

## **National Council for Elders – 2017**

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The audit of financial statements of the National Council for Elders for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 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. A detailed report in terms of Section 13 (7) (a) of the Finance Act was sent to the Chairman of the Council on 26 July 2018.

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

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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**

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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 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**

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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 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 2017 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 Sri Lanka Public Sector Accounting Standards**

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As a result of not reviewing the useful life time period for the non-current assets annually in terms of Section 65 of the Sri Lanka Public Sector Accounting Standard 07 though the fixed assets cost at Rs. 9,470,084 had been entirely depreciated are further being used. Accordingly, action had not been taken to revise the estimated error occurred in terms of Sri Lanka Public Sector Accounting Standard 03.

#### **2.2.2 Accounting Deficiencies**

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The following observations are made.

- (a) Even though the land belonging to organization situated at Malwathu Hiripitiya and the building in the same land had been assessed for Rs. 4,200,000 and Rs. 16,122,000 respectively those had not been taken in to accounts under fixed assets.
- (b) Even though the furniture equipment purchased as donations to three Elderly Homes valued at Rs. 369,928 during the previous two years had been handed over to those Elderly Homes, as a result of taken them in to accounts of the organization under fixed assets and the depreciation also had been adjusted amounting Rs. 138,240 for that, the assets and the depreciation had been overstated by that amount.
- (c) A sum of Rs. 18,814,700 which should be received to the Social Security Fund for the Elders from the Divisional Offices at the end of the year under review and a sum of Rs. 335,792 receivable from those Offices by selling flags had not been taken in to accounts as receivables.
- (d) The cost of 25,466 copies of the by-laws for the Elders' Organizations which were not distributed as at 31 December in the year under review amounting to Rs. 763,980 had not been taken into stationary stock of the accounts.
- (e) Even though value of the depreciation on plant and machineries in the year under review was Rs. 3,808,742, because of that value had been brought to accounts as Rs. 4,114,295 the depreciation amount for the year was shown overstated by Rs. 305,553.

### 2.2.3 Lack of Evidence for Audit

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The evidence related to the following items shown against them had not been furnished to audit.

Item -----	Value ----- Rs .	Evidence not made available -----
(a) Providing the cheques to pay homage for the Elders' Day	2,625,000	Confirmations made by the Divisional Secretariats as the cheques sent to 48 Divisional Secretariats to hand over to 105 elders were received.
(b) Payment of Elders' allowances	1,780,000	Confirmations made by the District and Divisional Secretariats as the money sent to 25 District Secretariats and 331 Divisional Secretariats were obtained.

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

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The following instances of non- compliance were observed in audit.

Reference to Laws, Rules and Regulations -----	Non- compliance -----
(a) Paragraph 4.3 (a) of Government Tender Guidelines 2006	Although the total expenditure estimate should be prepared by the Procurement Entity consisting all the associate expenditure, the total expenditure estimate for the purchase of capital equipment had not been prepared by the Council.
(b) Financial Regulations 371 (5) of Financial Regulations of the Democratic Socialist Republic of Sri Lanka and Public Finance circular No. 03/ 2015 of 14 July 2015	Even though the ad hoc sub- imprest should be settled just after the completion of the duty, the settlements of advances totalled to Rs. 455,300 given in connection with 18 instances had been made in delay a period ranging from 12 days to 131 days after the completion relevant activity
(c) Treasury Circular No. IAI/ 2002/ 02 of 28 November 2002	Even though all the computer accessories and software belonging to the organisation should be shown in a Register of Fixed Assets , a Register of Fixed Assets had not been maintained for the computer accessories and software valued at Rs. 10,482,420 belonging to the Secretariat.

(d) Paragraph 6.5.1 of Public Enterprises Circular No. PED/12 of 02 June 2003

The Draft Annual Report had not been furnished while handing over the financial statements of the year under review.

(e) Paragraphs 3 (a) and 4 (d) of Finance Ministry Circular No. 01/ 2015/ 01 of 15 May 2015

Even though only 40 United States Dollars could be able to provide as incidental allowance to an officer when participation of Foreign training, conferences, meetings and workshops. accordingly, 75 United States Dollars per each had been provided thereon a sum of Rs. 98,492 had been paid in addition to that and actions had not been taken to recover that money again.

### **3. Financial Review**

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#### **3.1 Financial Results**

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According to the financial statements presented, the financial results of the operational activities of the Council for the year ended 31 December 2017 had resulted in a deficit of Rs. 591,468 and the surplus of the preceding year as against to that was Rs. 816,530 thus indicating a deterioration of Rs. 1,407,998 in the financial result of the year under review as compared with the preceding year . Even though the expenditure in the year under review had decreased by Rs. 11,964,482 , as the income decreased by Rs. 13,372,480 the financial result had deteriorated.

