

## **National Council for Elders - 2013**

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The audit of financial statements of the National Council for Elders for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of financial performance and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory 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 Section 13(1) of the Finance Act, No. 38 of 1971 and Section 20(3) of the Protection of the Rights of Elders Act, No. 9 of 2000. My comments and observations which I consider should be published with the Annual Report of the Council in terms of Section 14(2)(c) of the Finance Act appear in this report.

### **1.2 Management's Responsibility for the Financial Statements**

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Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

### **1.3 Auditor's Responsibility**

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My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000 – 1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the financial statements 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 Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **1.4 Basis for Qualified Opinion**

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My Opinion is qualified based on the matters described in paragraph 2.2 of this report.

## **2. Financial Statements**

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### **2.1 Qualified Opinion**

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In my opinion, except for the effects of the matters described in paragraph 2.2 of this report the financial statements give a true and fair view of the financial position of the National Council for Elders as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

### **2.2 Comments on Financial Statements**

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#### **2.2.1 Non-compliance with Sri Lanka Public Sector Accounting Standards**

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The following non-compliance were observed.

- (a) The statement of changes in the net assets / equity had not been presented with the financial statements in terms of paragraph 21(c) of the Sri Lanka Public Sector Accounting Standards.
- (b) Even though the depreciable value of an asset should be depreciated during its useful life on a regular basis, the Council had computed the depreciation based on the policy of depreciating in the year of purchase and not depreciating in the year of disposal.

#### **2.2.2 Accounting Deficiencies**

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The following observations are made.

- (a) Interest on investments in fixed deposits amounting to Rs.652,422 had been shown in the statement of financial position without being included as an income in the statement of financial performance, thus overstating the deficit for the year by that amount.
- (b) Even though the cumulative provision on depreciation of the motor vehicles amounted to Rs.4,495,000 , the cumulative provision for depreciation had been shown as Rs.4,060,000 in the statement of financial position. As such the value of the fixed assets as at the end of the year under review had been overstated by a sum of Rs.435,000.
- (c) A stock of 356 cameras purchased in the year 2013 for Rs.4,912,472 had been brought to account under the furniture and equipment.

#### **2.2.3 Unreconciled Control Accounts**

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Even though a sum of Rs.610,411 had been shown under the value of stocks as at 31 December 2013, the total of the Schedule amounted to Rs.556,511 and a difference of Rs.53,900 was observed.

#### 2.2.4 Lack of Evidence for Audit

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The evidence indicated against the following items had not been furnished.

| Item                                       | Value   | Evidence not made available   |
|--|---------|---|
| -----                                      | -----   | -----   |
|  | Rs.     |   |
| (a) Three Wheeler                          | 250,000 | File on Motor Vehicles and Board of Survey Reports                  |
| (b) Rural Elders' Committee Bank Balance   | 472,500 | Confirmations of 135 Committees                                     |
| (c) Photographs for Elders' Identity Cards | 15,748  | Information from Divisional Secretariats for Certifying Expenditure |

#### 2.3 Non-compliance with Laws, Rules Regulations and Management Decisions

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The following non-compliances were observed.

| Reference to Laws, Rules, Regulations and Management Decisions          | Non-compliance   |
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| -----   | -----  |
| (a) Finance Act, No. 38 of 1971   |  |
| (i) Section 8(1)  | The budget for the year 2013 had not been approved by the Board of Governors.  |
| (ii) Section 14(3)  | The Annual Report for the year 2012 had not been tabled in Parliament.   |
| (b) Public Administration Circular No. 41/90 of 10 October 1990         |  |
| (i) Section 2.11  | Even though the fuel consumption of motor vehicles should be tested once in 06 months it had not been so done.                       |
| (ii) Section 2.12   | Even though obtaining fuel for pool motor vehicles should be done under the supervision of a Staff Officer, it had not been so done. |
| (c) Public Administration Circular No. 01/2002 of 22 February 2002, No. | Even though the name of the State Institution and the State Emblem should be painted on the motor vehicles,                          |

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|--|---|
| 26/92 of 19 August 1992 and No. 26/92(1) of 03 August 1994                                     | it had not been so done.  |
| (d) Public Enterprises Circular on Good Governance No. PED/12 of 02 June 2003<br>Section 8.3.9 | Two motor vehicles of the Council had been released to the Ministry of Social Services  |
| (e) Treasury Circular No. 842 of 19 December 1978  | A proper Register of Fixed Assets had not been maintained for furniture and equipment valued at Rs.12,745,759 and machinery and equipment valued at Rs.3,969,075. |

### 3. Financial Review

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#### 3.1 Financial Results

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According to the financial statements presented, the financial result for the year ended 31 December 2013 had been a deficit of Rs.8,737,766 as compared with the corresponding deficit of Rs.12,176,526 for the preceding year, thus indicating an increase of Rs.3,438,760 in the financial results for the year under review as compared with the preceding year. According to the accounts presented, the improvement had been due to the increase in the Government grants by a sum of Rs.5,484,471 and the decrease of operating expenditure by a sum of Rs.182,514,293.

