

Protection of the Children - National Trust Fund - 2021

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Protection of the Children- National Trust Fund for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance, statement of changes in net assets/equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 read in conjunction with provisions of the National Audit Act, No. 19 of 2018. My comments and observations which I consider should be presented in Parliament, appear in this report.

In my opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Opinion

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 in this report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

As per Sub-section 16 (1) of the National Audit Act, No. 19 of 2018, the Fund 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 of the Fund.

1.4 Auditor's Responsibility for the Audit of the 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 exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- 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 scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Fund, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Fund has complied with applicable written law, or other general or special directions issued by the governing body of the Fund;
- Whether the Fund has performed according to its powers, functions and duties and whether the resources of the Fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws

1.5 Non-compliance with Laws, Rules, Regulations, Management Decisions etc.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Cabinet Decision No. 403/19/0838/101/059 dated 20 March 2019: Subject (II) of Agenda (b) Cabinet Paper-General:90	(i) In terms of paragraph 3.1 (iii) of the Cabinet Memorandum No.PS/CP/57/2019 dated 18 February 2019, even though action should have been taken to obtain donations/assistance to the Fund by conducting various programmes and projects, information on programmes and projects implemented to obtain donations and assistance by the Fund in the year under review, had not been made available to Audit.	It is agreed with the audit observation. As the said Fund had been indicated under institutions due to be liquidated under the scope of the Ministry of Finance through the Gazette Extraordinary No.2196/27 dated 06.10.2020, programmes and projects were not implemented for obtaining donations and assistance for the Fund. The Protection of the Children – National Trust Fund has been closed down at present and its balance has been remitted to the President’s Fund.	Action should have been taken as per the Cabinet Decision.
	(ii) Taking action in terms of provisions of the Ordinance by preparing systems, provisions or procedures for the management of the Fund and for providing assistance, had not been declared by the Trustees of the	It is agreed with the audit observation. As the said Fund had been indicated under institutions due to be liquidated under the scope of the Ministry of Finance through the Gazette Extraordinary No.2196/27 dated 06.10.2020, systems,	Action should have been taken as per the Cabinet Decision.

	Trust Fund during the year under review in terms of Paragraph 3.4 of the Cabinet Memorandum No.PS/CP/57/2019 dated 18 February 2019.	provisions or procedures for the management of the Fund and for providing assistance, had not been prepared by Trustees of the Fund.	
(iii)	In terms of Paragraph 3.5 of the Cabinet Memorandum No.PS/CP/57/2019 dated 18 February 2019, a report on the performance of the Fund during the year under review, had not been prepared and tabled in Parliament under the approval of the Cabinet.	It is agreed with the audit observation. As the said Fund had been indicated under institutions due to be liquidated under the scope of the Ministry of Finance through the Gazette Extraordinary No.2196/27 dated 06.10.2020, performance reports of the Fund relating to the year 2021 were not prepared.	Action should have been taken as per the Cabinet Decision.
(iv)	In terms of Paragraph 3.6 of the Cabinet Memorandum No.PS/CP/57/2019 dated 18 February 2019, the staff necessary for the management of the Fund should be determined, recruited and managed by its Trustees. However, the Trust Fund had not taken action to recruit the staff accordingly.	It is agreed with the audit observation. As the said Fund had been indicated under institutions due to be liquidated under the scope of the Ministry of Finance through the Gazette Extraordinary No.2196/27 dated 06.10.2020, essential staff had not been recruited.	Action should have been taken as per the Cabinet Decision.
(b)	Cabinet Decision No. 403/20/1009/212/017 dated 16 July 2020	The Secretary to the Ministry of Women, Child Affairs and Social Security had been directed to take prompt action to close down the	It is agreed with the audit observation. The Protection of the Children – National Trust Fund has been closed down by now

Protection of the and the balance
 Children – National thereof has been
 Trust Fund and to remit remitted to the
 the balance of the said President’s Fund.
 Fund to the President’s
 Fund and it had been
 decided to close down
 the Protection of the
 Children – National
 Trust Fund as per the
 notification published in
 the Gazette
 Extraordinary
 No.2196/27 dated 06
 October 2020. However,
 action had not been
 taken even by 31
 December 2021 to
 liquidate the said Fund.

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a surplus of Rs.805,654 as compared with the corresponding surplus of Rs.10,773,628 for the preceding year, thus observing a deterioration of Rs.9,967,974 in the financial result. Non-receipt of funds which were received from the National Lotteries Board in the preceding year, to the Fund in the year under review, had mainly attributed to the said deterioration.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The following objectives should have been fulfilled by the “Protection of the Children National Trust Fund”	It is agreed with the audit observation.	Action should have been taken to maximize the utilization of money for achieving the objectives of the Fund.
(i) Providing assistance to the children of the families who are in extreme poverty that are identified through various sources.	As this Fund was indicated under the institutions due to be liquidated under the scope of the Ministry of Finance by the Gazette Extraordinary No.2196/27 of 06.10.2020, funds had not been	
(ii) Assisting for the betterment of the children who are deprived of the parental care and protection	utilized for achievement of objectives of the Protection of the Children - National Trust Fund.	

- (iii) Providing assistance to the economic difficulties found in families due to giving birth to twins or more children at the same time.
- (iv) Assisting the welfare of the children who have been rendered destitute due to abandonment of their parents.
- (v) Providing assistance for wellbeing of the children who have been stricken by physical disabilities by birth or other reasons.
- (vi) Providing support to the children with outstanding skills who are unable to go forward or develop those skills due to their poverty.
- (vii) Providing assistance to the children who are involved in new productions, trials, researches and new innovation and the children with outstanding sports and educational performance.
- (viii) Implementation of “ Foster Parents- Children Programme” for the donors.

However, the balance of the Fund totalling Rs.29,328,799 as at 31 December 2021 had not been used for the above objectives and Rs. 10,329,475 had been retained in the bank current account. A sum of Rs. 18,999,324 had been invested in the fixed deposits.

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| (b) | As per Paragraph (b) 12(ii) of the Cabinet Decision No. 403/20/1009/212/017 dated 16 July 2020, a sum of Rs.5,453,920 received through sale of “Daru Sampatha” lotteries from January 2021 to May 2021 had been remitted to the Consolidated Fund | It is agreed with the audit observation.

As this Fund was indicated under the institutions due to be liquidated under the scope of the Ministry of Finance by the Gazette Extraordinary No.2196/27 of | Action should be taken in accordance with provisions of the Cabinet Decision. |
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without utilizing for achieving the objectives mentioned in Paragraph (a) above.

06.10.2020, funds had not been utilized for achievement of objectives of the Protection of the Children - National Trust Fund.

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| (c) | Fixed deposits worth Rs. 16,500,000 had been opened out of the donations amounting to Rs.17,522,167 received to the Fund in the year 2019. Interest income from those fixed deposits totalling Rs. 830,254 had been received to the Fund by 31 December the year 2021. Nevertheless, the said money had not been utilized to fulfill the objectives of the Fund. | As above | Action should be taken in a manner that fulfills the objectives of the Fund. |
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