vocational training institutes, rehabilitation centers and guidance centers that were established during the period of</p>	<p>The number of lands that completed the taking overs properly in each Divisional Secretariats by now was 08. Accordingly, actions are being done to take over the rest of lands in the</p>	<p>Actions should be done to utilize the government provisions for the constructions of buildings by taking over the legal ownership of the lands.</p>

65 years from year 1956 to year 2021, it was failed. The attention of the Department had not paid materially on the guidelines introduced by Asset Management Circulars No.04/2018 and 02/2019 in this regard. Further, it had been incurred government money more than Rs.500 Million during the last 05 years period for the building constructions and development works without taking over the legal ownership properly.

Divisional Secretariats level which those lands belong.

4. Achievement of Sustainable Development Goals

Audit Observation

The performance progress in achieving the goals under providing vocational training and developing skills for disabled people, building new vocational training institutions, and intervening to reduce the disabilities of children with disabilities in early childhood was an average value of 60 per cent.

Comments of Accounting Officer

The progress of achieving the goals mentioned in the Paragraph was an average value of 60 per cent and, the reason for that was the situation in the country due to the spread of the Covid-19 pandemic.

Recommendation

Necessary measures should be taken to ensure adequate performance progress in targeted tasks.

5. Human Resource Management

Audit Observation

- (a) A total of 61 as 05 posts of Officer in Charge in Tertiary Level, 50 posts in Secondary Level and 06 posts of Primary Level that were directly acted in achieving objectives of the Department had been vacant. Even though the works had been started to call applications in year 2020 to fill 05 vacant posts

Comments of Accounting Officer

As the approval of Public Service Commission to recruit for the vacancy in the post of Officer in Charge, applications also received for the recruitment for 05 posts of Officer in Charge. Although initial matters were done to employee recruitments, as it had been

Recommendation

Steps should be taken to recruit vacant cadre that directly act for the achievement of the objectives of the Department.

of Officer in Charge, it was failed to recruit until now due to long term delays occurred when implementing recruitment activities.

postponed of recruitments for the posts that were not appointed yet, it was unable to make recruitments until now. Actions are being done to recruit for the other posts.

- (b) There were 225 vacancies in the posts of Social Services Officers in Tertiary Level and, it was 47 per cent as a percentage of approved cadre.

480 posts of Social Services Officers had been approved by the Department of Management Services and the recruitment activities are being done as per its instructions.

Recruitment activities should be done promptly for the vacant post of Social Services Officers.