

Head 148 – Ministry of Development Assignment

1. Financial Statements

1.1 Qualified Audit Opinion

The audit of the financial statement of the Ministry of Development Assignment for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018, the statement of financial performance and cash flow statement for the year then ended, 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. The summary report including my comments and observations on the financial statements of the Office of the Ministry was issued to the Chief Accounting Officer on 8 October 2019 in terms of Sub-section 11 (1) of the National Audit Act, No. 19 of 2018. The Detailed Annual Management Audit Report of the Ministry in terms of Section 11 (2) of the National Audit Act, No. 19 of 2018 was issued to the Chief Accounting Officer on 25 September 2019. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Ministry as at 31 December 2018, and of its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities of the Financial Statements, are further described in the Auditor's Responsibilities section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of Chief Accounting Officer for the Financial Statements

Chief Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for such internal control is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

As per Sub-section 38 (1) (c) of the National Audit Act, the Chief Accounting Officer shall ensure that effective internal control system for the financial control of the Ministry exists and

carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

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 General's summary 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 skepticism 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 Office's internal control.
- Evaluate the structure and content of the financial statements containing the disclosures and the transactions and events that underlie the financial statements in an appropriate and reasonable manner.
- That the transactions and events underlying the structure and content of the financial statements are appropriately and fairly presented when submitting financial statements as a whole.

I communicate with the Chief Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5. Report on Other Legal Requirements

I express the following matters in accordance with Section 6 (d) of National Audit Act, No. 19 of 2018.

Since there was no need for the preparation of financial statements for the preceding year, it could not be stated that the financial statements presented for the year under review were

consistent with the preceding year. Further as a result of that recommendations on the financial statements for the preceding year had not been made.

1.6 **Comments on Financial Statements**

1.6.1 **Presentation of Accounts**

The following observations are made.

Audit observation	Recommendation	Comments of the Chief Accounting Officer
(a) Annual Financial Statements		
<p>Although Annual Financial Statements should be submitted to the Auditor General before 28 February 2019 in accordance with the Public Accounts Circular No. 267/2018 dated 21 November 2018, It had been submitted for audit on 15 May 2019 after a delay of two months and 15 days.</p>	<p>Action should be taken as per Circular provision.</p>	<p>The annual financial statements couldn't be submitted to the due date due to a lack of adequate training personnel, obtaining provisions and allocation of Expenditure Head and not receiving accounting instructions until the end of the year.</p>
(b) Reconciliation Statement on Advance Account to Public Officers		
<p>According to the Public Accounts Circular No. 2017/256 dated 05 July 2017, the Reconciliation Statement of Advance Account to Public Officers No. 14801 should be submitted for audit before 28 February 2019 in accordance with the Public Accounts Circular No. 2018/267 dated 21 November 2018. But it was submitted for audit on 15 May 2019 after a delay of two months and 15 days.</p>	<p>-do-</p>	<p>-do-</p>

1.6.2 Non-compliance with Generally Accepted Accounting Principles

The following observations are made.

Audit observation	Recommendation	Comments of the Chief Accounting Officer
----- Since the Head 148 - Ministry of Development Assignment had repealed by the Gazette No. 2064/26 dated 23 March 2018, transactions relating to the Ministry up to that date have been included in these financial statements. But although a provision of Rs.50 million for settle the expenditure on the newly established Ministry of Project Management, Youth Affairs and Southern Development and further 195 million had given to this Expenditure Head, that situation had not been disclosed in the accounts.	----- All important facts should be disclosed by accounting notes in preparing the financial statements.	----- That the disclosure in this regard is given under Form ACA-2 (ii) of the Financial Statements.

1.6.3 Non-compliance of Financial Statement with Circular Provisions

The instances not acted in accordance with the Public Accounts Circular No. 267/2018 dated 21 November 2018 were as follows.

Audit observation	Recommendation	Comments of the Chief Accounting Officer
----- (a) The reserves had not been included under Net Assets equivalent to the value of the Property, Plant and Equipment included in the Statement of Financial position as per Paragraph 7 (IV) of the Circular.	----- Should act in accordance with the circular instructions.	----- That the net assets/equity related to the Treasury had shown under the net assets.
(b) According to paragraph 7 (VI) of the circular, a cash imprest adjustment account had not been prepared and submitted with the financial statements.	-do-	A reconciliation statement for reconciling the amount should be settled to the Treasury at the end of the year that had shown according to form ACA-3.

1.6.4 Statement of Financial Performances

The following observations are made.

