

National Child Development Fund

1. Financial Statements

1.1 Qualified Opinion

In my opinion, except for the effects at the matters described in paragraph 1:2 of this report, the financial statements give a true and fair view of the financial position of National Child Development Fund as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1:2 Comments on Financial Statements

1:2:1 Accounting Deficiencies

Even though the total interest income on fixed deposits for the year under review amounted to Rs.516,827 it had been brought to account as Rs.447,313 and as such the interest income had been understated by a sum of Rs.69,514. The Interest Income on Fixed Deposits Account in the ledger had not been properly maintained.

1:2:2 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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(a) Manual of Guidelines of the National Child Development Fund – Paragraph 11.1	The Inter-Ministerial Supervision Committee of the Fund should meet at least once a month and should consider the applications received from the children eligible to receive aid. That Committee had met only once in the year under review and at that meeting it was

decided to consider the 153 applications received after the approval of the Child Development Fund Act.

(b) Paragraph 4.4.(b) of the Public Finance Circular No. PF/423 dated 22 December 2006.

The financial statements of the Fund for the years 2010 and 2011 together with the reports of the Auditor General on the financial statements had not been tabled in Parliament within 05 months after the close of the year of accounts.

(c) Letter No. PF/FS/Funds/MA/2/25/05 dated 23 March 2007 of the Director General of the Department of Public Finance

Action had not been taken in accordance with the instructions in the letter to incorporate the Fund by an Act of Parliament. The Secretary reported to me that a draft Act for the National Child Development Fund was prepared and a request was made to the Legal Draftsman. As the decision of the Cabinet of Ministers for that request had lapsed, instructions were received to submit a fresh Cabinet Memorandum. The Department of Legal Draftsman has proposed the preparation of a draft Act for the establishment of a Consolidated Fund as the Trust Fund for the Protection and Development of Early Childhood is also under the purview of this Ministry. A Cabinet Memorandum for that purpose was submitted under the hand of the Minister and that had been approved by the Cabinet of Ministers. But there is no need for consolidating the two Funds as the Parliamentary approval has not been received. Action will be taken in the future for the incorporation as a separate Fund by an Act by submitting again for the approval of the Cabinet of Ministers.

1:2:3 Transactions not Supported by Adequate Authority

The approval of the Inter-Ministerial Sub-committee had not been obtained for the investment of Rs.2 million in fixed deposits maturing annually with effect from 14 August 2009.

2. Financial Review

2:1 Financial Results

According to the financial statements presented, the working of the Fund for the year ended 31 December 2012 had resulted in a deficit of Rs.244,244 as against the surplus of Rs.600,122 for the preceding year, thus indicating a deterioration of Rs.844,366 in the financial results. The decrease of the income from books and the other income by Rs.67,840 and Rs.713,360 respectively during the year under review had mainly affected the deteriorating as financial results.

3. Operating Review

3:1 Performance

The following observations are made.

- (a) The following deficiencies existed in the internal control methodology for the collection of money from the sale of flags issued in connection with the Universal Children's day on 01 March.
 - i. There were two methods of remitting money from sale of flags to the Ministry, that is remitting direct to the Bank Account or to the Ministry.
 - ii. There was no specific methodology for the identification of the money remitted direct to the Bank.

iii. There was no fixed price per flag and as such, there was no methodology to ascertain the total amount collected from the sale of flags.

(b) In terms of paragraph 4(5) of the Manual of Guidelines of the National Child Development Fund, the increase of the targeted amount of the Fund up to Rs.50 million by December 2008 had been the objective . Nevertheless, the value of the Fund as at 31 December 2012 amounted to Rs.6,152,422.

4. Accountability and Good Governance

4:1 Corporate Plan and Action Plan

The Corporate Plan prepared for the years 2008 to 2012 did not include the methodologies relating to the achievement of the objectives of the Fund. An Action Plan for the year under review had not been prepared. As such, a proper evaluation of the objectives expected to be achieved and the actual achievements could not be carried out.

5. Systems and Controls

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. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Income