

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the National Secretariat for Elders for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 a summary of significant accounting policies, 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 the Financial Act No. 38 of 1971. My comments and observations which I consider should be report 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 accompanying financial statements give a true and fair view of the financial position of the Secretariat as at 31 December 2022, and of 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 qualified 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 Secretariat'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 Secretariat office or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Secretariat's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Secretariat 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.

#### 1.4 Audit Scope (Auditor's Responsibilities for the Audit of the Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 Secretariat'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 Secretariat'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 Secretariat 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 Secretariat, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Secretariat has complied with applicable written law, or other general or special directions issued by the governing body of the Secretariat ;
- Whether the Secretariat has performed according to its powers, functions and duties; and
- Whether the resources of the Secretariat had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## 1.5 Preparation of Financial Statements

### 1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with the Reference to Relevant Standard	Management Comment	Recommendation
The contribution that should be received to the debit of the Fund from the elders allowance for the Elders Social Security Fund had been accounted on cash basis in contrary to the provisions of Sri Lanka Public Sector Accounting Standard 01. Due to this, the contribution related to the Fund of Rs.75,431,300 in relation to the period from 2016 that the year of establishing the Fund to 31 December 2021 had not been accounted.	Although it was shown in the social security contribution accounts on cash basis in previous years, it was accounted on accrual basis in the financial statements for the financial year 2022. It was informed that it was included in the financial statements by classifying the contributions for the year as revenue and the amount to be received as current assets.	Action should be done to account contribution receivable.

### 1.5.2 Accounting Deficiencies

Audit observation	Management Comments	Recommendation
An amount of Rs.163,214 in the cash book of bank current account of social security fund bearing No.228075 has been taken to bank reconciliation erroneously. Although it was elapsed the period of 30 months regarding said non-deposited amount or cash deficit, any action had not been taken to settle.	It was delay to settle due to insufficiency of information taken in this regard. However, measures will be taken promptly for this.	Action should be taken to settle this amount.

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

<b>Reference to the Laws, Rules and Regulations etc.</b>	<b>Non-compliance</b>	<b>Management Comment</b>	<b>Recommendation</b>
Section 16(2) of National Audit Act No. 19 of 2018	The performance report of the Secretariat in the year under review had not been prepared and furnished with the financial statements to the Auditor General.	The performance of the year 2022 is being prepared even by now and, action will be done to provide that report in future.	Action should be done as per Act.

## 1.7 Cash Management

<b>Audit observation</b>	<b>Management Comments</b>	<b>Recommendation</b>
Non-utilized funds out of the government grants provided during the period of last 07 years had been retained in the bank current account. The non-utilized amount as at 31 December in the year under review was Rs.6,137,005 and the cash balance	As it was unable to implement some elders' welfare programmes under the limitation of government expenditure in the year 2022, the part of the money received for that was remained at the year-	Actions should be taken to utilize provisions given by the Treasury for productive matters.
ranging from Rs.3,201,322 to Rs.15,001,302 had been retained in the bank current account without utilizing during the period of last 07 years. It had not been taken actions to invest the surplus money in a manner that may be decided by the National Council in accordance with the provisions of Section 19 of the Protection of the Rights of Elders Act No. 09 of 2000.	end as such. However, it was informed kindly that those money was spent for programmes at the beginning of the year 2023.	

## 2. Financial Review

### 2.1 Financial Results

The operating results of the year under review amounted to a deficit of Rs. 213,698 and the corresponding deficit in the preceding year amounted to Rs.841,077. Therefore, a growth amounting to Rs.627,379 of the financial result was observed. The decrease in staff cost had been reasoned mainly for this growth.

