

1. Financial Statement

1.1 Qualified Opinion

The audit of the financial statements of the National Child Protection Authority for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance, statement of changes in 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(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 and the Finance Act No. 38 of 1971. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31 December 2022 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 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 evidence I have obtained is sufficient and appropriate to provide a basis for my qualified 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 Authority'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 intend to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial Reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Authority 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 Authority.

1.4 Responsibility of the Auditor on Audit 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:

- 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 the Authority'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 Authority'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 Authority 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 Authority, and whether such systems, procedures, books, records and other documents are in effective operation;

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

1.5 Audit Observations on Preparation of Financial Statements

1.5.1 Internal control over the preparation of financial statements

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

1.5.2 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the Reference to Particular Standard	comment of the Management	Recommendation
----- --- Government capital grants of Rs.32,420,000 received during the year under review had not been recognized and adjusted in the financial statements in accordance with Sri Lanka Public Sector Accounting Standard 11.	----- The matter will be checked and corrected in the future.	----- Financial statements should be prepared in accordance with Sri Lanka Public Sector Accounting Standards.

1.5.3 Accounting deficiencies

Audit Observation	Comments of the Management	Recommendation
----- (a) A sum of Rs. 1,481,639 paid for fixing of aluminium cupboards during the year under review was written off	----- As highlighted by the audit division, these expenses will be capitalized and accounted for.	----- Capital and recurrent expenditure should be properly identified and accounted for.

against profit as a recurrent expenditure instead of being capitalized under property, plant and equipment. As such, the profit of the current year and value of property, plant and equipment was understated by that amount in the financial statements.

- (b) Although the balance of the Revaluation Reserve Account as on 31 December of the year under review should be Rs.135,279,060, due to credit and debit of capital grants of Rs.35,132,366 and amortisation of Rs.3,741,444 incorrectly to the revaluation reserve account respectively, the balance of the Revaluation Reserve Account was understated by Rs.31,390,922. Due to that error, the capital grant account was understated by Rs.35,132,366 and the deferred income account was overstated by Rs.3,741,444 in the financial statements.
- The building belonging to the authority was not completely depreciated at the time of the revaluation. Therefore, this was done with the aim of reducing the problematic situation arising in the amortization of capital reserves compared to the annual depreciation after the revaluation.
- Adjustments only relevant to the revaluation reserve account should be made.
- (c) The accountant, who had been interdicted since 2010 had been reinstated in 2022. Although an amount of Rs.8,781,059 had to be paid as arrears, no provision had been made in the financial statements. Out of the said arrears, a sum of Rs.4,027,143 had been paid during the year under review and adjusted as an expense of the year under review instead of being adjusted to the retained earnings. As such, the deficit of the year was
- As per the instructions of the Board of Directors, a copy of the case related to this officer had been taken and a preliminary investigation had been conducted in the year 2022.
- Adjustments relating to previous years should not be made against the profit of the current year and provision should be made for future liabilities.

over stated by that amount in the financial statement. Further, no allocation was made in the financial statements regarding the arrears of Rs.4,753,916 still to be paid.

1.5.4 Documentary Evidences not made available for Audit

Subject	Amount	Evidence not available for Audit	Comment of the Management	Recommendation
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Retained Profit Account of the National Child Protection Authority	Rs. 1,289,179	Although a sum of Rs.1,289,179 from the profit retained by the National Child Protection Authority was transferred to the National Child Protection Fund, the related information was not submitted to the audit.	It was observed at various times that a problematic situation has arisen in reporting the transactions of the Fund and the Authority, due to preparation of one final account for the main transactions of the National Child Protection Authority and the transactions of the Fund. Due to this issue should not be continued, thus adjustments and corrections have been made.	The reasons for the difference between the retained profit accounts should be specifically identified and accounted for.

