

National Council for Elders - 2018

1. **Opinion**

1.1 **Qualified Opinion**

The audit of the financial statements of the National Council for Elders for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, 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 in conjunction with provisions of the National Audit Act No.19 of 2018 and Finance Act No.38 of 1971. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Council as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 **Basis for Opinion**

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). 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 Public Sector Accounting Standards and for such internal control as management determine 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 Council 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 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 Institute.

1.4 Auditor's Responsibility for the audit of 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, misrepresentations, 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 Council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statement 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 auditor's 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 Institute.
- Whether the Council has performed according to its powers, functions and duties; and
- Whether the resources of the Institute 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

Entities are 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.

1.5.2 Non-compliance with Sri Lanka Public Sector Accounting Standards

The following observation is made.

Non-compliance with reference to relevant standard	Management’s Comment	Recommendation
----- As the useful life of non-current assets are not reviewed annually the fully depreciated assets costing Rs.10,066,421 are being still used. Accordingly, the estimated error arisen thereof had not been revised in terms of Sri Lanka Public Sector Accounting Standard 3.	----- It was stated that a committee for the revaluation has been appointed. A report in this regard will be submitted within 3 months.	----- In accounting Public Sector Accounting Standards need to be complied with.

1.5.3 Accounting Deficiencies

The following observations are made.

Audit Observation	Management's Comment	Recommendation
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(a) Advances given to District Secretariats and Divisional Secretariats by the Secretariat of the Council for various programmes, had been accounted as expenses without being accounted as advances. A sum of Rs.2,392,508 returned unspent had been accounted under current liabilities without being deducted from the relevant expenses.	Action will be taken to rectify in the final accounts of 2019.	Advances and expenses need to be correctly identify and accounted.
(b) As an asset which has been fully depreciated has again been depreciated by Rs.180,000 the years deficit has been overstated by that amount.	Action will be taken to rectify in the final accounts of 2019.	Depreciation of assets should be accurate.

1.5.4 Lack of Written Evidence for Audit

The following observation is made.

Item	Amount	Audit Evidence not made available	Management's Comment	Recommendation
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School children awareness programme	9,102,500	For this programme a sum of Rs.9,102,500 had been given to 331 Divisional Secretariats at Rs.27,500 each. However, the Secretariat had not obtained confirmation documents to establish whether the relevant programme had been conducted from 100 Divisional Secretariats.	Relevant expenditure reports after being settled programme advances had not already been got down only from 30 Divisional Secretariats. Action will be taken to get down these reports soon. Attention is paid to avoid such issues in future.	Action needs to be taken to establish that advances given had been used for the relevant purpose.

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

The following observations are made.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Management's Comment	Recommendation
(a) Financial Regulation of the Democratic Socialist Republic of Sri Lanka (F.R) F.R.371(5)	Advances need to be settled immediately after the completion of relevant purpose but advances totalling Rs.6,820,611 given to District Secretariats and Divisional Secretariats had not been settled even by 31 December of the year under review.	Relevant expenditure reports after being settled programme advances had not already been got down only from 30 Divisional Secretariats. Action will be taken to get down these reports soon. Attention is paid to avoid such issues in future.	Action needs to be taken to settle advances within the relevant year itself.
(b) Section 5.1.2 of Public Enterprises Circular No.PED/12 of 02 June 2003.	A corporate plan, comprising the items state in that paragraph should be prepared but the Council had not prepared such a Corporate Plan for 3 years including the year 2018.	A corporate plan based on 3 years has not been prepared up to now and a corporate plan is prepared since 2020 and operated.	A long term corporate plan needs to be prepared by the Secretariat.

2. Financial Review

2.1 Financial Results

Operating results for the year under review had been a deficit of Rs.3,867,929 as compared with the deficit of Rs.591,468 for the preceding year, thus observed a deterioration of Rs.4,459,396 in the financial result. Increase of other operating expenses had attributed to this deterioration.

3. Operating Review

3.1 Management Inefficiencies

The following observations are made.

