

Elders Social Security Fund - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of financial statements of the Elders Social Security Fund for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance, statement of changes in equity 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. My comments and observations which I consider should be reported to Parliament

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 2024, 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 qualified opinion.

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

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 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 intends to liquidate the Fund 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 Audit Scope

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 Fund'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 Fund 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 Non-Compliance with Sri Lanka Public Sector Accounting Standards.

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
(a) Although the receipt of the amount recovering of Rs.100 which had been deducted monthly from the elders' allowance for the Elders Social Security Fund had been cancelled by a decision of the Cabinet of Ministers, regarding that had not been disclosed in the financial statements in accordance with the Paragraph No.41 of Sri Lanka Public Sector Accounting Standards No. 01.	Action will be taken to note in the final accounts of the year 2025.	Action should be taken to disclose relevant facts in the financial statements as per the standards.
(b) A member of National Council in 2024 had been a Chief secretary of the 'Sarvodaya Suwasetha Service Society and had also been entered in to an agreement as the caretaker of an elders' home. An amount of Rs.1.95 million had been granted during the year under review for the renovation activities of those elders' home and this transaction had not been disclosed as a related party transaction in accordance with the Paragraph No. 13 and 28 of the Standards No. 14.	It had not been possible to disclose in the financial statements in 2024. Action will be taken to inform all the council members to make the Council aware in the event of such relationships in the National Council.	-do-

1.5.3 Accounting Deficiencies

Audit observation	Management Comments	Recommendation
(a) Ledger accounts had been maintained only for the expenses in the Elders Social Security Fund for the year under review and ledger accounts had been	Although the relevant income, liabilities, assets, and equity accounts had not been physically recorded in the ledger, had been computerized and updated and action will be taken to record those	Action should be taken to properly maintain ledger accounts.

maintained for the assets, liabilities, income and equity. accounts physically in the ledger book from the year 2025.

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| <p>(b) In the statement of changes in equity for the year under review, Rs.49.8 million relating to the year 2023 had been adjusted to the cumulative fund as re-receivables of the preceding year and out of that an amount of Rs. 44.3 million had been accounted in the surcharge ledger by the name of the bank branch which credited the amount. Accordingly, it had not been possible to verify for what purpose the money has been deposited.</p> | <p>Out of the money has been sent to the divisional secretariats by the National secretariat for Elders, the remaining has been directly remitted to the bank account of our office. In certain instances, the details of that money credited have not been sent to us. It was informed that all the officers the reasons for which the remaining funds are returned by the Divisional Secretariats be clearly indicated from the year 2025.</p> | <p>Action should be taken to submit relevant information to the audit.</p> |
| <p>(c) Although an amount of Rs.1,010.8 million had been deposited in a state bank at an annual interest rate of 14.5 percent, the interest had been calculated at a rate of 13 percent. Furthermore, an amount of Rs.460 million had been deposited in another state bank at an annual interest rate of 10 percent, Although due to the interest rate had been taken as a 13 percent, when calculating the interest the interest income had been overstated by Rs.1.2 million.</p> | <p>When calculating the interest for the fixed deposit interest rate of 10 percent had been mentioned as 13 percent by mistake. It will be corrected when calculating the interest the interest in the year 2025.</p> | <p>Action should be taken to account for calculating the interest at correct rates.</p> |

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

Reference to the Laws, Rules and Regulations etc.	Non-compliance	Management Comment	Recommendation
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Procurement Guideline of the Democratic Socialist Republic of Sri Lanka

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| <p>(i) Paragraph 3.2 and 5.3.1</p> | <p>When selecting the national competitive bidding</p> | <p>For the purchase of assistive equipment standard bidding</p> | <p>Action should be taken as per the provisions of the</p> |
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method without using standard bidding documents, bidding documents that are being prepared by the institution had been approved by the procurement and technical evaluation committee and bids had been invited accordingly.	documents such as the bid form, bid security, performance security, bond agreement etc. had been used and although the standard documents relating to the instructions and conditions to bidders had not been used the documents which prepared by the institution had included all the relevant matters in those standard documents. However, at present standard bidding documents are being used.	Procurement Guideline in the future.
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| <p>(ii) Paragraph 4.2.2 (a)</p> | <p>The Procurement Plan for the purchase of the 757 cataract lenses valued at Rs.5.5 million had not been prepared in line with the Annual Action Plan.</p> | <p>After procurement decisions are being made in accordance with the Annual Action Plan, and activities of purchase and supply of assistive equipment are carried out throughout the year. However, When preparing the Procurement Plan the time required for supply of such equipment and accessories had not been taken into consideration. The Procurement Plan had been prepared in line with the annual action plan of the year 2025.</p> | <p>Preparing the Procurement Plan in line with the Annual Action Plan and activities procurement should be done accordingly.</p> |
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2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a deficit of Rs.125,853,114 and the corresponding surplus in the preceding year amounted to Rs.99,401,345. Therefore a deterioration of Rs.225,254,459 of the financial result was observed. The decrease in income had been mainly attributed to this.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
Action had not been taken to recover the outstanding recovery receivables of Rs.100 totaling to Rs.5.6 million relevant to the years of 2022 and 2023 even by the end of the year under review from relevant divisional secretariats.	Action will be taken to make required adjustments by checking relevant estimates and beneficiary registers of actually paid.	Action should be taken to recover the receivable recovery.

3.2 Operational Inefficiencies

Audit Observation	Management Comment	Recommendation
From the social security fund which has been established by the Rs.100 recovering from the monthly allowance of Rs.2,000 is paying for the eligible elders, by the Secretariat of Elders' for the construction of Elders' home an amount of Rs.298.7 million without VAT had been entered in to an agreement with the private institution and the following deficiencies were observed regarding that.		
(i) As Contract implementation advance Rs.63.5 million also in two instances, Rs.45.7 million for purchase of building materials and paid Rs.360.38 million in 28 instances, and in 4 instances contract period had been extended and Rs.82.3 million had been paid for price variances in 24 instances.	Payments are being made to the contractor only for the relevant price variances in terms of the 'CIDA' institute. That price variance was a legal payment that should be compulsorily paid.	As per the agreement, action should be taken to get completed the contract within the proper period of time.
(ii) The consultancy institute that is Central Consultancy Bureau, entered in to an agreement as	Due to the extension of the contract period on 06 January 2023 an additional payment of Rs.6 million	Action should be taken as per the agreement and minimizing the

consultancy fee of Rs.19.1 million with VAT and Rs.17.2 million had paid for the Consultancy Company and due to extension of the contract period, additional Rs.6 million had paid.

paid was a legal payment effected in terms of the agreement. It was observed that if the contract period had not been extended, there was a possibility to contractor to abandon the contract without completing the final part of the project. Although a new contractor has selected since the contract period was not reduce and for these two instances should be paid additional time and consultancy fees, the additional expense for consultancy fees was unavoidable.

additional payments action should be taken to achieve the relevant activity in proper way.