1.6 Advances

Audit Observation	Comments of the Management	Recommendation
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Out of the advances issued to the District Secretaries and Divisional Secretaries to implement the programs of the action plan in the year 2022, a sum of Rs. 1,789,090 i.e. 54 percent had not been used and remained idle.	It was not possible to implement the planned programs in the year 2022 due to the delay in sending the bills and arrears money by post to the account section of the head office of the authority, as well as the suspension of the expenses incurred by the public institutions for events by the budget circular 08/2022 and other practical matters.	The management should follow up on the advances given and take appropriate actions to complete the works.

1.7 Non-compliance to laws, rules, regulations and management decisions

The following non compliances with laws, rules, regulations and management decisions are observed.

Reference to laws, rules, regulations -----	Non compliance -----	Comment of the Management -----	Recommendation -----
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 104	Action had not been taken in terms of Financial Regulation on the misplaced laptop identified in the board of survey in 2021.	According to the recommendations of the committee appointed to investigate this matter, the Valuation Department has been directed to submit a valuation report regarding the value of the misplaced laptop. That further work will be done after receiving the report.	Financial Regulations should be complied.
(b) Financial Regulation 371 amended by Public Finance Circular No. 01/2020 dated 28 August 2020	(i) Although an ad-hoc imprest up to a maximum of Rs.100,000 at a time should be given only to staff officers for any specific work, a total sum of Rs.941,900 advances were given in 06 occasions beyond that limit.	These advances are issued to District and Divisional Secretariats in case of unavoidable emergency matters. All departments have been informed to manage such situations and not to give advances exceeding Rs.100,000 in the future.	Financial Regulations should be complied.
	(ii) Although the settlement of given advances should not be delayed beyond 31 December of the financial year in which it was given, total advances of Rs. 2,103,641 given in 107 instances during the year 2022 had not been settled.	In order to minimize this issue in the future, a new system has been introduced with the approval of the board of directors and will be implemented from the year 2023. Accordingly, expected that this problem will not arise in the future.	Financial Regulations should be complied.

2. Financial Review

2.1 Financial Results

The operation result in the year under review had been a deficit of Rs.10,255,584 as compared with the corresponding deficit of Rs. 826,262 for the preceding year, thus observing a deterioration

of Rs.9,429,322 in the financial result. Adjustment of prior year adjustments to the profit of the current year, adjustment of capital expenditure as recurrent expenditure, gratuity provision being a considerable amount in the year under review had mainly attributed to this deterioration.

3. Operational review

3.1 Uneconomical Transactions

Audit observation -----	Comments of the Management -----	Recommendation -----
<p>The data base prepared by the University of Colombo on child abuses at a cost of Rs. 1.2 million in the year 2016 could not be effectively used. Therefore, preparation of a new national data base was handed over to Sri Lanka Telecom in the year 2021 at a total cost of Rs.1,403,255. As such, the amount of Rs. 1.2 million spent for the old data base had become an idle expenditure.</p>	<p>Since the data base given to the authority was a grant from UNICEF, the procurement activities were done by themselves and UNICEF has made the payment of Rs. 1.2 million directly to the University of Colombo. At the end of the efforts made in connection with the use of the data base, due to the emergence of circumstances beyond the control of the authority, the matter was brought to the attention of the board of directors. Accordingly, the decision has been given in the 205th board meeting held on 17.06.2021 to prepare a new data base with Sri Lanka Telecom.</p>	<p>Projects should be implemented in a planned manner and wasting of financial resources should be avoided.</p>

3.2 Under-utilization of Funds

Audit observation -----	Comments of the Management -----	Recommendation -----
<p>The National Child Protection Fund established in the year 2010 to take all necessary actions for the purpose of preventing child abuse and protecting the victims of such abuse and protecting their rights and taking all necessary measures but the money in the fund had not been used for the related purposes since 2018 and,</p>	<p>The top management discussed the utilization of the funds of the National Child Protection Fund for the intended purposes and no opportunity was received to use funds in the year 2022. But a guideline has been prepared to streamline the activities of this fund and the approval of the board of</p>	<p>Action should be taken to utilize the fund to achieve the objectives.</p>

the balance of the fund as of the directors has been taken in the end of the year under review was year 2022.
Rs. 2,905,500.