In analyzing of the financial results for the year under review and the 04 preceding years though a deficit existed from the year 2013 to the year 2015 , a financial surplus had occurred in the year 2016 and again a deficit had occurred in the year 2017 . However, in readjusting the employees' remuneration and depreciation for the non- current assets to the financial result, the contribution amounted to Rs. 16,523,248 in the year 2013 had continuously increased and had become a sum of Rs. 46,105,933 in the year 2017 .

### **4. Operating Review**

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#### **4.1 Performance**

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##### **4.1.1 Planning**

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The following observations are made.

(a) Even though the total responsibility of the organization to prepare a Corporate Plan for at least a three years period with a short term and long term vision to manage the activities of the Council and manipulate the organization to be able to reach to the expected targets accordingly , the Council had not prepared a Corporate Plan.

- (b) A methodology had not been introduced by the Council for the examination of the progress of achieving the Action Plan timely. Similarly, same activities had been included in the Action Plan from few years and had not been prepared in an appropriate way with the activities of the Act.

#### 4.1.2 Activities and Review

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##### (a) Providing Eye lenses and Audio Aids

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The provisions amounting to Rs. 10,000,000 had been provided by the Action Plan for 3,530 eye lenses, 400 audio aids, as medical equipment for Elders and conducting 10 medical campaigns for the year under review. Following observations are being made in that connection.

- (i) Even though the paper advertisements had been published in the month of March in the year under review for the purchase of eye lenses the Technical Evaluation Committee had been appointed on 31 October . Accordingly, a private organization had been selected to purchase 1,050 eye lenses for Rs. 5,775,000 each for Rs. 5,500 opening the bids on 15 December. Although the procurement activities should be completed within 04 weeks in terms of Supplementary 31 to the Procurement Guidelines , related purchases had not been made up to the month of December in the year under review.
- (ii) Even though the Council had been planned to purchase and distribute 400 audio aids any activity had not been carried out with regard to that during the year under review.
- (iii) Even though a sum of Rs. 776,050 had been provided plans had not been made in order to execution of the medical campaigns requested by 09 District Secretariats, the portion of provision to be provided had not been planned. Similarly the provisions for these medical clinics had been provided during the last two months of the year under review and the Council had not taken actions to obtain expenditure details as those medical clinics were held. However, it was not confirmed to audit whether the medical clinics were conducted during that year. Accordingly, as the plans made to the related year had not been functioned during the year itself completely, the provision had remained in 92 per cent .

##### (b) Research Trainings and Awareness Programmes

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A sum of Rs. 8,575,000 for 12 training and awareness programmes and a sum of Rs. 4,000,000 for 04 training and capacity development programmes had been provided according to the Action Plan in the year under review and a sum of Rs. 3,949,136 and Rs. 3,824,052 respectively had been incurred for those programmes.

The following observations are made.

- (i) Even though it was planned to conduct 02 leadership programmes under 04 training and capacity development programmes during the year under review by the Secretariat only one programme had been conducted.
- (ii) As a result of not conducting the planned training and capacity development programmes for the year under review the money provided under that object amounting to Rs. 1,071,000 had been utilized for the Diploma in Gerontology conduct in the National Social Development Institute. However, even though the budget provision of the year under review had utilized for the next year without the approval of the National Budget Department , 21 officers of the Secretariat had not been enrolled for this course.

(c) **Updating of Elders' Data**

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Maintaining of accurate and updated statistics relating to the elders was an activity out of the activities in the Act of the Council and the Committee on Public Enterprises had recommended that an accurate database should be maintained for that. Accordingly, the Elderly Rights Promotion Officers had been aware by planning to include the 25 Elderly Homes, Elders' Committees, Elderly Day Care Centres and the number of elders in 25 Districts in Sri Lanka commenced on the 01 October by the internet whereas the Elders' day of the preceding year . However the database had not been updated.

(d) **Celebration of Elders' Day**

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The International Elders' Day in the year under review occurred on 01 October and a sum of Rs. 16,000,000 had been provided to celebrate that day under the Action Plan. An estimate amounted to Rs 18,758,000 consisting 08 activities for that purpose and expenses amounting Rs. 15,966,800 had been incurred.

The following observations are made.

- (i) Actions had been taken to provide money donations amounting to Rs. 25,000 per each Rs. 7,275,000 to 213 elders who were more than age of 100 years in 122 Divisional Secretariats , 78 elderly women who had most number of children more than age of 75 years in 65 Divisional Secretariats for celebration of International Elders' Day. Nevertheless , 184 cheques valued at Rs. 7,100,000 written and signed within the two days of 23 and 24 November 2017 had been posted to the Divisional Secretariats directly but in delayed nearly 45 days that is 16 January 2018.
- (ii) Although these money had received to the elders by the final week of the February 2018 confirmations had not been obtained whether the money was received .

