

National Council for Elders - 2015

The audit of financial statements of the National Council for Elders for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and the statement of financial performance, statement of changes in equity 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. 09 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

The 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 Auditing 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 judgement, including the assessment of the 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 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

My opinion is qualified based on the matters described in paragraph 2:2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except 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 2015 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 Policies

The accounting policy being used for accounting the Government grants had not been disclosed in the financial statements. Amortization had not been computed on 02 motor vehicles received from the Treasury during the year under review and the year 2012 valued at Rs.14,895,000, and shown in the financial statements.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) The land valued at Rs. 13,000,000 that had been received by the Council as a donation, had been shown as “lands” in the statement of financial position instead of being shown as “donations” under reserves.
- (b) The expenditure amounting to Rs. 288,264 incurred on training and awareness programs had been accounted as a capital expenditure. Accordingly, the deficit of the year under review had been understated by Rs. 288,264.
- (c) Although the movable and immovable properties of the Home for Elders and Guidance Center in *Kataragama*, had been vested in the Council, they had not been assessed and included in the financial statements.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Council for the year ended 31 December 2015 had resulted in a deficit of Rs.2,378,580 as compared with the corresponding deficit of Rs.602,642 for the preceding year. As compared with the preceding year, a deterioration of Rs.1,775,938 in the financial result of the year under review was observed. This had mainly been attributed by the increase in the expenses for the year under review by Rs.46,259,979 despite the increase in the Government grants by Rs. 44,020,697. In considering the employee remuneration and depreciation on non-current assets for the year under review and 04 preceding years, the contribution of the Council had continuously improved since the year 2012.

4. Operating Review

4.1 Performance

The following functions should be performed in terms of Section 13 of the Protection of the Rights of Elders Act, No. 09 of 2000.

- To advise the Government on the promotion of the welfare and the rights of elders. To recommend programmes to the Government and the other appropriate bodies, to strengthen the family unit based on the traditional values of Sri Lanka.
- To take all such measures as are necessary, in consultation with the relevant Ministries, Provincial Authorities, Local Authorities, Districts and Divisional Secretariats, religious institutions, Non-Governmental Organizations and private sector organizations, to promote and protect the welfare and rights of elders.
- To maintain accurate and up to date statistics relating to elders.
- To encourage the establishment of welfare centres, recreation centres, day care centres and other appropriate institutions with accommodation for destitute elders and to provide the necessary facilities to such centres and institutions.
- To introduce and implement a health insurance benefit scheme for elders.
- To facilitate elders to obtain necessary legal advice and assist elders to seek redress under section 25 of this Act.

According to the Act of the National Council for Elders, 16 functions had been stated. Only 08 of them had been included in the Action Plan for the year under review, and provisions amounting to Rs. 47,000,000 had been granted in that connection. However, the progress in performing those functions are as follows.

(a) Financial Assistance given to Elders' Committees

- (i) A sum of Rs. 5,672,500 had been allocated during the year under review to establish 1,042 elders' committees comprising 950 rural level committees, 75 regional level committees, 11 district level committees, and 06 provincial level committees. However, only 651 committees comprising 640 rural level committees, 06 regional level committees, 02 district level committees, and 03 provincial level committees had actually been established. As such, 391 elders' committees had could not be established, and a sum of Rs. 2,322,500 of the sum allocated in that connection, had been saved.
- (ii) A savings account with a minimum balance of Rs. 3,500 should be maintained in the name of rural level elders' committees in terms of National Council for Elders Circular, No. 2011/01 dated 06 January 2011. However,

action had not been taken to confirm the balances of the accounts of 385 committees.

(b) Issue of Elders' Identity Cards

Although provisions had been made by the Council by planning to issue identity cards annually for the elders older than 60 years, a methodology had not been set up to obtain accurate information from the Divisional Secretariats relating to the number of identity cards issued. Hence, the total number of elders' identity cards issued so far could not be verified in audit.

(c) Financial Assistance Given for Self-employment

In compliance with the objective of promoting welfare and rights of the elders, a sum of Rs. 1,750,570 had been given as assistance for self-employment of senior citizens to 120 individuals from 40 Divisional Secretariats engaged in self-employment.

Only 05 Divisional Secretariats had taken follow-up action as to whether the assistance had been properly utilized in the self-employment. Furthermore, it had not been established from 105 self-employed individuals whether the assistance had been acknowledged.

