

National Child Protection Authority – 2015

The audit of financial statements of the National Child Protection Authority for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015, the statement of financial performance, cash flow statement, statement of changes in equity 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, No.50 of 1998. 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. 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 amount and disclosure in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority’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 effectiveness of the Authority’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 the financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

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 Protection Authority as at 31 December 2015 and its financial performance and cash flow for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

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.07**

Even though the fixed assets for the cost of Rs. 74,943,183 had been completely depreciated, they were still being used due to the effective life cycle of non-current assets were not reviewed periodically. Therefore, actions had not been taken to revise the estimated error as per the Public Sector Accounting Standard No. 03

(b) **Sri Lanka Public Sector Accounting Standard No. 08**

The salary, gratuity and compensation payable had not been disclosed in financial statements, if the officer reinstate by the court decision hearing in the Magistrate Court against the interdicted Accountant of the Authority on 25 August 2010,

(c) **Sri Lanka Public Sector Accounting Standard No. 03**

(i) Even though the capital grant given to the Authority to purchase assets during the year under review was amounting to Rs. 150 million, the net assets represented for that was amounting to Rs. 94.5 million due to non-following of amortization policy of government grant corresponding to the depreciation of assets purchased under the government grant as per the paragraph No. 12 of the standard.

(ii) As per the paragraph No. 12 of the standard, the policy of payments of staff loans had not been disclosed in the financial statements.

(d) **Sri Lanka Public Sector Accounting Standard No. 07**

The value of the motor vehicle had been shown in the cash flow in an incorrect manner which was valued at Rs. 5,795,000 received from the General Treasury as grants with no impact to the cash flow.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) The depreciation of Rs. 160,283 had been understated due to non-accounting of furniture procured during the year under review for Rs. 1,068,554 as non-current assets.
- (b) Accrued expenditure aggregating Rs. 251,829 with relating to the year under review had not been accounted.
- (c) A sum of Rs. 542,945 of salary paid by the Authority in the years 2014 and 2015 to an officer attached to the Ministry of Media and Parliament Affairs had not been accounted as receivable though it was recoverable.
- (d) Even though the expenditure for the year under review was Rs. 6,413,119 out of the advance of Rs. 7,292,500 received as at 31 December 2015 to conduct awareness programs in rural civil societies, the relevant expenditure had been understated by Rs. 1,211,292 due to accounting only Rs. 5,201,827 as settlements.

2.2.3 Un-reconciled Accounts

The excess of Rs. 5,889,373 in the balance receivable from the Fund to the Authority and the shortage of Rs. 3,236,982 in the balance payable to the Fund from the Authority had been shown in the financial statements as at 31 December 2015 due to the recording of inter transactions between Child Protection Authority and Child Protection Fund in complexed manner.

2.2.4 Transactions not Supported by Adequate Authority

The approval of the Board of Directors had been taken to deposit a sum of Rs. 15,000,000 which was in a saving account opened for Tsunami affected children by the Board of Directors memorandum No. 131/02 of 29 November 2012, and its interest to be used to payment of aids. However, that account had been cancelled and the amount and the interest aggregating Rs. 19,138,794 had been credited to a saving account without the approval of the Board of Directors.

2.3 Accounts Receivable and Payable

As per the financial statements, balances of 06 project accounts aggregating Rs. 4,688,717 shown as non-current liabilities had been carrying forwarded without being settled.

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

Reference to Laws, Rules and Regulations	Non-compliance
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(a). Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
(i) Financial Regulation 104	The preliminary reports, full reports had not been presented after conducting preliminary inquiries with regarding 3 vehicle accidents caused during the year under review.
(ii) Financial Regulation 135	Delegation of financial authority and activities in writing had not been made by the Authority with regard to the payment and receipt of cash for the year under review.
(iii) Financial Regulation 184	Receipts had not been issued for the receipt of Rs. 153,678.
(iv) Financial Regulation 177(1)	Cash receipts aggregating Rs. 11,030 had been deposited in the bank after a delay between 2 weeks to 7 months.
(v) Financial Regulation 264	Though the each payment should be confirmed with a receipt from the recipient, such a confirmations had not been taken for the amount of Rs. 26,816,190 sent to Divisional and District Secretariats in the year under review.
(vi) Financial Regulation 371 (2) (c)	Out of the unsettled amount at the end of the year under review of Rs. 20,180,052, a sum of Rs. 9,503,682 was related to the previous year.
(vii) Financial Regulation 751	Though the goods received notes should be attached to the payment vouchers, the goods purchased in 10 vouchers aggregating Rs. 3,427,008 had not been complied accordingly.
(viii) Financial Regulation 757 (2)	The Board of Survey reports of the fixed assets belonging to the Authority as at the end of the year under review amounting to Rs. 94,509,420 had not been presented to audit from the year 2012 to the year under review.

