

1. Opinion

1.1 Qualified Opinion

The audit of the financial statements of the National Council for Elders for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance, statement of changes in equity and cash flow statement and notes to financial statements for the year then ended including a summary of significant accounting policies, 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 and the Finance Act, No. 38 of 1971. My comments and observations which I consider should be tabled in Parliament appear in this report.

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 the National Council for Elders as at 31 December 2019, and its financial performance and 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 (SLAuS). 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 Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management determines 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 Council's 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 intend to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Council's financial reporting process.

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the Council 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 Council.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

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 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 Council'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 Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit 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 audit report. However, future events or conditions may cause the Council 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 Council and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Council has complied with applicable written law, or other general or special directions issued by the governing body of the Board ;
- Whether the Council has performed according to its powers, functions and duties; and
- Whether the resources of the Council had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Internal Control over the Preparation of Financial Statements

The Council is required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Audit observations with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. have been shown under the following headings.

1.5.2 Non-compliances with Sri Lanka Public Sector Accounting Standards

Non-compliance with Reference to the Relevant Standard	Comment of the Management	Recommendation
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Due to failure in annually reviewing the useful life of non-current assets, the estimated error relating to the fixed assets worth Rs. 1,800,000 that had still been in use despite being fully depreciated, was not revised and shown in the	The motor vehicle with the said cost had been fully depreciated for the current year, and action is being taken to obtain an assessment report in order to record the revalued amount thereof in the books. Action will be taken to make	When accounting for the assets and depreciation, the Public Sector Accounting Standards should be followed.

financial statements in terms of Sri Lanka Public Sector Accounting Standard 03.

adjustments on the said depreciation through the financial statements of the ensuing year in terms of Sri Lanka Public Sector Accounting Standard 03.

1.5.3 Accounting Deficiencies

----- Audit Observation -----	----- Comment of the Management -----	----- Recommendation -----
<p>The advances given annually by the Secretariat during the year 2018 and the years prior, to the District Secretariats and Divisional Secretariats in order to conduct welfare programmes for the elders, had been recognized as expenses of the preceding years. However, a sum of Rs. 2,615,078 had been returned in the year under review as savings from those advances. Nevertheless, the Secretariat had not adjusted those savings to the cumulative surplus as prior year adjustments in view of readjusting the saving to the expenses; instead, the said savings had been shown as surcharge receivable under the current liabilities in the statement of financial position. As such, the current liabilities of the year under review had been overstated by that amount in the financial statements.</p>	<p>Action will be taken to adjust the said balance to the cumulative surplus through the financial statements of the ensuing year as being pointed out by the Audit.</p>	<p>The accounts should be correctly prepared before being presented.</p>

1.5.4 Lack of Documentary Evidence for Audit

Item	Amount	Audit Evidence not Presented	Comment of the Management	Recommendation
	Rs.			
Distribution of ophthalmic and hearing aids.	7,000,000	A sum of Rs. 19,000,000 had been granted by the Elders' Security Fund in order to distribute contact lenses and hearing aids among elders over 60 years of age from low income groups during the year under review. Rs. 7,000,000 of that sum given to the National Secretariat for Persons with Disabilities, had been brought to accounts as an expenditure of the National Council. However, no subsidiary documents relating to that expenditure had been made available to the Audit.	Once approval of the National Council had been obtained to provide the disabled over 60 years of age with spectacles, action was taken to give a sum of Rs. 07 million to the National Secretariat for Persons with Disabilities.	Although no provision had been allocated through the Elders' Security Fund of the Council in regard to the affairs of the other institutions, evidence on the expenses should be made available.

1.5.5 Non-compliances with Laws, Rules, Regulations, and Management Decisions

Reference to Laws, Rules, and Regulations, etc.	Non-compliance	Comment of the Management	Recommendation
Section 5.1.2 of the Public Enterprises Circular, No. PED/12, dated 02 June 2003.	A Corporate Plan should be prepared with the inclusion of matters mentioned in Section 5.1.2 of the Circular. The Council had not prepared a Corporate Plan for a period of 03 years including the year 2019.	A Corporate Plan based on 03 years has not been prepared. It has been informed that action would be taken to prepare and maintain a Corporate Plan with effect from the year 2021.	The Corporate Plan including the long term plans of the Secretariat should be prepared.