Audit observation	Management's comment	Recommendation
(a) According to a cabinet decision taken on 31 August 2016, a sum of Rs.100 has been deducted from the elders' allowance of Rs.2,000 granted to Low income elders over 70 years of age by the Treasury and obtained by the Elders Secretariat and credited to a Fund denoted as Social Security Fund. Even though, a sum of Rs.490,825,000 had to be credited to this Fund for the year under review an amount less than Rs.5,357,900 had been credited. However, action had not been taken to recover the outstanding by the Secretariat. The total amount credited to this Fund from 2016 to 2018 including a sum of Rs.366,500,000 received during the year under review, amounted to Rs.1,476,158,823. This money has been invested in fixed deposit without being utilized any purpose whatsoever up to the end of the year under review.	The action plan comprising the intended purposes proposed to be carried out from the Social Security Fund built up by deducting Rs.100 from the elders allowance of Rs.2,000 paid monthly to low income elders of more than 70 years of age had already got approved. Out of the allocation of medical clinic made in the action plan, provision for 6 months had already been released to the District Secretariats.	The legal authority to establish a Fund needs to be obtained from the Treasury and attention must be paid to fulfilling the expected purposes of Fund.
(b) Even though, it is a function of the Council to grant self-employment aids to low income elders, it had not been included in the action plan for the year under review and got it approved. However, grants totalling Rs.4,179,390, covering 47 Divisional Secretariats had been posted to Divisional Secretariats on 09 January 2019.	Applications were called for up to June. Due to non-receipt of provisions from the Treasury release of money to the beneficiaries had delayed up to 07 January 2019.	This function was delayed from the inception. Appropriate plans need to be designed, enabling to provide the service.
(c) According to the Act in incorporation one function of the Council is to maintain accurate and updated statistics on elders and a decision has been taken at the meeting of the committee on Public Enterprises held on 11 February	In order to design this data system the Prime Minister's Office had discuss with the World Population Fund and since the establishment of Information, Communication	Design of this data system in the Secretariat had been delayed and the system needs to be updated soon.

- 2016 to maintain a correct data system therefore. Even though, a sum of Rs.2,000,000 had been allocated from the Social Security Fund in the year under review, the data system had not been updated even up to 22 May 2019.
- Technology Division for our Council the future action will be taken.
- (d) Even though, the formulation of a national policy on elders in respect of the establishment of a medical insurance scheme for Senior Citizen older than 75 years and for the provision of common transport facility to adults over 65 years of age had been started in the year 2016, such policy had not been had not been implemented by 31 May 2019 even 3 year had lapsed.
- Approval of the cabinet of ministers has already been given for the National Policy on adults and action is being taken to gazette it as the next step.
- Expedite to get this policy approved and to implement it.
- (e) It was planned to conduct 8 programmes at Provincial level and 200 programmes at Divisional level to celebrate the elders day in the year under review by incurring a sum of Rs.10,560,000. However, 8 scheduled programmes at provincial level had not been conducted but a sum of Rs.17,528,976 had been spent for other celebration programmes. Furthermore, a sum of Rs.3,241,607 had been released to 331 Divisional Secretariats for conducting Divisional celebration programmes and this money had been recognized as expenses at the time of releasing such money itself. Divisional Secretariats had not followed up the manner how to spend this money.
- Action had been taken to get down information not received from Divisional Secretariats by the remind letter No.NSE/DEV/01/03/1 dated 14.02.2019.
- Attention of the Secretariat needs to be paid in respect of the expenses incurred for the conduct of these programmes and be followed up.
- (f) Even though a provision of Rs.7,600,000 had been made for the year under review by the Secretariat for conducting media programmes, only a sum of Rs.975,510 had been spent during the year under review.
- As the Ministry had made arrangement to implement media programmes, it was decided that there was no necessity to conduct media programmes by incurring separate expenditure as an entity.
- Requirement needs to be identified when provisions are made.

3.2 Under-utilisation of Funds

Audit observation

A provision of Rs.263,330,000 had been made for the year under review, to perform the functions comprising the recruitment of 100 elders care assistants and train them, promotion of traditional and local cookery methods belong to elders, implementation of 'Aththamma' catering project and fulfilment of 3 major functions for elders welfare by the Secretariat. As required preliminary work had not been done for the utilisation of that provision the entire provision was saved.

Management's comment

As there was not response of the Tertiary and Vocational Education Commission elders care assistants course could not be commenced. Due to delay in the acquisition of lands and design of architecture plan, catering project could not be executed during the year under review. As an action plan had not been prepared such functions had not been carried out.

Recommendation

Design only programmes, enabling to be implemented by the Secretariat.

3.3 Idle or Under-utilized Property, Plant and Equipment

Audit observation

As a result of failing to achieve the relevant purpose, Holy cross land in Gampaha given by a deed of gift in the year 2011 for the construction of elders homes and the Rajitha Watta Land at Haragama had become idle.

Management's comment

Assessment of Holy cross land and building in Gampaha has been started and the Land Commissioners Department had informed that construction work of Habaragama land in Kandy Gurudeniya is done by it.

Recommendation

Expedite to acquire the lands received as gifts to the Secretariat in order to achieve the relevant purposes.

3.4 Human Resources Management

The following observation is made.

Audit observation

One Assistant Director's post, and the post of Legal Officer for a long period and the post of Administration Officer since March 2018 had fallen vacant.

Management's comment

Legal Officer approval of the Department of Management Services has been obtained not for a legal officer's post but an assistant Legal Officer's post and action has been taken to get the post changed. Assistant Director (Information & Communication) Interview has been

Recommendation

Expedite to fill vacancies.

held and action is being taken to recruit
and action is being taken to recruit an
Administrative Officer.