(d) Conducting Awareness and Training Programmes

According to the Action Plan for the year under review, the expenditure estimated for 721 programs amounted to Rs. 10,000,000, but only 672 programs had been conducted by the end of the year under review, and 49 training programs could not be conducted. Progress reports relating to the programs conducted, had not been furnished to the Divisional Secretariats, and no follow-up actions whatsoever had been taken in that connection.

(e) Supervision of the Homes for Elders

Although 87 homes for elders had been registered under the Council in the year under review, 72 of the homes had not been supervised by the Council.

(f) Granting Financial Assistance and Equipment to the Homes for Elders

In order to purchase equipment for the elders' homes, and to renovate buildings, sums of Rs.8,280,120 and Rs.10,941,728 had respectively been granted to Divisional Secretariats

The following matters are observed in this connection.

- (i) Of the sum granted for purchasing equipment, a sum of Rs.8,128,448 had been spent. The Elders Secretariat had not taken follow-up action to ensure that the requested equipment had been purchased.

- (ii) A sum of Rs. 10,880,471 had been given through the Divisional Secretariats to renovate the buildings. Although the monthly progress relating to those repairs should have been reported to the Elders' Secretariat, action had not been taken accordingly.

(g) Instances of not Failing the Objectives of the Act.

 In accordance with Section 13 of the Protection of the Rights of Elders Act, No. 9 of 2000, the following functions had not been executed by the National Council for Elders during the year under review.

- (i) Recommending programmes to the Government and the other appropriate bodies, to strengthen the family unit based on the traditional values of Sri Lanka.
- (ii) Maintaining accurate and up to date statistics relating to elders.
- (iii) Promoting 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 aspirations
- (iv) Providing due publicity through all appropriate means to the findings of the studies and research in order to make the public aware of the problems, needs and aspirations of elders.
- (v) Monitoring and coordinating programmes and schemes initiated and implemented by the Government, voluntary Organizations and bodies of persons, for the uplift of the status of elders.
- (vi) Introduction and implementation of a health insurance benefit scheme for elders.
- (vii) Maintaining 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.
- (viii) Maintaining a directory of elders according to their talent and expertise for the reference of the public.

4.2 Personnel Administration

 The following observations are made.

- (a) Although 96 Elders Rights Promotion Officers had been appointed and attached to the Divisional Secretariats, action had not been taken to get the functions excluding by those officers that had not been done so far.

- (b) As a proper methodology had not been followed to appoint the Elders Rights Promotion Officers to the Divisional Secretariats, officers had not been appointed to several districts.
- (c) The posts of the Assistant Director (Administration), and the Legal Officer of the Council had remained vacant since the year 2011.

4.3 Operating Inefficiencies

The following observations are made.

- (a) The fixed deposit of Rs. 6,974,959 being maintained at the National Savings Bank for the welfare of the elders, and its annual interest income, had not been utilized for elders' welfare and remained idle.
- (b) A liability amounting to Rs. 4,020,208 had been shown in the accounts as sundry deposits of the Council and, a sum of Rs. 1,370,041 of that had not been specifically identified.

4.4 Commencement of Projects in the Lands and Buildings not Vested Properly

Although 12 years had elapsed since the movable and immovable property of the Home for the Elders and Guidance Center in *Kataragama*, had been vested in the Council by the Director of Social Services on 22 August 2003, action had not been taken to survey the land and the building thereby preparing a deed. Instead, a sum of Rs. 11,974,436 had been incurred by the Council on repairs and constructions since 2004 up to the year under review.

4.5 Establishment of a Fund for the Provisions of Employees' Gratuity

The provision for the payment of gratuity amounted to Rs. 10,720,215 in the accounts of the Council as at 31 December of the year under review. However, an amount sufficient to pay the gratuity when it is arisen in future, had not been invested.

5. Accountability and Good Governance

5.1 Corporate Plan

Although the Corporate Plan had been prepared for the period 2012-2016, it had not been presented and approval of the Board of Control had not been obtained.

5.2 Action Plan

The Council had not introduced a methodology to review the progress in implementing the Action Plan in a timely manner.

6. Systems and Controls

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.

**Area of Systems and
Controls****Observations**

(a) Accounting

Failure to account assets and donations properly

(b) Staff

Failure to reach performance up to the expected level as the vacancies in the staff had not been filled, and deficiencies of the staff.