

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Council for Elders for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 accompanying financial statements give a true and fair view of the financial position of the National Council as at 31 December 2020, 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 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 Public Sector 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 National 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 National Council or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the National 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 General Secretariat.

1.4 Audit Scope (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 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 management's use of the going concern basis of accounting and based on the audit evidences obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the National councils' 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 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 auditor's report. However, future events or conditions may cause the Fund 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 National council, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the National Council has complied with applicable written law, or other general or special directions issued by the governing body of the National council;
- Whether the Fund has performed according to the powers, functions and duties; and
- Whether the resources of the Fund has been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit observations regarding the preparation of 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.

1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
<p>(a) Even though the fixed deposit interest income of the Elderly Protection Fund included in the statement of financial performance is Rs. 164,129,962, the value was Rs. 150,185,445 according to the calculations made by the auditor according to the deposit certificates. Therefore, it was observed that interest income for the year had been overstated by Rs. 13,944,506 in the statement of financial performance as interest receivable.</p>	<p>Action will be taken in due course to obtain confirmation from banks for interests received for the year from fixed deposits available under the Elders’ Social Security Fund.</p>	<p>The interest amount applicable for the year should be calculated accurately.</p>

(b) A difference of Rs. 110,984 has been observed in the initial balance as the initial balance of the cash book has been taken as Rs. 192,814,950 as at 01 January 2020 by fault even though the balance shown in the financial statements pertaining to a bank account at 31 December 2019 was Rs. 192,703,966. Similarly, it is observed that balance according to the financial statements and cashbook was Rs.66,984 since the balance of this account as at 31 December 2020 was stated as Rs.393,766,932 according to the financial statements, even though that value is Rs393,833,916. However, these differences have not been investigated and the necessary adjustments have not been made in the financial statements.

It is informed that these balances have been changed due to clerical errors in the preparation of the cashbook for the Elders' Social Security Fund ,and action will be taken to rectify them.

Those comparisons should be made between accounts and schedules when preparing financial statements.

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a deficiency of Rs. 11,874,301 and the corresponding deficiency of the preceding year was Rs. 2,861,899. Accordingly, a decline in financial results amounted to Rs. 9,012,402 was observed. Even though the Ministry has made payment for the increase in the rent of the House buildings in previous years, the main reason for this decline was that the council had made payment for the same expenses from year 2020 onwards.

3. Operating Review

3.1 Operating Inefficiencies

Audit Observation	Comments of the Management	Recommendation
Provisions of Rs. 11,950,000 had been made for the Self Employment Assistance Programme during the year under review. 375 elders had been provided with assistance under this covering 141 Divisional Secretariats. Out of this, the relevant documents had not been submitted to prove that funds were received in respect of Rs. 2,605,000 provided under	A reminder letter has been sent on 28.04.2021 to obtain reports confirming receipt of funds for self-employment assistance programmes and accordingly the relevant reports should be received from 97 persons in 39 other Divisional Secretariats. Similarly, reminder letters have also been sent on 28.04.2021 regarding the	Proper confirmation regarding expenses should be obtained.

the Self Employment Assistance Programme for 97 persons in 39 Divisional Secretariats. Further, even though quarterly reports were required to be submitted after the provision of self-employment assistance, those reports had not been submitted regarding 264 persons who had obtained self-employment assistance in 94 Divisional Secretariats.

receipt of quarterly reports related to this programme and accordingly the relevant reports should be received from 264 persons in 94 other Divisional Secretariats.