

Protection of the Children National Trust Fund - 2019

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 2019 comprising the statement of financial position as at 31 December 2019 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 tabled 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 2019, 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 Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). 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 Company 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 Responsibilities 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 Council;
- 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.

The following observations are made.

Reference to laws, rules, regulations etc.	Non-compliance	Comment of the Management	Recommendation
(a) Cabinet Decision No. ୧୦୧/19/0838/101/059 dated 20 March 2019	(i) In terms of Paragraph 3.1 (ii) and (iii) of the Cabinet Memorandum, although the Fund should take action to obtain donations/assistance to the Fund from the donors who provide assistance after registering under the “ Foster Parent-Children” programme, and by conducting various programmes and projects, action had not been taken accordingly.	Since the Protection of the Children National Trust Fund which was functioning under the President’s Office had been assigned under the Ministry of Woman and Child Affairs and Social Security by a notification published in the Extraordinary Gazette No.2153/12 dated 10.12.2019 within very short period of time from the establishment of this Fund, activities of the Fund were not implemented as planned.	Action should be taken in accordance with the provisions of the Cabinet Decision.
	(ii) In terms of Paragraph 3.4 Cabinet Memorandum, the Trustees of the Fund had not prepared systems, provisions or procedures for management of the Fund and for providing assistance even by 31 December 2020.	- Do -	Action should be taken in accordance with the provisions of the Cabinet Decision.
	(iii) In terms of Paragraph 3.5 of the Cabinet Memorandum, although reports on the performance of the Fund for the year 2019 should be prepared and those reports should be tabled in Parliament under the approval of the Cabinet, action had not been taken accordingly.	- Do -	Action should be taken in accordance with the provisions of the Cabinet Decision.
	(iv) In terms of Paragraph 3.6 of the Cabinet Memorandum, although the staff necessary for the	- Do-	Action should be taken in accordance with the provisions of the Cabinet

management of the Fund should be determined by its Trustees and accordingly, recruitment should be made and managed, the Trust Fund had not taken steps to so recruit the staff .

Decision.

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a surplus of Rs. 17,724,917. Since the year under review is the initial year of the Fund, it was not possible to compare the financial result with the preceding year.

3. Operating Review

3.1 Management Inefficiencies

The following observations are made..

Audit Observation	Comment of the Management	Recommendation
(a) The following objectives should have been fulfilled by the “Protection of the Children National Trust Fund”	Since the Fund has been subjected to the Ministry of Women and Child Affairs and Social Security as referred to above, it remained inactive and therefore it had not been possible to use the funds to achieve objectives of the Fund.	Action should be taken to maximize the utilization of funds belonging to the Fund.
(i) Providing assistance to the children of the families who are in extreme poverty that are identified through various resources.		
(ii) Assisting for the betterment of the children who are deprived of the parental care and protection.		
(iii) Providing assistance to the economic difficulties found in families due to giving births 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 economic hardships by birth or other reasons.		

- (vi) Providing supports 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. 17,724,917 as at 31 December 2019 had not been used for the above objectives and Rs.1,022,167 had been retained in the bank current account. Having invested Rs. 16,500,000 in the fixed deposits, interest income of Rs. 202,750 had been earned during the year under review. Nevertheless, those funds had not been utilized for the achievement of the objectives of the Fund.