

## **National Council for Elders - 2014**

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The audit of financial statements of the National Council for Elders for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014 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 2014 and its financial performance and its 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 Accounting Policies**

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Even though assets had been acquired and depreciated by utilizing the Government capital grants received by the Council, an accounting policy for the accounting of the amortization of assets had not been identified.

#### **2.2.2 Accounting Deficiencies**

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The following observations are made.

- (a) The expenditure of capital nature amounting to Rs.10,320,031 incurred during the year under review and the preceding years had been brought to account as recurrent expenditure whereas the recurrent expenditure of Rs. 2,767,541 had been brought to account as capital expenditure.
- (b) Even though the accounts had been prepared on accrual basis by the Council in the preparation of accounts, payable expenditure amounting to Rs. 2,485,284 relating to the year under review had not been brought to account.
- (c) The money granted to the Divisional Secretariats for incurring expenditure on recurrent and capital activities during the year had been brought to account as expenditure. Nevertheless, a sum of Rs.465,192 which was returned without being spent had been brought to account as income without being adjusted to the relevant expenditure accounts.
- (d) Out of the money granted by the World Health Organization for a Handicraft Exhibition in the year 2012, a sum of Rs.104,613 had been saved while action had not been taken to refund it to the said institution. Further, it had been brought to account as an Equity instead of being shown as a Liability.

#### **2.2.3 Lack of Evidence for Audit**

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The evidence indicated against the following items was not made available to audit.

Item -----	Value -----	Evidence not made available -----
	<b>Rs.</b>	
(a) Sundry Deposits	3,718,493	Ledger Accounts
(b) Expenditure on Elders' Functions	1,280,000	Confirmations of Divisional Secretariats in support of the receipt of money sent for 256 Divisional Secretariats and Report of Expenditure
(c) Journal Entries	102,914,625	Journal Vouchers relating to 26 Journal Entries
(d) Computers	536,280	Confirmation in support of providing 5 computers to Divisional Secretariats

### 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 etc. -----	Non-compliance -----
(a) Finance Act, No. 38 of 1971 Section 8	The budget for the year under review had not been approved by the Board of Governors.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka (i) Financial Regulation 214	Even though records on liabilities should be maintained and regularly examined, action had not been taken accordingly.
(ii) Financial Regulation 751 and 763	Even though all stores received should be entered at once on the receipt side of the Inventory Book, action had not been taken accordingly in respect of 3 stores valued at Rs.297,173.
(iii) Financial Regulation 845(1)	A Register of all official telephones had not been maintained.
(iv) Financial Regulation 571	A list of lapsed deposits amounting to Rs.1,370,041 had not been prepared.
(c) Treasury Circulars -----	
(i) Treasury Circular No. 842 of 19 December 1978	A Register of Fixed Assets had not been maintained in an updated manner.

(ii) Circular No. IAI/2002/02 of 28 November 2002 Paragraph 3 Even though payments should not be made without completing the relevant Formats in the purchase of computers and accessories, action had not been taken accordingly in respect of 30 computers.

(d) Procurement Guidelines-2006 Paragraph 1.1.1 Thirty computers valued at Rs.3,217,680 had been purchased without competitive bidding.

### **3. Financial Review**

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#### **3.1 Financial Results**

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According to the financial statements presented, the operation of the Council for the year ended 31 December 2014 had resulted in a deficit of Rs.602,642 as compared with the corresponding deficit of Rs.8,737,766 for the preceding year, thus indicating an increase of Rs.8,135,124 in the financial results for the year under review as compared with the preceding year. The increase in the Government grants by a sum of Rs.19,153,264 had mainly attributed to this improvement.

#### **3.2 Legal Actions initiated against the Council or by the Council**

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A petition had been filed in the Labour Tribunal and in the Human Rights Commission against the termination of service of a person recruited as a driver, while it had not been disclosed in the notes of financial statements.

### **4. Operating Review**

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#### **4.1 Performance**

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The following observations are made.

- (a) The physical progress of the establishment of Elders' Committees as compared with the planned numbers of the year under review had been 101 per cent at village level, 26 per cent at regional level, 13 per cent at district level and 20 per cent at provincial level.
- (b) According to the Action Plan, it had been planned to issue 40,000 Elders' Identity Cards during the year under review. Nevertheless, only 10,978 Identity Cards had been issued according to the Progress Reports, thus the physical progress and the financial progress had been 27 per cent and 48 per cent respectively.
- (c) A sum of Rs.1,595,605 had been spent on 5 activities not included in the revised Action Plan.
- (d) Action had not been taken to maintain and update the information system on the particulars of the number of Island-wide recipients of the elders' allowance, the total

payments made through the Divisional Secretariats, the number of beneficiaries who were paid, amounts not paid and the deaths of beneficiaries during the year under review with regard to the payment of elders' allowance.

- (e) Fifty nine awareness and training programmes included in the Action Plan for the year under review had not been conducted while 310 training programmes not included in the Action Plan had been conducted.
- (f) The Council had not paid attention to discharge 10 key functions which should be discharged by the Council in terms of Section 13 of the Protection of Rights of Elders Act, No. 9 of 2000.

#### **4.2 Management Inefficiencies**

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All immovable and movable properties belonging to the Elders' Home and Guiding Center at Kataragama had been vested in the Council by the Director of Social Services on 22 August 2003. Even though 11 years had elapsed from that date up to the year under review, action had not been taken to legally vest with that land and building.

#### **4.3 Operating Inefficiencies**

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A sum of Rs.6,488,334 due to be utilized on welfare activities of elders had been invested in a fixed deposit instead of being utilized on relevant purposes.

#### **4.4 Resources of the Council given to other Government Institutions**

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A motor vehicle belonging to the Council had been released to the Ministry of Social Services, contrary to Section 8.3.9 of the Public Enterprises Circular No.PED/12 of 02 June 2003.

#### **4.5 Personnel Administration**

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Vacancies of 3 staff grade officers and 6 non-staff grade officers had existed as at the end of the year under review while a female officer of the Department of Social Services had been deployed in the activities of the Council.

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

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

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Even though the accounts should be presented for audit within 60 days after the close of the year of accounts in terms of Paragraph 6.5.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the accounts for the year 2014 had been presented only on 29 May 2015 after a delay of 03 months.

#### **5.2 Annual Procurement Plan**

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Even though an Annual Procurement Plan had been prepared in terms of National Budget Circular No.128 of 24 March 2006, a Nokia D 7000 camera and a Television set which were not included in that Plan had been purchased at a cost of Rs.138,000.

**5.3 Audit and Management Committee Meetings**

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Only two meetings of Audit and Management Committee had been held for the year under review.

**5.4 Budgetary Control**

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Variances ranging from 10 per cent to 83 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) Assets Management
- (c) Maintenance of Registers
- (d) Stock Control