(iii) Because of the main activities of the Elders' Day were homage for the elders more than 100 years in age and homage the mothers more than 75 years had most number of children , despite the ability to pay homage in Elders' Day itself, the gifts had been provided after completion of 04 months after that date. It was revealed that many elders died at the time of receiving the money. The audit indicates that the existing such delays to fulfill one purpose to be accomplished to the elderly society is a weakness of the Management.

(e) **Sale of Flags and stickers for Elders' Day**

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Commencing a flag week for the Elders' Day 2,310,000 flags and 33,100 stickers had been printed by incurring Rs. 979,558 . A number of 2,302,400 flags to 25 District Secretariats and 317 Divisional Secretariats and a number of 28,200 stickers to 20 District Secretariats had been distributed by incurring Rs. 115,615 for the distribution of those flags and the stickers. One flag was priced at a Rs. 10 and a sticker was priced at a Rs. 100 and the face value of the stickers were Rs. 26,410,000 .

The following observations are made.

(i) Out of the 2,302,400 flags provided to 25 Districts 1,856,322 flags had been distributed to 317 Divisional Secretariats . Accordingly, information in order to 446,078 number of remained flags had not been rendered to audit.

(ii) From the money received by selling flags and stickers or a sum of Rs. 11,658,500 or 35 per cent were in receivable to the organization and a sum of Rs. 826,194 had received to the organization . Similarly, 1,653,460 flags or 71 per cent of the balance existed in 230 Divisional Secretariats in the year under review and 75,422 flags which were not sold had been destroyed. The printing cost of 1,728,882 remained flags and destroyed flags as such was Rs. 587,799 and that was a loss to the organization. Accordingly, a sufficient attention had not been drawn by the organization to print flags , distribution and selling of flags and to collect the sales income.

(iii) A number of 28,200 stickers had been distributed to 20 District Secretariats and it was observed that 2,490 stickers were sold as at 31 December in 13 Districts . Accordingly, no information was provided that whether the 25,710 stickers were sold and the printing cost of those stickers were Rs. 159,753.

(f) **Maintaining of Elders' Day Care Centres**

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Although the preparation of the Guideline for the Elderly Day Care Centres commenced in the month of January 2017 it had not been completed. Similarly, even though 150 Elderly Day Care Centres had identified, aids had not been provided by the National Secretariat for Elders.

**(g) Supervision of Elders' Homes**

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The total number of Elderly Homes maintain in Sri Lanka were 306 and the number of registered in the Secretariat had been 119 . However, only 19 out of those Elderly Homes had been examined by the Secretariat in the year under review.

**(h) Not meeting the objectives of the Act**

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The following activities had not been implemented by the National Council for Elders in terms of the Section 13 of the Protection of the Rights of Elders Act, No. 09 of 2000 in the year under review.

- (i) To maintain accurate and up to date statistics relating to elders.
- (ii) 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 aspirations
- (iii) To aware people with regard to the problems, requirements and aspirations of elders.
- (iv) 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 .
- (v) To introduce and implement a health insurance benefit scheme for elders.
- (vi) To maintain a directory of paid and unpaid job opportunities available to elders for the awareness of elders, for the reference of elders and to assist elders wherever possible to be gainfully employed and to maintain a directory of elders according to their talent and expertise for the reference of the public .

**4.2 Management Activities**

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The following observations are made.

- (a) Out of a sum of Rs. 5,000,000 received in the preceding year to start a medical insurance scheme for the senior citizens who were 75 years of age and for a preparation of a National Policy for providing common transport facilities for the Elders for more than age of 65 years a sum of Rs. 3,305,836 had been incurred in that year for the awareness programmes in the National Secretariat for Elders and the 331 Divisional Secretariats . The remainder out of that amounting to Rs. 1,694,164 had been retained in the General Deposit Account . However, even though 02 years had lapsed by the 30 June 2018 the date of audit, the Policy Statement had not been prepared.



- (b) Estimated take over the land of Nivithgala Nilvala Sevana Disabled Centre in extent 02 acres and the building received by a deed of gift in the year 2009 for carrying on a Protection Centre for elders to the National Secretariat for Elders had not been made. Similarly, a repair also had been done in that building for Rs. 390,000 . Due to being unused for any activity and closed even up to the year under review, related parties also had filed cases against the Secretariat requesting this land again.
- (c) Because of the total value of furniture, office equipment and machineries purchased during the year amounting to Rs. 26,715,433 from the year 2003 to the year 2013 by the organization had been entered in the Register of Fixed Assets without classifying the assets in each year separately, it had been impossible to identify the disposable and unused assets.
- (d) The gratuity amounting to Rs. 104,445 had been overpaid for 06 officers who had retired from the service of the office in the year under review and the that money had not been recovered even by the date of the report.