Audit observation	Recommendation	Comments of the Chief Accounting Officer
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(a) The advances of Rs.50 Million had received from the Contingencies Fund to meet the expenditure of the Ministry of Project Management, Youth Affairs and Southern Development and project management had been incurred as at end of the year under review. Although action should be taken to settle it promptly by approving a supplementary estimate for this advance through Parliament in accordance with Article 151 of the Constitution and the F.R. 78 (a) (3), it had not been settled by May 2019. As a result, the amount spent had not included in the accounts for the year under review. Further, these advances have been shown as cash received from the Treasury without being recognized as non-income receipts.	Since the cash advances receipts from Contingencies Fund are being received across the General Deposit Account that value should be accounted for as receipt of general deposits.	That the amount received into the General Deposit Account under the Contingencies Fund is not shown as a deposit in the financial performance statement, provision for accounting for expenditure incurred by the Contingencies Fund, which can be shown at the time of accounting.
(b) Although according to the Treasury books, the total receipts of Public Officers' Advance Account for the year under review were Rs.3.52 million and payments were Rs.9.16 million, the sum of Rs.2.67 million and Rs.6.01 million respectively was understated due to the shown its as 0.85 million and Rs.3.15 million in the Financial Performance Statement.	All monies recovered by the Ministry to the Advance Account of the Public Officers and directly charged to the Head of Expenditure by the Treasury should be stated in the Financial Performance Statement as advance receive.	A sum of Rs.2,667,194 has not been received in cash and that it's just a cross entry between accounts, the Financial Performance Statement stated that only money received, that the details are given in the ACA-05 Form.

1.6.5 Statement of Financial Position

The following observations are made.

Audit observation	Recommendation	Comments of the Chief Accounting Officer
(a) Although the value of Property, Plant and Equipment for the year under review was Rs.3.84 million, it had not been compared with the Treasury books.	Regarding all fixed assets should be reported to the General Treasury.	Failure to account for these values for that year was not observed in the Treasury books because the Head was not reserved.
(b) The fixed assets valued at Rs.1.72 million included in the Ministry's Fixed Asset Register and the fixed assets currently in use that had been assigned to this Ministry by other institutions had not been included in the financial statements.	The value of all fixed assets belonging to the institution should be assessed and disclose in the accounts.	The relevant transactions had not been accounted due to lack of instructions were received for accounting until the end of the year 2018.

1.6.6 Cash Flow Statement

The following observations are made.

Audit observation	Recommendation	Comments of the Chief Accounting Officer
Although the change in the net cash flow should be zero, it had been stated as Rs.51.14 million.	Cash Flow Statement should be prepare correctly.	The provisions were not made for documented the relevant expenditure on money given from the Contingencies Fund.

1.6.7 Deposits Receipts and Payments

The following observations are made.

Audit observation	Recommendation	Comments of the Chief Accounting Officer
(a) Other deposit payments of Rs.336,441 and receipts of Rs.196,889 of other deposits not	Receipts and payments related only to the General	The opening of a General Deposit Account is a practical problem due to

related to the General Deposits Account relevant to receipts from the Contingencies Fund for the expenditure of the Ministry of Project Management, Youth Affairs and Southern Development had been included in that deposit account.

Deposit Account should be included.

provisions were not allocated on it and lack of a Head to the Ministry of Youth Affairs, Project Management and Southern Development. So that a deposit account couldn't be opened.

(b) A sum of Rs.0.14 million had been paid in excess of receipts due to the total receipts in the General Deposit Account for the year under review amounted to Rs.50.19 million and payments were Rs.50.33 million.

The payments should be made only an equal amount of receipts in the General Deposit Account.

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1.6.8 Imprest Balance

The following observations are made.

Audit observation

Recommendation

Comments of the Chief Accounting Officer

Although an imprest balance of Rs.1.18 million had been settled to the Treasury at the end of the year under review, it had been mentioned as a balance further to be settled.

Should be arranged by comparing with Treasury books

The Treasury Printouts indicate amounts payable as at 31 December 2018 and that it had been settled on 31 December 2018.

1.6.9 Non-compliance with Tax Requirements

The following observations are made.

Audit observation

Recommendation

Comments of the Chief Accounting Officer

In terms of Section 84 of the Inland Revenue Act No. 24 of 2017, Withholding tax on service charges and contract payments after 01 April 2018 should be remitted to the Commissioner General of Inland Revenue by deducting 10 per cent. However, the entire amount had been paid without deducting a sum of Rs.2.56 million on payments

Action should be taken in terms of Section 84 of the Inland Revenue Act No. 24 of 2017.

Since Section 84 of the Inland Revenue Act No. 24 of 2017 does not mention the withholding tax deduction for financial leasing facilities, such Withholding tax deduction is not required in relation to the above service agreements.

related to 03 service agreements.

2. **Financial Review**

2.1 **Expenditure Management**

The following observations are made.

