

National Council for Persons with Disabilities - 2013

The audit of Financial Statements of the National Council for Persons with Disabilities for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of financial performance, statement of changes in net assets 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 18(3) of the Protection of Rights of Persons with Disabilities Act, No.28 of 1996. 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

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

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 risks of material misstatements 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 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 the financial statements. Sub-sections (3) and (4) of the 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

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

2. Financial Statements

2.1 Opinion

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 Persons with Disabilities 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

2.2.1 Accounting Deficiencies

The following observations are made.

- (a) As the payment of housing grants amounting to Rs.1,090,000 returned by the Divisional Secretariats during the year had been brought to account as imprests received from the Treasury, the income for the year had been overstated by that amount.
- (b) Although the amount receivable from the Treasury for the Supiri Wasana Lottery grants as at the end of the year under review amounted to Rs.11,844,054 it was stated as Rs.17,428,500 thus overstating the current assets and income by Rs.5,584,446 .

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

The following non-compliances were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non- compliance
<p>(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka</p> <p>(1) Financial Regulations 135 and 395(h)</p>	<p>Even though the duties in respect of cash control should be so divided that each transaction passes through two or three different officers, duties such as the maintenance of cash book and Appropriation (votes) Ledger, preparation of Bank Reconciliations, writing cheques and preparation of paying in vouchers had been performed by one officer.</p>

- (2) Financial Regulation 540 As soon as the cash transactions close for each day the cash book should be balanced and checked but it had not been so done.
- (b) Housing Grants Circular of the Ministry of Social Services dated 29 August 2011
- (1) Paragraph 1.1 Even though the objective of the housing grant program is to give assistance to disabled persons who do not have a house, to build a house, a housing grant amounting to Rs.250,000 paid contrary to that requirement had remained in the Divisional Secretariat Muthur without being used for the intended purpose even by March 2014, the date of audit.
- (2) Paragraph 3.4 Even though the applicant's monthly income should be not more than Rs.6,000 to qualify for a housing grant, five Police Officers disabled due to terrorist activities whose monthly income ranged from Rs.11,400 to Rs.41,121 had been paid Rs.1,250,000 as housing grants during the year under review.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operation of the Council for the year ended 31 December 2013 had resulted in a surplus of Rs.1,508,798 as compared with the surplus of Rs.3,621,879 for the preceding year thus showing a deterioration of Rs.2,113,081 in the surplus as compared with that of the preceding year. Decrease of Supiri Vasana Lottery grants by Rs.85,186,955 and the increase of payments of Rs.3,813,376 made for supporting equipment of persons with disabilities had been the main reasons for the deterioration of financial results.

4. Operating Review

4.1 Performance

The following observations are made.

- (a) According to the Action Plan, the supporting equipment is issued on requests but 199 items of supporting equipment requested had not been given to the relevant parties.
- (b) According to the Gazette Notification No.1467/1 dated 17 October 2006 and the Gazette Extraordinary Notification No.1619/24 dated 18 September 2009 in respect of providing entry facilities to persons with disabilities, all existing buildings, public places and places providing services should construct access facilities to persons with disabilities in all existing Buildings, Public Places providing services should construct access facilities to persons with disabilities before 16 October 2014. Nevertheless, a

formal method had not been prepared by collecting information from District level and preparing the Action Plan according to that method.

- (c) Even though a sum of Rs.300,000 had been allocated for giving assistance to organizations which provide sports assistance and the rehabilitation to persons with disability no expenditure had been made therefrom during the year under review .
- (d) It was observed that functions such as finding main reasons for disabilities as stated in the Protection of Rights of Persons with Disabilities Act, No 28 of 1996 and promotion of effective steps to prevent and control them and the setting up of and operating rehabilitation centers for the persons with disabilities had not been performed.
- (e) Even though the provision for the year under review for the payment of monthly living allowance of Rs.3000 to persons with disabilities had been sent to the Divisional Secretariats by March, the beneficiaries were unable to obtain the monthly benefits for the first half year of 2013 as the List of Beneficiaries had been delayed,

4.2 Weaknesses in the Implementation of Projects

The following observations are made.

- (a) Under the Dirisaviya program a sum of Rs.110,160,000 should be credited to the accounts of 3060 physically handicapped persons per year for the payment of monthly allowance amounting to Rs.3000 per low income person with disabilities living in the selected 9 Districts in the Northern Province in terms of paragraphs 01 of part 2 of the agreement entered in to with the World Bank and the Government of Sri Lanka on 30 November 2012. In terms of paragraph 30 of part 3 of that agreement this program should have been commenced in October 2012 and completed as at 30 March 2015 . However this had been commenced in April 2013 and a sum of Rs.5,376,000 had been credited to the accounts of 1792 persons with disabilities only for that month. A sum of Rs.77,214,000 had been credited to 2,963 accounts of persons with disabilities by the end of the year under review. Accordingly the number of accounts not opened by the end of the year under review amounted to 97.
- (b) Out of the allowances credited to the accounts of persons with disabilities during the period of 8 months from April to December of the year under review, a sum of Rs.7,317,000 had been rejected due to reasons such as the mismatch of account numbers, change of beneficiaries` names, change of Bank Branch Code numbers, etc.

4.3 Delays in Projects

In terms of the agreement entered into between the World Bank and the Government of Sri Lanka, a sum of US\$ 470,000 had been allocated to commence vocational training and capacity development activities of persons with disabilities in October 2012 and for completion by March 2015. However, such activities had not been commenced even by the time of audit in 2014.

4.4 Underutilization of Funds

As the Ministry had not taken action to utilize the funds for the payment of housing grants, a sum of Rs.5,584,446 had remained idle in the Treasury Housing Grants Account as at 31 December 2013.

5. Accountability and Good Governance

5.1 Budgetary Control

Variances ranging from 11 per cent to 256 per cent were observed in comparing the estimated income and expenditure of 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.

5.2 Unresolved Audit Paragraphs

The following observations are made.

- (a) Even though the surplus cash in the current account should be invested in seven day deposits as directed by the Committee on Public Enterprises in paragraph 7 of the Minutes of the meeting held on 24 May 2011 and according to the Public Enterprises Circular No PED/12 of 02 June 2003, action had not been taken to so invest the surplus money in the year 2013.
- (b) According to paragraph 16 of the Minutes of the meeting of the Committee on Public Enterprises held on 12 October 2012, it was directed to open a separate Bank Account for housing grants. Even though the Secretary to the relevant Ministry at the Audit and Management Committee meeting held on 14 December 2012 informed that the directive should be implemented such a separate Bank Account for housing grants had not been opened.

6. Systems and Control

Weaknesses 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) Divisaviya Programme
- (b) Cash Control
- (c) Accounting
- (d) Payment of Grants
- (e) Implementation of Projects