

## **National Child Protection Authority – 2016**

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The audit of Financial statements of the National Child Protection Authority for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of financial performance, cash flow statement and 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 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. A detailed report in terms of Section 13(7) (a) of the Finance Act, No. 38 of 1971 was issued to the Chairman of the Authority on 22 September 2017.

### **1.2 Management’s Responsibility for the Financial Statements**

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Management is responsibility 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**

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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 the 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 judgment, including the assessment of the risks of material misstatements 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 the 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 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**

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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 effect of the matters described in paragraph 2.2 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 2016 and its financial performance and cash flows 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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The following observation are made.

###### **(a) Sri Lanka Public Sector Accounting Standards 07**

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The cost of non-current assets had not been revised annually for a life expectancy of fixed assets which amounted to Rs.29,401,177 had been depreciated but were still in use. Accordingly the estimated error was not revised in accordance with Sri Lanka Accounting Standard 03.

###### **(b) Sri Lanka Public Sector Accounting Standards 02**

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(i) The value of assets amounting to Rs.8,400,544 received as a Unisef Grant had been shown as cash out flow under the investment activities of the cash flow statement.

(ii) The value of the financial grants actually received during the year 2016 is Rs.4,167,000. Though the financial performance of the cash flow statement had been shown generated cash flow as Rs.10,563,558.

##### **2.2.2. Accounting Policies**

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The following observation are made.

(a) Although the government capital granted to the authority from the Treasury for the Purchase non-current assets amounted to Rs.161,106,534 as at 31 December 2016 and the cost of purchase under that amount of Rs.181,809,545 had been declared in the financial statements. A policy has not been identified and identified to account the government grants as being profit or loss.

- (b) A sum of Rs.8,400,544 motor cycle and computer and accessories had been received as a Unisef Grant during the year under review. Calculated amount of Rs.2,003,986 had been debited to the Unisef Grant account by eliminating from depreciation accounts, instead of identifying as a basis of profit and loss.

### 2.2.3 Accounting Deficiencies

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The following observation are made.

- (a) A sum of Rs.1,757,931 of seven project funds balances were debited due to the accounting errors had been remaining for a long time in respect of 15 project funded in the financial statements and over expenses of more funds than granted money. A sum of Rs.5,924,567 had been shown under non-current liabilities in the financial statements out of credit balances of 8 funds aggregating Rs.7,682,494 had been set off those debit balances.
- (b) Due to the adjusting of Rs.225,167 depreciation relevant to the previous year, for the depreciation account of the year under review, the depreciation expense and the surplus had been shown more and less in the same amount respectively relevant to the year.
- (c) When recording unsettled advances of Rs.21,457,789 at the end of year under review, under as a balance of receivable in the current assets had been debited expense accounts and credited to the Accrual Account. Due to this reason, the current liabilities and the surplus of the 31 December 2016 had been over and under calculated in the same amount.
- (d) A sum of Rs.1,215,000 had been paid for Tsunami beneficiaries during the year under review relevant to the previous year. The excess relating to the year under review had reduced from that amount, due to this expenditure was accounted as expenditure relating to the year under review.
- (e) A sum of Rs.7,040,000 paid by a cheque dated 29 December 2016 for the post graduate course commenced on 18 March 2017 had been accounted as a expenditure for the year under review instead of taking in to accounts as pre payments.
- (f) Even though the gratuity expenditure for the year under review was amounting to Rs.2,040,164, it had been shown as Rs.1,334,852 in the financial statements. The excess for the year had been over accounted by Rs.705,312.
- (g) Rs.8,422,460 had been paid for a plot of land that had been leased out in the year 2000, of Rs.168,449 per annum in 50 years, but it has not been amortized over the last 16 years. For the correction of that mistake the total amortization amount of Rs.2,863,636 for the last 16 years and the year under review had been accounted as an expense for the year owing to that the excess of the year had been understated by Rs.2,695,187.
- (h) Depreciation and gratuity amounting to Rs.2,062,404 and Rs.242,460 respectively had been over adjusted to the operating profit when adjusting non financial adjustments in the cash flow statement.

- (i) The amount paid out on 30 December 2016 amounting to Rs.148,295 had been accounted as expense in the year under review instead of being accounted as advances. It was further observed that this cheque was cancelled on 18 May 2017.

#### 2.2.4 Un explained Differences

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A difference of Rs.5,889,373 in the balances receivable from the fund to the Authority and a balance of Rs.3,256,982 payable to the Fund from the Authority were observed in the financial statements as at 31 December 2016 due to the recording of inter transactions between Child Protection Authority and Child Protection Fund had not been properly posted.

#### 2.3 Accounts Receivable and Payable

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The following observation are made.

