

Head 217 – Department of Probationary and Child Care Services

1. Financial Statement

1.1 Qualified Opinion

The audit of the financial statements of the Head 217 -Department of Probationary and Child Care Services for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance, and cash flow statement for the year then ended, 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 provisions of the National Audit Act No. 19 of 2018. The Summary Report containing my comments and observations on the financial statements of the Department of Probationary and Child Care Services was issued to the Accounting Officer on 29 May 2024 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report pertaining to the Department was issued to the Accounting Officer on 31 May 2024 in terms of Section 11 (2) of the Audit Act. This report will be presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements prepared give a true and fair view of the financial position of the Department of Probationary and Child Care Services as at 31 December 2023 and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidences I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of the Accounting Officer and Chief Accounting Officer on Financial Statements

Preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018 is the responsibility of the Accounting Officer.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Department is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

The Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Department in terms of Sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

1.4 Auditor's Responsibility on Audit of Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercised professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 its internal control.

- Evaluate that the underlying transactions and events are appropriately and fairly included in the financial statements for the structure and content of the financial statements that include disclosures.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

1.5 Report on Other Legal Requirements

I declare the following matters in terms of Section 6 (1) (d) of the National Audit Act No. 19 of 2018.

- (a) The financial statements are in consistent with those of the preceding year.
- (b) The following recommendation made by me in regard of the financial statements of the preceding year, had not been implemented.

Reference to the Paragraph of the Report of the Preceding Year	Non-implemented Recommendation	Reference to the Paragraph in this Report
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1.6	Technical software systems should be recognized as assets and action should be taken to implement that data system.	1.6.1 (a)
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1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

Capital Expenditure

Audit Observation	Comments of the Accounting Officer	Recommendation
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The UNCRC data system costing for Rs.2,350,000 handed over to the	While getting receiving the summarized assets statement through the CIGAS system, it	The value of the data system should be properly accounted for under non-financial assets

department in 2018, had not been accounted as a non-financial asset.

was observed that the value of the asset related to the UNCRC data system has not been added to that statement and necessary actions have been taken to correct this.

2. Financial Review

2.1 Expenditure Management

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>The estimates had been prepared without proper forecasting by the department, as such, the funds in the range of 40 percent to 83 percent had been transferred to other expenditure subjects through the Financial Regulation 66 from the provisions of 4 expenditure subjects. Further, the allocations in 4 expenditure subjects had saved and it was in the ranged from 54 percent to 95 percent.</p>	<p>The handing over the activities of the Paraththa Children's Training and Counseling Center to the department was delayed and the center was not in a suitable condition to admit children and implement programs until the maintenance work was completed. As such, the expected expenditure had not been spent. That savings occurred due to the limitation of expenditure in the remaining 4 expenditure subjects.</p>	<p>Estimates should be prepared with proper forecasting.</p>

2.2 Certification to be done by the Accounting Officer

According to the provisions of Section 38 of the National Audit Act No. 19 of 2018, the Accounting Officer should have certified the following matters, but it had not been done so.

Audit Observation	Comment of the Chief Accounting Officer/Accounting Officer	Recommendation
<p>----- The Chief Accounting Officer and the Accounting Officer should certify that an effective system of</p>	<p>----- As per F.R. 133(b) since we are a small department, the internal audit is carried</p>	<p>----- The provisions of Section 38 of the National Audit Act</p>

internal control is introduced and maintained for the financial control of the Department and the periodically review should be carried out on the effectiveness of the system. Accordingly, the necessary changes should be made to maintain the system effectively, and those reviews should be done in writing and a copy of the same should be submitted to the Auditor General, but statements that such reviews were conducted were not submitted to the audit.

out by the Internal Audit Unit of the Ministry and the internal audit reports are forwarded as per F.R 133(3).

No. 19 of 2018 should be followed.

3. Operational Review

3.1 Non Execution of Function

The following observations are made.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) 32 Sri Lankan children were given for adoption to foreign countries in the period from 2019 to 2023, but no continuous follow-up reports were obtained till 10 years on the children given for adoption according to Section 10 C of the Foreign Adoption Ordinance.	That a formal system has been established to obtain progress reports from foreigners as per Section 10 C.	Foreign Adoption Ordinance should be followed and actions should be taken to ensure the safety of dependent children.
(b) Although the Ordinance Act No. 38 of 1939 on Children and Youth had been amended for several years, the amendments of the Ordinance Act had not been completed even by the end of the year under review. Furthermore, the Adoption of Children Ordinance No. 24 of 1941 was not amended to suitable to the periodically requirements.	That the Ministry of Justice has appointed 2 committees to amend the Act and that the relevant works for the amendments are being made by actively contributing to those committees.	Action should be taken to amend the Laws including Ordinances suitable to requirements.

3.2 Non Achieving of Expected Outcome

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
According to the annual action plan, although Rs.5 million had been allocated for the repair of 9 children's homes, but only 4 children's homes had been repaired after spending about Rs.2.1 million by the end of 2023. Accordingly, the physical progress was at a minimum level of 44 percent.	In a meeting conducted by the General Treasury with the heads of the departments at the end of the second quarter of the year 2023, instructions were given that the allocation for the subjects under the provincial councils will be done by the provincial councils. As such, the allocation made to the department does not need to allocate for the subjects under the provincial councils and instructions were given that the allocation should not be made for that.	Actions should be made to accurately allocate annual budget provisions.

3.3 Foreign Funding Projects

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
The total allocation of Rs.35,875,000 had been received as financial assistance from UNICEF during the year under review and, out of that only Rs.14,525,271 had been spent and the saving was Rs.21,349,728 or 60 percent.	No comments were made.	Foreign aid should be spent efficiently to get maximum benefits.

3.4 Assets Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) The Paraththa Children's Training and Counseling Services National Center for socialization through providing training to abused children and two National Training and Research Centers were acquired back on 06 June 2023. But the physical resources and surrounding environment were not normalized and were utilized to provide training and counseling services.	That necessary actions are being taken to obtain funds from ADB and UNICEF for the repair works of the building to restore of the Paraththa Child Training and Counseling Service Center to normal condition.	Actions should be taken to carry out urgent repairs to restore the Children's Training and Counseling Service Center.
(b) The two air-conditioned lecture halls with all facilities which could be trained about 60 officers of the National Training and Research Center belonging to the department were remained idle.	That the currently planned repair works will be carried out and the activities of the center will be started again and accordingly, the lecture halls will also be used again.	The repair works should be carried out immediately and action should be taken to use the center.

4 Human Resources Management

Audit Observation	Comments of the Accounting Officer	Recommendation
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The post of legal officer of the department has been vacant since August 2014 and the post of probation officer has been vacant since 2017.	That it has been referred to the Public Service Commission for the recruitment for the post of Legal Officer and to revise the recruitment procedure for the post of Probation Officer.	Action should be taken to fill the vacant posts which are essential to fulfill the main objectives of the department..