#### 3.2 Analytical Financial Review

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The following observations are made.

- (a) The expenditure on other operations incurred in the year under review as compared with the preceding year had decreased by a sum of Rs.181,255,089. That has been due to the implementation of the Programme on Payment of Rs.1,000 per month to Elders had been done by the Ministry.
- (b) The expenditure on contractual payments in the year under review as compared with the preceding year had decreased by a sum of Rs.2,709,402 or 35 per cent. The rent of building amounting to Rs.3,069,346 paid in the preceding year reduced to zero value in the year under review had been the reason therefor.

#### 4. Operating Review

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##### 4.1 Performance

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The following observations are made.

(a) Financial Aid to Elders' Committees

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Even though targets had been set for the supply of financial aid amounting to Rs.6,150,000 to 590 Elders' Committee comprising 570 Rural Elders' Committees and 20 Regional level Elders' Committees, amounting to the Progress Reports financial aid according to Rs.7,785,000 at the rate of Rs.5,000 should have been given to 1,557 Rural Elders' Committees. But only Rs.255,000 had been given at the rate of Rs.7,500 to 34 Regional Committees. According to the Progress Reports a sum of Rs.150,000 had been given to 20 Regional Committees. As such Rs.105,000 paid to 14 Committees had been understated in the Progress Reports.

(b) Issue of Elders' Identity Cards

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A sum of Rs.2,000,000 had been allocated for the issue of 50,000 Elders' Identity Cards and according to the Progress Reports 17,821 Identity Cards had been issued at a cost of Rs.446,000. Nevertheless, according to books and records, only 15,748 photographs had been actually issued.

(c) Money issued on Elders' Day Centres

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A sum of Rs.2,000,000 had been allocated for 36 Elders Day Centres and a sum of Rs.782,000 had been used on 31 Day Centres. Money had been used on 05 Centres less than the planned number and the financial progress amounted to 39 per cent.

(d) Conduct of Awareness and Training Programmes

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Even though the conduct of 138 Awareness and Training Programmes had been planned, only 4 programmes had been conducted. As such the physical progress had been only 3 per cent.

(e) Activities not executed according to the Action Plan

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The following observations are made.

(i) Even though the conduct of 100 programmes for Awareness of Elders at the Regional Level had been planned, none of the programmes had been conducted.

(ii) Even though plans had been made at the beginning of the year for providing training for a selected group from 04 training programmes conducted with a view to introduce to the society a house-based labour force capable of providing welfare,

security and nursing service to the regularity increasing elderly population of Sri Lanka that workshop had not been conducted.

- (iii) Even though the conduct of 30 Counselling Programmes had been planned for the year, only 3 programmes had been conducted. But that had been shown as 6 in the Progress Report.
- (iv) Even though the conduct 04 Pre-retirement Programmes had been planned for the year, only one programme had been conducted. But that had been shown as 2 programmes in the Progress Reports.
- (v) Even though plans had been made for printing and distribution of 5,000 copies of the Protection of the Rights of Elders (Amendment) Act and 1,000 copies of the Elders' Magazine at a cost of Rs.1,000,000 those activities had not been carried out. Even the planned printing and distribution of 5,000 copies of the Act in the years 2011 and 2012 had not been carried out.

(f) Purchase and Distribution of Ocular Lenses

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Plans had been made for the supply of 1,700 ocular lenses and 70 audio equipment to patients. Even though it had been stated that 1,782 ocular lenses had been supplied to the aid recipients, only 1,420 lenses had been issued according to the stock books. As such 362 lenses had been shown in excess in the Progress Reports. Even though the supply of 70 audio equipment had been planned, only 45 equipment had been supplied.

(g) Meetings of Maintenance Boards

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Even though an allocation of Rs.850,000 had been made for the meetings of the Maintenance Boards only a sum of Rs.765,000 had been spent. Even though 247 applications had been received by the Maintenance Boards solutions had been provided for 149 only representing physical progress of 60 per cent.

(h) Supply of Aid for Repair of Elders' Homes

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A sum of Rs.10,000,000 had been allocated for carrying out repairs to 26 Elders' Homes. According to the Progress Report aid had been supplied to 15 Elders' Homes but aid had actually been supplied only to 12 Elders' Homes. The actual expenditure amounted to Rs.5,486,474 as against Rs.5,787,000 shown in the Progress Report. The financial Progress had been 55 per cent.

(i) International Elders Day Celebrations

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The following observations are made.