### 3. Operating Review

#### 3.1 Management Inefficiencies

	<b>Audit observation</b>	<b>Management Comments</b>	<b>Recommendation</b>
(a)	Actions had not been taken to create legality through parliament Act by publishing gazette with the approval of the parliament for the establishment and maintenance of the Social Security Fund by charging Rs.100 per a beneficiary from elders allowance monthly from the beneficiaries who received the elders allowance with the aim of spending on health, nutrition and security and welfare of elders at special and emergency instances of low income elder community.	The validity, legality and transparency of this Fund were expressed even from the legal acceptance of the Protection of the Right of Elders Act No.09 of 2000 by the Parliament that initiated to establish the Social Security Fund.	Action should be taken to create legality for a parliament Act.
(b)	Although it should be obtained Rs.2,902,192,800 related to the period of January 2016 to 31 December 2021 from the elders allowance that paid for the establishment and maintenance of the elders social security fund, only Rs.2,826,192,800 had been charged. A sufficient action had not been taken to recover the rest of Rs.75,999,300 of receivable amount.	The reminding letters have been sent to the offices that not sending monthly deductions and being delay and, the rest of money except 02 divisional secretariats had been recovered so far in relation to the year 2022.	Actions should be taken to recover receivable amount.
(c)	Although debiting to the fund was in the range of Rs.444.48 million to Rs.546.42 million for the period of 06 years from year 2017 to the year under review for the fulfilment of the objectives of the Fund for welfare of elders, promotion of rights, strengthening elders and security from the money collected to the elders Social Security Fund, the retained amount without utilizing during	As the first Action Plan of the social security fund was approved on the year 2019, the welfare programmes related to that Fund had not been implemented during years 2017 and 2018. Further, as programmes were temporarily stopped as per Circular amidst the Covid pandemic situation in years 2020 and 2021 and economic issues in year 2020 03/2022	Action should be done to fulfil the functions of the Fund.

the said period was ranging from Rs.444.48 million to Rs.202 million.

issued by Secretary to the Treasury, the programmes in the Social Security Fund were also not functioned after 26 April 2022.

- (d) An amount in between Rs.1,476.15 million to Rs.2,941.70 that were not utilized for the provision of benefits to the elders from the contributions received to the Elders Social Security Fund during the period of 05 years from 2018 – 2022 had been invested in fixed deposits. Accordingly, it was invested in fixed deposits without utilizing for the fulfilment of the objectives of the Fund as per regulations of the Elders Social Security Fund for many years.
- (e) Although it was incurred Rs.1,585,521 improperly by the Secretariat for the repairs done for the jeep that owned to the Ministry of Women, Child Affairs and Social Security during the running of the jeep in that ministry, a loss of Rs.1,585,521 was occurred to the Secretariat by handing over the jeep without retaining the jeep or reimbursing the repair cost for the use of running sufficiently. Although it was elapsed more than 03 years, it was failed to reimburse the cost incurred by the Secretariat.
- It was kindly informed that the excess money was invested in the bank that given the highest interest rate out of the state banks under a special interest rate (above the normal interest rate) with the prior approval of the National Council and the Fund was further strengthened from the interest income from it.
- This Montero jeep was taken in to the pool of vehicles in the National Secretariat for Elders and, later the vehicle was handed over to that ministry as per the instructions of the Secretary to the Ministry of Women, Child Affairs and Social Security. A letter has been referred on 27 January 2021 to the Ministry informing to reimburse the money spent promptly and, it was informed that no responses were made so far.
- Actions should be done to invest only the rest after giving benefits to the elders from the contributions.
- It should be taken to reimburse the expenses.