- (b). Election Commissioner's letter No. PRE/2015/4C dated 26 December 2014. Though the appointments should not be made during the period of elections, the Legal Assistant Grade iii of the Authority had been appointed as Assistant Manager (implementation law and order) on 09 January 2015.

3. Financial Review

3.1 Financial Results

According to the Financial Statements presented, the operations of the Authority for the year under review had resulted in a deficit of Rs. 1,011,985 as against the surplus of Rs. 3,631,016 for the preceding year thus indicating a deterioration of Rs. 4,643,001 in the financial result was observed as compared with the preceding year. The increase in administration expenditure and the decrease in sundry income had mainly attributed to the deterioration of the financial results.

When analyzing the financial results in the year under review and 4 previous years, surpluses of Rs. 6,826,677 and Rs. 3,631,016 in the years 2011 and 2014 respectively and deficits of Rs. 12,058,337, Rs. 1,302,856 and Rs. 1,011,985 in the years 2012, 2013 and 2015 respectively were observed. However, when compare with the staff remuneration and the depreciation of non-current assets, the contribution of Rs. 45,237,873 in the year 2011 had been shown a positive improvement up to Rs. 219,958,470 by the year under review.

3.2 Analytical Financial Review

According to the financial statements presented, the value of net assets amounted to Rs. 141,805,191 and that as compared with the net assets of the preceding year amounting to Rs. 121,012,694 indicated an increase of Rs. 20,792,497 or 17 per cent. The working capital for the year under review amounted to Rs. 43,514,727 and that as compared with the working capital of the preceding year amounting to Rs. 23,735,557 indicated an increase of Rs. 19,779,170 or 83 per cent. Accordingly, increasing the balance of unsettled advances had been resulted to increase the working capital abnormally.

4. Operating Review

4.1 Performance

As per the National Child Protection Authority Act No. 50 of 1998, the main objective of the Authority is preventing child abuse, protect children affected such abuse, prepare national policy to cure them, recommend legal and administrative reforms needed to implement it effectively, take all precautions in preventing activities of child abusing and protect children affected such abuse and secure their rights and also educating, regulating the implementation of laws, regulating investigations and the progress of criminal cases

The followings were observed in the test check carried out in this regard.

- (a). As per the action plan of the year under review, a sum of Rs. 2,017,600 had been paid to secretaries to conduct programs of intervene psycho-social and monitoring creches under the topic "Protect Children in Creches from Accidents" in 208 orphanages by a sum of Rs. 9,700 each orphanage and out of them a sum of Rs. 578,976 had been returned without spending. Actions had not been taken to achieve expected objectives by taking reports on the programs conducted and the positions of monitored creches with the expenditure of Rs. 1,438,624 and evaluating their recommendations.
- (b). Out of the sum of Rs. 12 million given by the Ministry to conduct programs on prevention of child abuse and women violence, a sum of Rs. 1.28 million given as advances had not been settled and the confirmations had not been made that the programs were conducted.
- (c). Advances of Rs. 4,432,500 had been given to 186 District/ Divisional Officials to conduct 197 awareness programs for members in Civil Organizations, and only 66 offices had settled advances of the programs conducted as at the end of the year under review. That was 33 per cent of the expected programs. A sum of Rs. 405,000 given to 14 Divisional and District Offices to conduct 18 programs had not been utilized for the intended purpose.
- (d). A sum of Rs. 140,000 given to 14 Divisional Secretariats by Rs. 10,000 each to aware child protection villages had been returned as the programs had not conducted.
- (e). The brought forward unsolved complaints as at the end of the year under review was 17604 out of the 47164 complaints received to the Authority from 2011 to 2015. The reason for rapid increase in the number of unsolved complaints was due to solving a limited amount of complaints receiving annually to the Authority, non-monitoring of reporting the collected information, calling information and inquiry activities with regard to the complaints of Divisional and District Officers.

4.2 Management Activities

The following observations are made.

- (a). A sum of Rs. 8.3 million had been provided on research and studies from the year 2013 to the year 2015 and a research had been conducted regarding the study the precautions in security of child education and the quality of consultancy service providing in schools by spending a sum of Rs. 3.43 million. Five hundred books had been printed from the research report conducted in the year 2013 by spending a sum of Rs. 194,556 and only 370 books had been distributed to 06 institutions only after 06 months. Also, the recommendations made in those reports had not been implemented.