2. Financial Review

2.1 Financial Results

The operating result of the year under review had been a deficit of Rs. 2,861,899 as compared with the corresponding deficit of the preceding year amounting to Rs. 3,867,929 thus observing an improvement of Rs. 1,006,030 in the financial result. This improvement had mainly been attributed by the increase in Government grants.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
a) Elders' allowance totalling Rs. 3,724,800 remitted from 30 Divisional Secretariats, had been retained over 01 year without being given to the National Secretariat for Elders.	Action will be taken for the prompt recovery of those monies.	The monies remitted should be recovered without delay.
b) According to the Act of the National Council for Elders, it is duty of the Council to	The Management Information System of the National Secretariat for Elders has	The accurate and updated information system on the elders

maintain updated statistics on the elders. Instructions had been given at the meeting of the COPE held on 11 February 2016 that an accurate Information System be maintained in that connection. Approval had been obtained in the preceding year to establish an Information System by obtaining a sum of Rs. 2,000,000 from the Elders Social Security Fund. However, a systematic, and up-to-date information system had not been established even up to November 2020.

already been developed. The personnel registers are being updated for granting elders' allowances.

should be prepared expeditiously.

3.2 Underutilization of Funds

Audit Observation	Comment of the Management	Recommendation
<p>a) A sum of Rs. 100 is remitted from the Rs. 2,000 allowance granted by the National Secretariat for Elders to the elders of over 70 years of age with low income. The balance of the fund established with those remittances totaled Rs. 1,931,745,249 as at 31 December 2019. That fund had been established in the year 2016, and 10 functions to be discharged by the fund had been determined by the Cabinet Decision taken on 30 August 2016. However, none of those functions had been discharged during the 03 preceding years. Provision amounting to Rs. 1,402,310,000 had been made for the implementation of an Action Plan including 11</p>	<p>Approval of the National Council for the implementation of those welfare programmes had been given at its meeting held on 09 April of the year under review. As such, the expected outcome could not be achieved through the welfare programmes planned for the entire year.</p>	<p>The activities should be executed as planned.</p>

welfare activities for the elders in the year under review. According to the performance reports, only 21 per cent or Rs. 297,226,130 therefrom had been spent on those welfare activities by the end of the year under review.

- b) A sum of Rs. 2,293,307 had not been utilized out of Rs. 13,240,000 provisioned through the Action Plan of the year under review for providing 662 low income elders of over 60 years with self employment grants amounting to Rs. 20,000 for each. Furthermore, the Social Security Fund had provisioned a sum of Rs. 437,500,000 for constructing or repairing 175 island wide daycare centers for elders, or obtaining essential items. However, a sum of Rs. 366,577,802 representing 84 per cent of that amount had been saved as at 31 December 2019.
- Self employment grants had been given based on the requests made. The National Council had proposed and approved to grant provision for 175 daycare centers for elders through the Social Security Fund. It was informed that funds had been released only for the requests that had fulfilled the criteria obtained at district level for construction and repair of daycare centers for elders.
- Attention should be drawn on the allocation of provision on the activities for the year, and making requests as planned.
- c) Formulation of a national policy for elders had been commenced in the year 2016 in view of establishing a medical insurance scheme for senior citizens of over 75 years and providing common transport facilities for elders over 65 years of age. Of the sum amounting to Rs. 5,000,000 provided in that connection, Rs. 3,305,836 had been spent in the year 2016 for conducting awareness programmes at the National Secretariat for Elders and 331 Divisional Secretariats whilst the balance of Rs. 1,694,164 had
- The national policy for elders has received Cabinet approval by now. It was informed that action was being taken to publish it in the Gazette.
- As a period of over 03 years had been spent for the formulation of the policy, it should be concluded promptly.

been retained in the miscellaneous deposits account until 17 November 2020. Even after spending over 04 years as at the date of audit on 17 November 2020 for the formulation of this policy, no action had been taken to present the policy in Parliament .

3.3 Idle or Underutilized Assets

Audit Observation	Comment of the Management	Recommendation
<p>The Holycross land in Gampaha with an assessed value of Rs. 13,000,000 and the land - Rajitha Watta , Haragama valued at Rs. 3,200,000 given to the Council through a deed of gift in the year 2011 for establishing elders' homes, had remained unused as the lands had not been used for the intended purpose.</p>	<p>Due to non-availability of a complete plan for the Holycross land in Gampaha after the exchange of lands, quotations have been called from the qualified surveyors to prepare a plan for this land before proceeding with the land acquisition procedure in due course.</p>	<p>The lands given to the Secretariat should be used for welfare activities.</p>

3.4 Human Resource Management

Audit Observation	Comment of the Management	Recommendation
<p>The posts of Assistant Director (Administration) and Legal Officer remained vacant since the inception of the Secretariat. Approval of the Department of Management Services had been received on 11 January 2017 to make recruitments to the post of Assistant Director(Information Technology) on contract basis. However, no action had been taken to make recruitments to those posts until November 2020.</p>	<p>The Scheme of Recruitment relating to the relevant posts had been approved on 31 January 2011 and 06 July 2017. The Department of Management Services has been requested to make those posts full time again. Recruitments will be made as soon as the relevant revisions are done.</p>	<p>Recruitments should be made promptly to the posts approved for achieving the objectives of the Council.</p>