- (a) A sum of Rs.1,611,904 shown under liabilities in the financial statements had been carrying forward without being settled for a period of more than two years.
- (b) A sum of Rs.6,034,511 out of payable from the fund to the Authority for more than 3 years and amounting to Rs.700,000 2 years ago out of balance of receivable to Authority from the Fund Rs.6,882,200 before 3 years and Rs.5,146,500 before 2 years shown in the accounts though actions had not been taken to settled.
- (c) As per the financial statements 07 balances aggregating to Rs.2,398,636 shown under current assets for a period of one to four years had been carrying forwarded without being taken any action.

#### 2.4 Non-compliance with Laws, Rules, Regulations and management decisions.

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The following non-compliance were observed.

<b>Reference to Laws, Rules, Regulations etc.</b>	<b>Non-compliance</b>
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
(i) Financial Regulations 104 (1) (3) (4)	In connection with 04 vehicle accidents occurred in the year under review, actions had not been taken according to Financial Regulations
(ii) Financial Regulations 110	Vehicle accident/Register of damage had not been updated.
(iii) Financial Regulations 137 (5), 215	Seven cheques amounted to Rs.4,920,464 had been written as at 31 December 2016, in favour of goods/services which were not received to the Authority though the payments should have approved after confirming the goods/ services had been ordered and received.

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| (iv) Financial Regulations 325   | A register or internal control procedures had not been adopted regarding the stamps bought even though a sum of Rs.400,445 had been spent on stamps during the year under review                                 |
| (v) Financial Regulations 371 (A) Public Finance (Revised) circular No.3/2015 dated 14 July 2015 | Out of unsettled advances of Rs.21,457,789 at the end of the year under review a sum of Rs.360,682 was unsettled advances coming from previous 2 years ago.  |
| (vi) Financial Regulation 751 (1) (3) (4)  | Even though leaflets/stickers and books printed spending Rs.2,256,750 year under review a register had not been maintained for receiving and issuing these.  |
| (b) Cabinet Decision No.4/0427/020/002 of 12 May 2004  | Even though the advertisements to be issued to the electronic/printed media should be obtained through the government media institutions, Authority had been obtained by private institutions, paying Rs.191,025 |
| (c) Treasury Circular No. IAI/2002/02 dated 28 November 2002                                     | A separate register of fixed assets had not been maintained Authority owned computer and accessories at the value of Rs.39,401,325 as per the financial statements.  |

## **2.5 Transactions not Supported by Adequate Authority**

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A saving account had been opened for several years to spend gratuity expenses payable to retirement of employees of the Authority without any approval by the grant of Treasury given for the recurrent expenditure annually. A sum Rs.877,237 had been deposited for that year under review. At the end of 31 December 2016 the balance of it was Rs.6,259,704.

## **3. Financial Review**

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### **3.1 Financial Results**

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According to the financial statements presented, the financial result for the year under review had been a surplus of Rs.29,701,311 as against the corresponding deficit of Rs.1,011,985 for the preceding year thus indicating an improvement of Rs.30,713,296 in the financial result for the year under review as compared with the preceding year. The increase of provisions received for implementing national policies by Rs.108,812,159 had been mainly attributed to the above improvement.

When analyzing the financial results in the year under review and previous four years, surpluses of Rs.3,631,016 and Rs.29,701,301 in the year 2014 and 2016 respectively and deficits of Rs.12,058,337, Rs.1,302,856 and Rs.1,011,985 in the year 2012,2013, and 2015 respectively were observed in the Authority after adjusting staff remuneration and depreciation of non-current assets, the contribution of Rs.36,258,920 in the year 2012 had been improved up to Rs.251,336,754 by the year under review.

### **3.2 Legal cases against the Authority**

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The accountant who worked at the Authority had been interdicted from 25 August 2010 and a magistrate court is hearing her case.

## **4. Operating Review**

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### **4.1 Performance**

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As per the National Child Protection Authority Act.No.50 of 1998. The main task of the Authority to preventing child abuse, protect children affected such abuse, prepare national policy to cure them, recommend legal and administration 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 and enforcement of laws, monitoring of investigations and criminal proceedings and to monitor the progress. The following observations were made during the inspection.

- (a) Actions had not been taken to legalize National Child Protection policy as in the year under review even though the National Child Protection Authority was established for 19 years.
- (b) A sum of Rs.10,000,000 out of Rs.23,000,000 of provisions which had been granted to the Authority for the year 2016 under the project of save the children, by Ministry of Women's and child Affairs on 24 August 2016. The amount spend in the year under review for the expected work amounted to Rs.7,969,133. As at 31 December 2016 a sum of Rs.2,030,867 return to the ministry without being utilized.
- (c) A course of child care had to be planned to implement in collaboration Authority with Sri Lanka vocational Training Authority and the National Apprenticeship Board, Rs.10,333,000 had been paid those two institutes on 31 December 2016 that course had not been initiated.
- (c) The progress of giving solutions to the complaints received by the Authority
  - (i) Even though the complaints received to the Authority during the year 2016 was 9540 only 2845 complaints had been solved out of then. About 70 Per cent of the complaints received had not been resolved and steps taken with respect to identify these complaints and their current status informations were not clearly maintained.

