

## **National Child Development Fund - 2015**

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The audit of financial statements of the National Child Development Fund for the year ended 31 December 2015 comprising the balance sheet as at 31 December 2015 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**

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Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 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**

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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 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 2015 and its financial performance 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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Even though it had been stated that the financial statements had prepared in accordance with the Sri Lanka Public Sector Accounting Standards ,the cash flow statement of the year under review had not been prepared and furnished along with the financial statements in terms of Public sector Accounting Standards 02.

## **3. Financial review**

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### **3.1 Financial results**

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According to the financial statements presented, the working of the Fund for the year ended 31 December 2015 had resulted in a surplus of Rs. 1,987,857 as against the deficit of Rs.1,077,829 for the preceding year, thus indicating an increase of Rs.3,065,686 in the financial results.

## **4. Operating Review**

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### **4:1 Performance**

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The following observations are made.

- (a) The main objective of the establishment of the National Child Development Fund is to supply of financial assistance to the Sri Lankan children who lost their parents or guardians due to the war situation and another natural disasters, as well as children who were unable to carry out their education continuously due to financial difficulties and improve the inborn skills and other skills . According to the recommendation of the Minister of Finance of the Cabinet Memorandum No.BD/NI 120/2/07/02-CM dated 02 January 2014 , action should be taken to implement the proposed programmes more effectively by using the funds. A sum of Rs.1,935,500 had been spent as aids for the children in the preceding year whereas the income earned by the sale of flags and investing fixed deposits in the year under review amounted to Rs.1,991,001 , but no any payment had been made for the children from this money.
- (b) According to the Guideline of the National Child Development Fund ,the control of the Fund should be done by the Inter-Ministerial Supervisory Committee of the Fund and this committee should meet at least once a month .However, decisions had not been taken to achieve the targeted activities due to the committee had not met even once during the year 2015.
- (c) According to the Guideline of the National Child Development Fund , even though there was a possibility of collecting fund from the institutions such as private

institutions, donors, State Banks ,Lottery Boards, Employees Trust Fund Board, Locally registered Non-governmental Foreign Organizations and foreign institutions and foreign donors to build up the Child Development Fund .Action had not been taken for the collection of funds other than the income earned from the sale of flags issued in connection with the Universal Children’s day and interest income from fixed deposits. Under these circumstances ,the Fund had not performed its activities in order to achieve the objectives of the Fund during the year under review other than operating the investments .

- (d) Even though the main source of income of the Fund was the sale of flags on Children’s day, only 103 Divisional Secretariats had sent money totalling Rs.635,675 as at 31 December 2015 out of the 342 Divisional Secretariats to which 400,000 printed flags had been sent for the Children’s day of the year under review. Money had not been sent by 72 offices even by 30 June 2016.

## **5. Accountability and Good Governance**

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### **5.1 Action Plan**

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An Action Plan for the year under review had not been prepared and a proper methodology for the collection of funds and for the continuous granting of money to the beneficial children had not been prepared .

### **5.2 Internal Audit**

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The following observations are made.

- (a) Even though the internal audit of the Fund had been included in the scope of Internal Audit Division of the Ministry of Women and Child Affairs, it had not been planned.
- (b) An adequate attention had not been paid by the Management to implement the recommendations presented by the Internal Audit.

## **6. 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 Secretary to the Ministry from time to time. Special attention is needed in respect of accounting of the transactions through Ledger Accounts and Journal Entries.