### 3.2 Operational Inefficiencies

Audit observation	Management Comments	Recommendation
(a) Actions had not been taken to prepare well-arranged and updated database well including information of elder community for making specific, accurate and productive decisions as per the provisions in Section 13 of the Protection of the Right of Elders Act No.09 of 2000.	A elders data system had been uploaded that was updated in divisional secretariat level in relation to Rs.2,000 allowance through recorded method by a software system revealed by me in the official website of our institute. In addition, it was informed that actions would be done to prepare a database including information on elder community as shown by the Audit.	Actions should be done to prepare a database including information on elder community.
(b) The attention had not been paid even in the year under review to plan and implement the relevant practices to evaluate and follow up on whether the main functions such as protection of rights of the elders, caring, protection of self-esteem, dignity etc. had been effectively fulfilled through the implementation of programs and projects.	Follow up actions were limited in the year under review policies taken by the government due to Covid pandemic situation and fuel crisis prevailed in the country at that time.	Action should be done to evaluate and follow up on whether the main functions were fulfilled effectively.
(c) Although Rs.2,438,715 had been incurred out of Rs.4,245,807 based on the annual provisions of the government in year 2016 for the preparation of a National Policies for elders, actions had not been implemented to formulate the national policies. The balance amount of Rs.1,807,092 had been remained idle in General Deposit Account for period of 06 years.	It was instructed at the meeting held on 29 May 2023 to prepare a new policy by including the matters in the policy for elders that drafted in the year 2016 into the policy for elder that prepared as per Strategic Plan in year 2022. Accordingly, rearranged policy is being amended as for the requirement.	It should be acted to prepare national policies for elders promptly.

- (d) Records including information on beneficiaries had not been maintained by the Secretariat for Elders when paying a monthly allowance of Rs.2,000 for low income over 70 years elders and, a database including number of beneficiaries, value of paid allowances and details of non-paying beneficiaries during the month etc. had not been prepared maintained and updated by the Secretariat for Elders.
- It was kindly informed that actions would be done in future so as shown by the Audit.
- Records including information on beneficiaries should be maintained when paying a monthly allowance.

### 3.3 Human Resource Management

Audit observation	Management Comments	Recommendation
The main posts in senior level cadre such as Assistant Director (Development), Assistant Director (Administration), Legal Officer, Assistant Director (Information & Communication Technology) have been vacant in long term and, the post of Accountant was also appointed on the acting basis.	Although the cadre of the National Secretariat for Elders was approved firstly on 22 October 2009, the Scheme of Recruitment for the relevant information was approved on 28 January 2011. The appointments had been made by the Line Ministry time to time for the posts of Director, Assistant Director (Development), Accountant and Administrative officer on secondment or acting or covering up duties basis.	Requests should be made from the Management Services Department to recruit for main posts that prevailed vacant for long period.

## 4. Accountability and Good Governance

### 4.1 Annual Action Plan

Audit observation	Management Comments	Recommendation
(a) Out of the provisions of Rs.50 million for elders' welfare programmes under Treasury provisions for the year under review, Rs.20.525 million had been transferred for establishment expenses without utilizing for welfare programmes that implemented for elders.	The capacity of implementing some elders' welfare programmes that planned in the beginning of the year had been limited due to limitation of public expenditure in year 2022. It was informed that the excess provisions in elders' welfare	It should be acted to limit the establishment expenses.



programmes was transferred due to insufficiency in provisions allocated by annual budget estimates for establishment expenses to carry out Secretariat for elders as increase in essential expenses.

- (b) Out of the activities included in the revised Action Plan for the implementation of welfare of elders using treasury provisions, the progress of 03 main activities were in very low level. The capacity of implementing some elders' welfare programmes that planned in the beginning of the year had been limited due to limitation of public expenditure in year 2022. It should be acted to do expected functions as planned.
- (c) Although revisions should be presented when preparing 2022 estimates by identifying the projects/ activities that should be revised periodically if there are by reviewing projects/ activities of the Fund, it was observed that it was not productive to submit the revisions with a few days to left before the end of the year without acting to do so. Also, based on the failure to achieve the targeted tasks according to the 2022 Action Plan, the Action Plan had been revised. According to the circulars issued by the Ministry of Finance on 26 April 2022, the programs were stopped to control public expenditure. Later, based on the requests received at the end of the year, revisions were made to the Action Plan based on the needs of the programs. Action Plan should be revised periodically.