

National Child Development Fund - 2013

The audit of financial statements of the National Child Development Fund for the year ended 31 December 2013 comprising the balance sheet as at 31 December 2013 and the income and expenditure account for the year then ended and a summary of other explanatory information was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka. My comments and observations on the above financial statements appear in this report.

1:2 Management's Responsibility for Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles 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 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 risks assessments, the auditor considers internal control relevant to the Fund'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 Fund'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.

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 for the effects 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 Child Development Fund as at 31 December 2013 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

2.2 Comments on Financial Statements

2.2.1 Accounting Deficiencies

The following observations are made.

- (a) Even though the interest on fixed deposits received in December 2013 amounting to Rs.75,000 had been identified as income, it had been brought to account as income receivable instead of correcting the cash book.
- (b) Action had not been taken to identify the unidentified receipts in the Bank Reconciliation Statement amounted to Rs.196,362 and brought to account.

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

The following non-compliances were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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(a) Guidelines of the National Child Development Fund Paragraph 11.1	Even though the control of the Fund should be done by the Inter-Ministerial Supervision Committee and it should meet at least once a month, the committee had not met even once during the year under review.

- (b) Public Finance Circular No. PF/423 dated 22 December 2006 Paragraph 4.4(a)

The report of the Auditor General and the annual financial statements of the Fund should be tabled in Parliament within 05 months after the close of the year of accounts. Nevertheless, the reports pertaining to the years 2010, 2011, and 2012 had not been tabled.

3. Financial Review

3:1 Financial Results

According to the financial statements presented, the working of the Fund for the year ended 31 December 2013 had resulted in a surplus of Rs.689,129 as against the deficit of Rs.244,244 for the preceding year, thus indicating an improvement of Rs.933,373 in the financial result. The aid valued at Rs.1,138,900 received during the year under review had mainly affected the said improvement.

4. Operating Review

4:1 Performance

The following observations are made.

- (a) The main source of income of the Fund was the sale of flags on Children's Day and 740,850 flags had been sent to 22 District Secretariats and 297 Divisional Secretariats for the sale of flags on Universal Children's Day of the year under review by spending a postage of Rs.54,230. Out of the total amount received from the sale of flags, 75 per cent should be remitted to the Child Development Fund before 30 November 2013. Nevertheless, only 28 Divisional Secretariats and one District Secretariat had remitted the money by 31 December 2013. Further, 221 District/Divisional Secretariats to which 519,300 flags were sent had not remitted the money even by 10 May 2014, thus it was revealed that a proper methodology for sale of flags had not been introduced.
- (b) Even though a sum of Rs.1,138,900 had been granted to the Child Development Fund by the Seva Vanitha Unit of the High Commission of Sri Lanka in Dhaka in the year under review, no programme whatsoever had been implemented for the utilization of said money during the year.

4.2 Identified Losses

Cheques valued at Rs.6,040 which received from the sale of flags had dishonoured and action had not been taken to recover those money.

5. Accountability and Good Governance

5:1 Action Plan

An Action Plan for the year under review had not been prepared. As such, an evaluation of the objectives expected to be achieved and the actual achievements during the year under review could not be carried out.

5.2 Budgetary Control

Variances ranging from 50 per cent to 100 per cent were observed as compared the budgeted income and expenditure with the actual income and expenditure of the year under review, thus indicating that the budget had not been made use of as an effective instrument of management control.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Secretary to the Ministry from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Collection of Income