Audit observation	Recommendation	Comments of the Chief Accounting Officer
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The total amount of Rs.39.14 million of allocated provision comprising as Rs.35.61 million totalling in the range of 5 per cent to 100 per cent relevant to 28 recurrent expenditure codes and Rs.3.52 million totaling in the range of 41 per cent to 100 per cent relevant to 05 capital expenditure codes had not been utilized. The savings amounted to 28 per cent of the total net provision.	Action should be taken to allocate provisions as planned.	Failure to proper management of expenses as expected.

3. **Operational Review**

3.1 **Non-achievement of Expected Output Level**

The following observations are made.

Audit observation	Recommendation	Comments of the Chief Accounting Officer
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A provision of Rs.1,000 million had been allocated by the 2018 Budget under the Lagging Area Development Program and Rs.476 million or 48 per cent only had been approved for granted. Accordingly, 289 projects were planned to be implemented in 11 District Secretariats. Although the Ministry of Development Assignment was abolished from March 2018, these projects were continued by the Ministry of Project Management, Youth Affairs and Southern Development until the end of the year under review. Only 115 projects had been implemented by the end of	Action should be taken to complete all the projects planned to be completed by the end of the year under review.	Although the provision of Rs.1,000 million was allocated during the year 2018, allocation for the programme was limited to Rs.500 million according to the oral instructions provided by the Department of National Budget. Accordingly, 287 projects at a cost of Rs.475.84 million for 11 Districts had been approved and only 118 projects had been implemented and the overall financial progress of the project was Rs.248.69 million due to the financial progress as at 31 December 2018 amounted to Rs.121.97 million and the bills in

the year under review and the 174 planned projects had failed to be implemented. As per the progress report at the end of the year under review, the financial progress of the projects implemented was Rs.123 million and it was only 26 percent of the money approved.

hand and the projects contracted as pending approval were Rs.126.72 million at that time.

3.2 Assets Management

The following observations are made.

Audit observation	Recommendation	Comments of the Chief Accounting Officer
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The 04 fax machines valued at Rs.112,240, 06 computer printers valued at Rs.124,740 each and a television valued at Rs.79,500 had purchased in the months of July and October during the year under review had been remained idle in the store even as at May 2019.	The need should be identified and purchased and steps should be taken to issue them wherever necessary without delay	Steps will be taken to issue these inventory goods to the requesting units.

3.3 Securities of Government Officers

The following observations are made.

Audit observation	Recommendation	Comments of the Chief Accounting Officer
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According to the Financial Regulations 880, no securities had been deposited by the officers required to give securities of the Ministry.	Action should be taken as per provisions of the Financial regulation No.880	It has been noted that the actions on obtaining securities will be completed in the future from the officers who required to give securities.

3.4 Management Weakness

The following observations are made.

Audit observation	Recommendation	Comments of the Chief Accounting Officer
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(a) Although 18 drivers had been assigned to the Youth Affairs Division under the	Employees should be recruited only on	Drivers were recruited as there were vacancies in

Ministry of Project Management, Youth Affairs and Southern Development, at that time the division had only 06 vehicles. The sum of Rs.903,972 had been paid only as salaries in the months of November and December 2018 for 12 drivers.

the basis of the service requirements.

the driver's approved Cadre of the Ministry of Project Management, Youth Affairs and Southern Development

- (b) 06 vehicles which had been assigned to the Ministry of Development Assignment by other government agencies and subsequently used by the Ministry of Project Management, Youth Affairs and Southern Development had not been taken over from the relevant institutions.
- Action should be taken to clear ownership of vehicles.
- That it had not been taken over by the Ministry.

4. **Achievement of Sustainable Development Goals**

The following observations are made.

Audit observation	Recommendation	Comments of the Chief Accounting Officer
----- In terms of the United Nation's "2030 Agenda for Sustainable Development", staff were unaware of how the Ministry should act on its scope.	----- The Ministry should plan the activities to achieve the targets according to the relevant "Agenda".	----- According to the United Nations' Agenda for Sustainable Development, every officer had made aware of the role of the Youth Affairs Division and had been assigned lists of duties relating to achieving the Sustainable Development Goals.

5. **Good Governance**

5.1 **Internal Audit**

The following observations are made.

Audit observation	Recommendation	Comments of the Chief Accounting Officer
----- The Ministry had not prepared an internal audit plan for the year under review in terms of Management Audit Circular No. DMA / 2009 (I).	----- Should act in accordance with the circular provisions.	----- That it was not possible to prepare an audit plan.

5.2 **Audit and Management Committees**

The following observations are made.

Audit observation

Recommendation

**Comments of the Chief
Accounting Officer**

Although according to the Management Audit Circular No. DMA / 2009 (I) and DMA / 2009 (I)(i) 04 audit and management committee meetings were to be held per year, only one meeting had been held for the year 2018.

Action should be taken in accordance with the circular provisions.

That audit committee meetings couldn't be conducted.