3.3 Idle or underutilized Property, Plant and Equipment

Audit observation -----	Comments of the Management -----	Recommendation -----
(a) The building belonged to the Mullaitivu District Secretariat, which was verbally assigned to be used by the National Child Protection Authority from the year 2014, had not been used for any purpose till the date of this report and remained idle and a sum of Rs. 865,680 had been spent to obtain the security service during the year under review.	It has been decided to hand over this building to Mulathivu Hospital and to maintain a unit for recording video evidence of abused children in a part of it, but it has not been possible to make recruitments according to the circulars issued in relation to limit public expenditure.	Action should be taken to utilize the building.
(b) A land adjoining to the National Child Protection Authority which was acquired on lease term of 30 years in the year 2016 for a value of Rs. 18,317,757 had not been utilize for any work and remained idle till the date of the report.	It is expected to use these resources efficiently in the future. But even though financial allocations were requested from the ministry for this purpose, allocations were not provided.	Action should be taken to utilize the land.

3.4 Resources Released to Other Organizations

Audit observation -----	Comments of the Management -----	Recommendation -----
Due to the Assistant Manager (Programmes) of the Authority had been released to external agencies for more than 12 years, the tasks to be efficiently performed by this post was hindered.	This officer has reported back to the regular position of the Authority due to the expiry of her tenure. This officer has been released again on 15.09.2022 on the order of the Secretary of the Ministry of Finance, Economic and Stabilization and National	Human resource management should be done properly.

Policy after the re-establishment of that Ministry.

3.5 Human Resource Management

Audit observation	Comments of the Management	Recommendation
<p>The approved cadre of the National Child Protection Authority as of 31 December 2022 was 618 and out of those 287 officers i.e 46 percent were remained vacant. Out of that, 148 vacancies of local child protection officers, who play a vibrant role in child abuse, existed from the year 2021. Accordingly, the existence of such a large vacancy of human resources in the National Child Protection Authority had hindered the performance of the authority's functions.</p>	<p>The positions have become vacant due to the resignation of the officers recruited for the vacant posts and the creating of new posts. Applications have been called for recruitment under special approval, appointment on acting basis and recruitment in 17 vacant posts.</p>	<p>Human resource management should be done properly.</p>

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit observation	Comments of the Management	Recommendation
<p>(a) Action had not been taken to obtain the approval of the Cabinet for the five-year action plan related to the implementation of the National Policy on Child Protection during the year under review, which was approved on 29 October 2019.</p>	<p>The five-year action plan on child protection is currently in its final stage of being forwarded to the Cabinet of Ministers.</p>	<p>Urgent actions should be taken to implement the National Policy on Child Protection.</p>
<p>(b) Out of the complaints received by the National Child Protection Authority from 01 January 2021 to 31 December 2022, 10,691 complaints equal to 47 percent, remained unsolved</p>	<p>Taking final action on a complaint varies according to the nature of the complaint and since the related complaints are not considered as a closed complaint due to the</p>	<p>Action should be taken to resolve pending complaints expeditiously.</p>

and more than 50 percent of the complaints received by the investigation department, psychosocial department and legal department were being investigated. Although 10,497 complaints of abuse and violence were received during the year under review, no final action was taken in respect of 6731 abuses by the end of the year under review.

investigative functions or proceedings of a complaint are not completed, they are being carried forward as complaints under further investigation.

- (c) Although a sum of Rs. 4,000,000 was allocated by targeting 1000 children to provide educational assistance or related assistance to marginal, at-risk, vulnerable and victims of child abuse during the year under review, only a sum of Rs. 1,514,000 was given for 417 children.

Granting of aid under this program is based on the need for educational aid identified in 1929 complaints and only 417 children who received recommendations in this manner had to be directed to this aid in the year 2022.

Action should be taken to provide aid to the targeted beneficiaries as per the action plan.