- (ii) The brought forward unsolved complaints as at the end of the year under review was 24,833 out of 48,417 complaints received from the year 2011 to the year 2015. It was 51 per cent out of total complaints.
- (iii) It was observed that the reason for rapid increase in the number of unsolved complaints due to the lack of follow up and solving a limited amount of complaints receiving annually to the Authority, monitoring of the information convened and investigation inquiry activities with regard to the complaints of Divisional and District Officers.

## 4.2 Management Activities

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The following observations are made.

- (a) A debating competition relating to child abuse was being held and the final competition was on 04 November 2016 simultaneously 60,000 leaflets were printed and distributed under four themes and handed over to print the leaflets by paying a sum of Rs.244,000 but 2 ½ months after the debate, on 25 January 2017 those leaflets had been received to the Authority.
- (b) With the purpose of being aware of child safety, a sum of Rs.3,974,471 had been paid for a private institute which had been selected without following procurement process for producing three video advertisements in Sinhala and Tamil to telecast within 15 seconds under 3 themes. In the advertisement spent of Rs.1,108,651 under the theme of “children’s concern for children’s care” had not been given adequate message, and can be subjected to evaluate school level or even before being telecast and broadcast. These advertisements were broadcast by television and radio channels in the amount of Rs.17,622,874.
- (c) A sum of Rs.698,689 and Rs.750,000 had been paid to two persons for consultation as at 31 December 2016 for the purpose of preparing a guide book on child protection awareness programs to advise on methodology to consult to monitoring these programs respectively. Those reports had not been obtained even though the agreed period is over.
- (d) A consultancy service for drafting a national policy of child protection and consultancy service relevant to coordinate that had been planned to get spending to Rs.303,000 though that service had not been obtained.
- (e) An advance of Rs.385,200 had been given to an external party on 07 July 2016 to prepare a criticism book about research done during the year 2005 – 2015 in child protection. Six months after that amount had been returned to the Authority. Actions had not been taken to carry it out by another party.

### **4.3 Uneconomic Transactions**

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The following observations are made.

- (a) 85 of annual reports printed in 2008, 370 of proposed policy books on child protection and rehabilitation, 36 of handbills and 24 calendar's, 25,000 of handbills were printed spending at Rs.144,480 in the year 2013, 35,000 of stickers were printed at Rs.131,100 in the year 2016, had been remained in the stores as a stock without delivering for the expected purpose, even as at 15 May 2017.
- (b) A paper advertisement had been published on 16 August in 2016, Rs.267,371 were spent to obtain suggestions to conduct research to gather information about the present situation of supplying day care service for children in Sri Lanka. It was observed that the expenditure for this paper advertisement was uneconomy expenditure due to the decision taken to have those information through the officers who attached to department of probation and divisional offices of Authority.
- (c) Even though a sum of Rs.979,000 had been paid to an external party for the consultation for reviewing the systems of complaints reporting on child abuse. But the recommendations contained in that report not implemented saying that is complicate and practically could not be functioned.

### **4.4 Staff Administration**

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The following observations are made.

- (a) The approved cadre were 527 and actual cadre were 389 as at the end of the year under review and 138 posts were vacant 108 of them were Divisional Child Protecting Officers and it was observed a proper supervision had not been made regarding the evaluation of performance of 252 officers presently engaged in this post.
- (b) Improper application of planning, implementing and supervision was due to the reason of five highly required higher level posts were being vacant. Financial management activities were not properly done due to the post of Finance Manager and the post of Accountant were vacant.
- (c) Even though about 10 sections were being in the Authority the approved cadre of labour was only 03.

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

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### **5.1 Internal Audit**

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In accordance with the paragraph 3 of the Audit and Management Circular No.DMA/2009 (1) dated 09 June 2009. Internal audit of the Authority to perform the duties had been limited due to sufficient cadre non-attached to the internal audit section.



**5.2 Procurement Plan**  
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Procurement plan for the year under review had not been prepared.

**6. Systems and Controls**  
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Deficiencies in systems and controls were 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.

<b>Areas of system and control</b> -----	<b>Observations</b> -----
(a) Accounting	Accrued expenses/adjustments for prepayments provision for depreciations, preparing journal entries not properly functioned.
(b) Advances	Payment and settling of advances were functioned without proper controlling.
(c) Operational Control	(i) Delays in giving solutions for complaints and progress of the programs, conducted follow up actions and proper supervision not functioned.  (ii) Programs were Implemented without proper planning and programs which were planned not implemented properly.