### 4.3 Operational Activities

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The following observations are made.

- (a) (i) From the Elders' allowance amounting Rs. 2,000 provide on monthly basis for the elders who are more than the age of 70 years a sum of Rs. 100 provides to the National Secretariat for Elders by the Divisional Secretariats and the approval also had been obtained through a Cabinet Memorandum No. අමප/ 16/ 0719/ 711/010 dated 30 August in the preceding year for ten activities which should be done from that money. A sum Rs. 860,094,400 had been received from the month of February in the preceding year to the year under review and a sum of Rs. 841,783,300 received had been deposited in short term fixed deposit accounts in 02 state banks without achieving related activities.
- (b) The money charges from the Elders' allowance by Divisional Secretariats amounting Rs. 100 is being sent by the cheques and the cheques with errors therein had been presented to those Divisional Secretariats again. Accordingly, a sum of Rs. 19,738,200 had been receivable from 54 Divisional Secretariats as at 31 December in the year under review and proper steps had not been taken to recover that money .
- (c) The fixed deposits are being re-invested at the instance of the maturity by the organization and as a result of the fixed deposits valued at Rs. 577,394,762 so matured had been in idle from 07 days to 47 days period until re-invest, an interest amounting to Rs. 2,675,830 had been lost.

#### **4.4 Transactions in Contentious Nature**

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A sum of Rs. 59,800 incurred by a member of the Council for the Elders for own private foreign trip had been reimbursed by the National Secretariat for Elders in the year under review.

#### **4.5 Idle and Under- utilized Assets**

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Even though Holy Cross land in Gampaha valued at Rs. 13,000,000 and the Rajitha watta land in Haragama amounting Rs. 3,200,000 had been received by a deed of gift from an external party in the year 2011 to the organization for the construction of Elderly Homes , due to the failure in proceed construction of houses those lands were remained in idle.

#### **4.6 Staff Administration**

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The following observations are made.

- (a) The number of approved cadre of the National Elders Secretariat as at 31 December in the year under review was 143 and the number of actual cadre was 133. Accordingly 10 vacancies were existed. The post of Assistant Director (Administration) and the post of Legal Officer were in vacant from the year 2011 onwards , even by the 31 May 2018.
- (b) Even though the approval of the Department of Management Services had been obtained on 11 January 2017 to recruit an officer on contract basis for the post of Assistant Director ( Information and Communication Technology) an officer had not been enrolled even by the date of audit 18 May 2018 .
- (c) Elders' Rights Promotion Officers had not been appointed to any Divisional Secretariats in the Nuwaraeliya and Kilinochchi Districts and the number of officers assigned for the District Secretariats in Ratnapura and Anuradhapura were less than the required number.

### **5. Sustainable Development**

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#### **5.1 Achievement of Sustainable Development Goals**

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All the government institutions should be functioned as per the United Nations year 2030 Agenda for the Sustainable Development 2017 and the National Council for Elders had not aware of the way of proceed with regard to the functions under the scope with regard to the year under review . Because of non- awareness as such Sustainable Development objectives and the targets had not been identified.

## **6. Accountability and Good Governance**

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### **6.1 Internal Audit**

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Even though an Internal Audit Report should be prepared once in a quarter in terms of Paragraph 09 of Management Audit Circular No. DMA / 2009 (1) of 09 June 2009, those reports had not been prepared.

### **6.2 Procurement**

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According to the Procurement Plan prepared by the organization in the year under review a sum of Rs. 8,875,947 had been obtained from the Treasury in 06 occasions from the March to November in the year under review for the purchase of capital equipment . Computer equipment amounting to Rs. 2,325,055 had been purchased during the year by the organization and as a result of delays in purchasing procedure of 63 computers up to 31 December a sum of Rs. 6,550,892 or 73 per cent could not be able to utilized. Accordingly , the procurement procedure had not been consisted to be able to fulfill the necessity of the organization.

### **6.3 Budgetary Control**

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The variances were observed while comparing the budgeted income and expenditure with the actual income and expenditure ranging from 26 per cent to 93 per cent thus indicating that the budget had not been made use of as an effective instrument of management control.

## **7. 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 systems and controls.

<b>Area of Systems and Control</b>	<b>Observations</b>
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(a) Accounting	Assets and donations not taken in to accounts properly
(b) Staff Administration	Existing vacancies in the staff had become a barrier to achieve the objectives of the Council
(c) Fund Control	Maintaining the Elders' Social Security Fund in idle.
(d) Land Development	Non- use of lands received as donations for the targeted activities