

## **National Child Development Fund – 2016**

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The audit of financial statements of the National Child Development Fund for the year ended 31 December 2016 comprising the statement of finance position as at 31 December 2016 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.

## **2 Financial Statements**

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### **2.1 Opinion**

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In my opinion, the financial statements give a true and fair view of the financial position of the National Child Development Fund as at 31 December 2016 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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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 2016 had resulted in a surplus of Rs. 1,996,766 as against the deficit of Rs.1,987,857 for the preceding year, thus indicating an increase of Rs.8,909 in the financial results.

## **4. Operating Review**

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### **4.1 Performance**

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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/13/1436/528/008-1 dated 24 January 2014, action should be taken to implement the proposed programmers more effectively by using the funds. A sum of Rs.4,748,346 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.1,996,166 , but no any payment had been made for the children from this money. Even though the main source of income of the Fund was the sale of flags on Children's day, only 168 Divisional Secretariats had sent money totaling Rs.1,307,196 as at 31 December 2016 out of the 387 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 66 offices even by May 2017 and if they have collected some fund by selling flags, it has been observed at the audit no sufficient action had been taken by fund to get that sales proceed credited to the fund or to find out what had happened to this sales proceed.

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

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### **5.1 Winding off child Development fund.**

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Although there was an inquiry dated on 24<sup>th</sup> March 2017 Department of Treasury Operations , to close down the bank account of child development fund and transfer of money of that fund to “Sevana Sarana Mapiya kapakaru aid scheme” maintain by Department of Child Care and probation , and the Department of Treasury Operations by its letter number TOD/BEI/2/BA/120/2015 dated 2<sup>nd</sup> May 2017 has made a request to seek the approval of Department of public Finance to do so, no action had been taken by Child Development Fund to do so even up the date of 09<sup>th</sup> May 2017.

## **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 and special attention is needed in delaying recovery of income earned, idle of collected money and dissolve the fund.