- (b). A sum of Rs. 555,524 received as at the end of the year under review to grant Tsunami affected children had been kept without granting to the beneficiary children and actions had not been taken to identify beneficiary children with regarding to sum of Rs. 144,000 received to grant a sum of Rs. 2,000 per month.

4.3 Vehicles Utilization

The bus received from the General Treasury to the Authority valued at Rs. 7,550,000 had run only 10989 kilometers from 2014 to 2016. This vehicle was under-utilized as this was not compatible with the requirements of the Authority.

4.4 Staff Administration

The following observations are made.

- (a). The approved and actual cadre as at the end of the year under review were 522 and 405 respectively and 117 posts were vacant and 105 of them were Divisional Child Protecting Officers. However, a proper supervision had not been made regarding the evaluation of performance of 255 officers presently engaged in this post.
- (b). Improper application of planning, implementing and supervision was due to the reason of two highly required higher level posts such as Deputy General Manager and Manager Planning and information being vacant.
- (c). The service of Assistant Manager (programs) had not been taken to the Authority, as the officer appointed to Assistant Manager (programs) which were in approved cadre had been released to other institution for more than 5 years from the date of appointment on 01 July 2007 to the year 2016.
- (d). As per the recruitment procedure, though the 5 year experience in class I of middle level management or Degree and Post Graduate Degree with 12 years' experience in managerial level should be required to recruit in the post of Program Manager, the officer for the post of District Coordinating Officer with no qualification in 12 years managerial level experience had been appointed for that post.
- (e). As per the sample test check, improper maintenance of personal files for a long time resulted in, an instance of non-producing of application for the job, 3 instances of delay in presenting medical reports from 06 months to 04 years, 02 instances of confirming education certificates with delays, an instance of non-confirming of those certificates, an instance of non-handing over of inventories, advances taken and files belonging to an officer who retired from the Authority.
- (f). Payment of salary increments and granting permanentcy had been made without conducting efficiency bar examinations.

4.5 Apparent Malpractices

A sum of Rs. 9,000 had been taken excessively by altering the bills presented to settle the advances taken for Rs. 31,500 and Rs. 20,300.

4.6 Under Utilization of Funds

The balance aggregating Rs. 159,397 in two current accounts maintaining in Bank of Ceylon were idle for more than 4 years.

4.7 Uneconomical Transactions

The following observations are made.

- (a). As per the development activity plan, though a sum of Rs. 2.96 million had been provided for celebration of special days, a sum of Rs. 3.94 million had been spent for them. Out of them a sum of Rs.1.44 million had been spent for newspaper advertisements which could have been utilized for some other effective activity.
- (b). Though the auditoriums of the line Ministry and the State Ministry of Child Affairs could have been used, a conference on child protection had been organized by spending of Rs. 336,446 on 08 October 2015 in view of celebrating World Children Day with the participation of 52 personnel at the “Mihilaka Hall” in Bandaranayake Memorial Conventional Hall premises in Colombo and a sum of Rs. 108,346 had been paid as hall charges.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

Even though 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 September 2016 with a delay of 06 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 and it had become useless.

5.3 Internal Audit

As per the paragraph 7 of the Audit and Management Circular No. DMA/2009(1), dated 09 June 2009 internal audit programme must be prepared before the 31 of January each year and copied to the Auditor General and to the Director General of Management Audit by covering all areas such as approved annual estimates, action plan, new budget proposals, foreign aided projects etc. However, internal audit had not been performed in the Child Protection Authority from the month of July 2014 to 15 October 2015 as non-recruiting of an Internal Auditor and actions had not been taken to conduct internal audit through even by the line Ministry.

5.4 Audit Committees

As per the paragraph 7.4.1 of Public Enterprise Circular No . PED/12 dated on 02 June 2003 for good governance, though audit and management committee meetings should be conducted at least once in 03 months, only 02 audit and management committee meetings had been conducted for the year 2015.

5.5 Procurement Plan

As per the paragraph 4.2 of government procurement guideline No. 08 dated on 25 January 2006, a procurement plan for the year under review had not been prepared.

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.

Area of System and Control	Observation
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(a). Accounting	Non-making of adjustment of accruals provision for depreciations, Journal entries properly.
(b). Advance	Non-controlling of payment and settling the advances.
(c). Operational Controls	Delays in giving solutions for complaints, Non-performing of progress, follow up activities and supervision of programs conducted.
(d). Plan Implementation	Non-planning of programs properly and delays in implementation