National Child Protection Authority - 2013

The audit of financial statements of the National Child Protection Authority for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of financial performance 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 22(2) of the National Child Protection Authority Act. My comments and observations which I consider should be published with the Annual Report of the Authority in terms of Section 14(2) (c) of the Finance Act appear in this report.

1.2 Management's Responsibility for the Financial Statements

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

My responsibility is to express an opinion on these financial statements based on my audit conducted in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810).

1.4 Basis for Disclaimer of Opinion

As a result of the matters described in paragraph 2.2 of this report, I am unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded items, and the elements making up the statement of financial position, statement of financial performance and cash flow statement.

2. Financial Statements

2.1 Disclaimer of Opinion

Because of the significance of the matters described in paragraph 2.2 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Public Sector Accounting Standards

The following observations are made.

(a) Sri Lanka Public Sector Accounting Standard No. 01

(i) A statement of changes in net assets / equity had not been presented along with the financial statements.

(ii) Net result of the accounting errors of Rs. 4,908,996, Rs. 1,398,772 and Rs. 714,024 respectively occurred during the preceding year in the Child Protection Funds and Projects of the Authority had been adjusted to the income of the year under review brought forward, instead of being corrected the errors retrospectively by restating the comparative amounts.

(b) Sri Lanka Public Sector Accounting Standard No. 07

The fully depreciated assets costing Rs. 25,893,649 and that are still in use had not been revalued in order to reflect the fair value of the assets in the accounts.

2.2.2 Accounting Policies

The Authority had purchased fixed assets utilizing Government Grants and the Government Grants amounting to Rs. 134 million and Fixed Assets amounting to Rs. 92 million existed at the end of the year under review. However, the Authority had not introduced an Accounting Policy for amortization of assets.

2.2.3 Accounting Deficiencies

The following observations are made.

(a) The Authority should maintain a proper Accounting System for the purpose of preparation of financial statements. However, the following weaknesses were observed relating to the adjustments made in the Ledger through the Journal Entries. As such, the accuracy of the Ledger Accounts could not be satisfied in audit.

(i) The Current Asset Accounts and Expenditure Accounts relating to 12 accounts had been erased and changed by Rs. 593,522 and Rs. 223,892 respectively for rectification without an approval.

(ii) Entries had been made in the Ledger relating to settlement of advances amounting to Rs. 9,991,399 without Journal Entries.

(iii) Even though 107 Journal Entries valued at Rs. 391,914,146 had been made entering the transactions of the Authority, a proper approval had not been obtained and Journal Vouchers had not been prepared thereon.

(b) The Recurrent Grants receivable amounting to Rs. 3,541,000 for a long period had been brought to account as a prior year adjustment in the year under review, instead of being adjusted it retrospectively. However, a proper approval had not been obtained for this write off.

2.2.4 Lack of Evidence for Audit

Evidence whatsoever had not been made available to audit to confirm the accuracy of the stock valued at Rs. 184,900 which remained at the end of the year under review.

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

Non-compliances with the following laws, rules and regulations were observed.

	Reference to Laws, Rules and Regulations	Non-compliance
(a)	Inland Revenue Act, No. 10 of 2006	The Pay As You Earn Tax amounting to Rs. 16,805 had not been charged from four officers and remitted to the Commissioner of Inland Revenue.
(b)	Establishments Code of the Democratic Socialist Republic of Sri Lanka.	
	(i) Section 10 of Chapter II	Eight officers had not submitted the medical report on Form Health 169 at the audit test check.
	(ii) Section 2.3 of Chapter VI	The Employees' Provident Fund Number and the commencement date of the contribution had not been shown in the personal files.
(c)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
	(i) Financial Regulation 165(2)	Receipt of cheques and cash had not been entered in a Register of Money Orders.
	(ii)Financial Regulation 184	Receipts had not been issued for cash receipts valued at Rs. 5,326,984.
	(iii)Financial Regulation 267	The signature of the payee or a receipt had not been obtained by the Authority in the payment of salaries and wages.
	(iv)Financial Regulation 323(1)	Even though the public money should not be lodged in the Private Accounts, the ad-hoc advances aggregating Rs. 521,300 had been lodged in 12 Private Accounts.

	(v)Financial Regulation 1(2)(c)		Advances amounting to Rs. 2,279,733 granted in the year 2012 had not been settled even by the end of the year under review.
	(vi)Financial Regulation 371(2)(c)		Even though the approval of the Board of Directors had been obtained to increase the limit of advances from Rs. 20,000 to Rs. 100,000 which could be obtained for each case by an officer, the approval of the Treasury had not been obtained thereon and the advances totalling Rs. 364,320 had been paid in 03 instances exceeding Rs. 100,000.
	(vii)Financial Regulation 1646		Motor Vehicle Log Books for 07 motor vehicles had not been presented to audit.
(d)	Treasury Circular No. 842 of 19 December 1978		The Register of Fixed Assets had not been updated and balanced.
(e)	Paragraph 6.5.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003		A copy of the Draft Annual Report had not been presented along with the financial statements.
(f)	Public Finance Circular No. 441 of 09 December 2009		Annual Boards of Survey had not been conducted and those reports had not been presented to the Auditor General.