- (i) According to the Action Plan a sum of Rs.5,000,000 had been allocated for the Elders' Day Celebration and according to the Progress Report the expenditure amounted to Rs.6,120,000. According to the statement of financial performance that

amounted to Rs.6,146,894 thus indicating an understatement of expenditure by a sum of Rs.26,294 in the Progress Report.

- (ii) Comparison of the estimate of Rs.8,251,000 prepared for the International Elders' Day Celebrations with the actual expenditure of Rs.6,146,894 revealed an overestimation of Rs.2,104,106.

(j) Activities not included in the Action Plan executed during the year 2013

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The following observations are made.

- (i) A provision of the Rs.5,000,000 had been made in the Action Plan for the year under review for the conduct of workshops. Nevertheless, a sum of Rs.1,165,187 had been spent without formal approval for the conduct of 09 workshops on the creation of a joint access for the subject of elders which had not been included under the workshops.
- (ii) A revised Action Plan had not been furnished in connection with aid amounting to Rs.4,935,000 granted to 987 Elders' Committees.

(k) Instances of Failure to perform Functions set out in the Act

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The following functions set out in Section 13 of the Protection of Rights of Elders Act, No. 9 of 2000 had not been commenced up to date by the National Council for Elders.

- (i) To recommend programmes to the Government and the other appropriate bodies, to strengthen the family unit based on the traditional values of Sri Lanka.
- (ii) To organize lectures, seminars, workshops and other programmes in schools and other appropriate places with a view to inculcating in the younger generation, their duties to elders.
- (iii) To maintain accurate and up to date statistics relating to elders.
- (iv) To promote studies and research with a view to identifying the principal causes of the problems of elders and their needs and aspirations and to promote effective measures for the alleviation or elimination of such causes and for the satisfaction of such needs and aspiration.
- (v) To provide due publicity through all appropriate means to the findings of the studies and research in order to make the public ware of the problems, needs and aspirations of elders.
- (vi) To monitor and coordinate programmes and schemes initiated and implemented by the Government, Voluntary Organizations and bodies of persons, for the upliftment of the status of elders.

- (vii) To introduce and implement a health insurance benefit scheme for elders.
- (viii) To maintain a directory of paid and unpaid job opportunities available to elders, for the reference of elders and to assist elders wherever possible to be gainfully employed.
- (ix) To maintain a directory of elders according to their talents and expertise for the reference of the public.

#### 4.2 Staff

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The following observations are made.

- (a) Even though the approved staff as at 31 December 2013 had been 117, the actual staff had been 109. As such there were 08 vacancies.
- (b) The vacancies in the staff grade posts represented 50 per cent whereas the vacancies in the non-staff grade posts represented only 5 per cent.

#### 4.3 Operating Inefficiencies

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The following observations are made.

- (a) The fixed deposit amounting to Rs.5,871,796 as at December 2013 maintained for the welfare of the elders and the annual interest income thereof amounting to Rs.652,422 remained idle without being utilised for the welfare activities of the elders.
- (b) The balance in the Bank Account maintained for the Elders Foster Cover Programme had not been utilized for the related activities during the three preceding years and the balance of the account as at 31 December 2013 amounted to Rs.429,984.

#### (c) Payment of Elders Allowance

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The following matters were revealed in connection with the payment of Rs.1,000 allowance to the elders over 70 years of age who are receiving public assistance or Samurdhi Aid.

- (i) The sum of Rs.1,550,000 remitted to Banks in 19 districts in June 2012 for the payment of the elders allowance had not been paid due to different reasons and a sum of Rs.1,569,925 , inclusive of interest thereon had been returned to the National Council for Elders during the year under review.
- (ii) A database on the Island-wide recipients of the elders allowance had not been prepared by the Council even by 29 August 2014, the date of audit.



- (iii) Action had not been taken in the year under review to update the information by calling for the particulars of the total payments made through the Divisional Secretariats, amounts not paid, the number of beneficiaries paid and the deaths of beneficiaries.

#### **4.4 Irregular Transactions**

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A foreign travel advance of Rs.188,449 had been paid to the Ministry of Social Services in connection with a tour not related to the National Council for Elders.

### **5. Accountability and Good Governance**

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#### **5.1 Presentation of Accounts**

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Even though the financial statements should be presented for audit within 60 days after the close of the year of accounts in terms of Section 6.5.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the financial statements had been presented after a delay of 03 months.

#### **5.2 Corporate Plan**

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A Corporate Plan had been prepared in terms of Section 5.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003.

#### **5.3 Tabling of Annual Reports**

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The Annual Report for the year 2012 had not been tabled even by 27 August 2014.

#### **5.4 Budgetary Control**

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Variances ranging from 10 per cent to 66 per cent were observed between the income and expenditure in the budget and the actual income and expenditure, thus indicating that the budget had not been made use of as an effective instrument of management control.

### **6. Systems and Controls**

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Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Council from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Motor Vehicles Control