3. Financial Review

3.1 Financial Results

According to the accounts presented, the operations of the Authority for the year under review had resulted in a deficit of Rs.1,460,932 as compared with the corresponding deficit of Rs.11,428,602 for the preceding year. As compared with the preceding year, an improvement of Rs.9,967,670 in the financial result was observed. The increase in provisions received from the General Treasury by Rs. 16,210,000 for the year under review had mainly attributed to this improvement.

3.2 Analytical Financial Review

According to the financial statements presented, the value of net assets amounted to Rs.114,474,350 and that as compared with the net assets of the preceding year amounting to Rs.112,277,411 indicated an increase of Rs.2,196,939 or 1.9 per cent. The working capital for the year under review amounted to Rs.12,610,651 and that as compared with the working capital of the preceding year amounting to Rs.15,548,563 indicated an decrease of Rs.2,937,912 or 18 per cent.

4. Operating Review

4.1 Performance

The following observations are made.

(a) According to the Action Plan and the Performance Report of the Authority, expected targets of the following programmes had not been achieved.

(i) Even though a sum of Rs. 0.80 million had been allocated to conduct 05 Capacity Building Programmes for the officers of the Authority, only 03 programmes had been conducted by spending a sum of Rs. 0.42 million.

(ii) Out of Rs. 01 million allocated for 80 exhibitions and mobile service programmes, only 20 programmes had been conducted by spending a sum of Rs. 0.93 million.

(iii) Even though a sum of Rs. 02 million had been allocated to establish 02 Children's Centres, such centres had not been established.

(b) The number of complaints received by the Authority in the year under review had been 23,767 and out of those 8,130 complaints had been solved and the number of complaints unsolved and brought forward was 15,637. It is indicated that the number of unsolved complaints had increased rapidly due to the solving of quite a limited number of complaints during the same year out of the complaints received annually to the Authority. It was observed that such a situation had arisen due to lack of attention of the Management for the preparation of a proper arrangement in solving complaints received annually to the Authority.

(c) A sum of Rs.4.8 million had been allocated for research and educational activities carried out in the year under review and out of that, a sum of Rs.3.45 million had been spent for 03 researches and obtained reports. However, those reports had not been used for the future activities of the Authority.

4.2 Weaknesses in Project Management

A total of Rs. 11,638,386 had remained by the end of the year under review due to failure in spending the money received in the preceding years for relevant purposes of 09 Projects of the Authority. As such, it was observed that the Management of Projects had been at a weak level.

4.3 Management Inefficiencies

(a) The balance of Rs. 3,541,000 in the receivable Recurrent Grant Account had been written off by debiting to the Surplus and Deficit Account without being examined.

(b) A sum of Rs.1,113,736 had to be incurred for repairs of a motor vehicle due to an accident and out of the repairing cost, only sum of Rs. 834,912 had been reimbursed by the Insurance Company. However, action had not been taken to recover the deficit of Rs. 278,824 from the responsible persons.

4.4 Unidentified Losses

In publishing newspaper advertisements for the recruitment of officers, it had to be published twice as a result of an error, thus indicating a loss of Rs. 29,568.

4.5 Staff Administration

The following observations are made.

(a) The approved cadre and the actual cadre of the Authority were 510 and 331 respectively and 179 vacancies were existed.

(b) According to the Financial Regulation 453 (h), the complete cadre control records should be correctly maintained by the Establishment Division. However, the number of officers of the Accounts Division who had actually obtained the salaries had not been tallied with the monthly details of the staff in the year 2013 submitted by the Establishment Division.

4.6 Administration of Motor Vehicles

Three motor vehicles had met with accidents in the year under review and the following observations are made in that connection.

(a) Even though preliminary inquiries should be held in respect of motor vehicle accidents and submitted the preliminary report and the full report according to the Financial Regulation 104 (1), (3), (4), it had not been so done.

(b) A Record of Losses should be maintained according to Financial Regulation 110 and the details of the accident/losses should be included therein. However, the Authority had not taken action in terms of Financial Regulation 110 in respect of accidents occurred up to now and 03 accidents occurred in the year under review.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

Even though the Draft Annual Report and the financial statements should be presented to the Auditor General by the Authority within 60 days of the closure of the accounting year in terms of Public Enterprises Circular No. PED/12 of 02 June 2003, the Authority had presented the financial statements for the year under review to the Auditor General on 01 April 2015 with a delay of 12 months.

5.2 **Corporate Plan**

Even though the Corporate Plan had been prepared from the year 2012 – 2017 in respect of the functions of the Authority, it could not be compared with the Action Plan as specific periods could not be identified for the achievement of the goals in obtaining benefits of each programme in the Corporate Plan in terms of the Public Enterprises Circular No. PED/12 of 02 June 2003.

5.3 **Unresolved Audit Paragraphs**

Attention had not been paid in respect of the following matters shown by the audit report presented in the preceding year.

(a) Revaluation and accounting the assets that are 100 per cent depreciated and in use, valued at Rs. 2,510,672 under two Projects.

(b) A long delay in settling the advances granted to the officers of the Authority and not taking action to settle them.

(c) Rectification of weaknesses in the maintenance of Accounts Books

6. **Systems and Controls**

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

(a) Financial Control
(b) Accounting
(c) Settlement of Advances
(d) Assets Management