

Head 333 - Comptroller General's Office

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the Comptroller General's Office for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and 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 Comptroller General's Office was issued to the Accounting Officer on 30 May 2019 in terms of Sub-section 11 (1) of the National Audit Act, No. 19 of 2018 and the Detailed Annual Management Audit Report in terms of Section 11 (2) of the National Audit Act was issued to the Accounting Officer on 30 May 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 financial statements give a true and fair view of the financial position of the Comptroller General's Office as at 31 December 2018, and of its financial performance and cash flows 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, 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 opinion.

1.3 Responsibilities of Chief Accounting Officer and Accounting Officer for the Financial Statements

Chief Accounting Officer and Accounting Officer are 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 as Chief Accounting Officer and Accounting Officer determine 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 Office 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 Office 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 the summary report of the Auditor General 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 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 appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- 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.

I communicate with the 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) and Section 38 of National Audit Act, No. 19 of 2018.

- (a) 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.
- (b) Since there was no requirement for the Comptroller General's Office to prepare financial statements for the preceding year, recommendations on the financial statements had not been made.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Position

The following observation is made.

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|---|--|--|
| ----- | ----- | ----- |
| <p>The value of property, plant and equipment amounting to Rs.468,385 which purchased during the year under review and the value of opening non-financial assets had not been shown in the statement of financial position after having established a reserve. Further, these purchases and opening assets had not been included in the format ACA-6 presented along with the financial statements.</p> | <p>Necessity of proper accounting of the assets purchased.</p> | <p>When accounting the opening fixed assets of the year 2018 and fixed assets purchased during the year, the Department of State Accounts had taken action to eliminate the said values from the accounts due to a technical issue. Action has been taken to prepare annual final accounts upon the certification made after eliminating from accounts and I inform that action has already been taken to include those assets which eliminated by the Department of State Accounts, in the accounting system.</p> |

2. Financial Review

2.1 Revenue Management

The audit observations revealed on the preparation of revenue estimates are given below.

Audit Observation**Recommendation****Comments of the Accounting Officer**

 According to the Asset Management Circular No.2/2018 dated 26 April 2018 of the Comptroller General, information for revenue estimates of the year 2019 and revised estimates of the year 2018 should have been furnished before 15 June 2018. Nevertheless, information of 07 institutions had been furnished after that date. As a result, the said information had not been included in the revenue estimates presented to the Department of Fiscal Policy by the Comptroller General.

 Necessity of formulating a proper methodology to gather relevant information from institutions.

 I inform that it was noted to make aware the institutions which do not submit the information on due date in terms of circular provisions.

2.2 Management of Expenditure

 The following observations are made.

Audit Observation**Recommendation****Comments of the Accounting Officer**

 (a) Savings out of the net provision relating to 04 capital Objects and 09 recurrent Objects ranged from 20 per cent to 100 per cent.

 Necessity of taking action for the maximum utilization of provisions made by the annual budget estimate.

 I inform that the reasons for savings of recurrent Objects in financial statements presented by the Comptroller General's Office were the failure to fill the approved cadre of this Department established under a separate Head from 01 January 2018 and action taken by the Accounting Officer in the management of expenditure with due regard to economy and efficiency.

(b) It was observed that the entire estimated provision of 04 capital Objects amounting to Rs.16,700,000 had been saved without being utilized and it represented

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95 per cent or
Rs.17,120,416 of the total
capital estimated
provision.

3. Operating Review

3.1 Failure to perform the Functions

The following observation is made.

| Audit Observation | Recommendation | Comments of the Accounting Officer |
|--|---|---|
| ----- | ----- | ----- |
| <p>Action had not been taken in the year under review to issue necessary instructions on the assets purchased and disposed by each institution in terms of paragraph 07 of Asset Management Circular No.01/2017 of 28 June 2017.</p> | <p>Necessity of issuing relevant instructions as per circular provisions.</p> | <p>The Asset Management Circular No.01/2017 of 28 June 2017 was issued giving instructions for the preparation of a data system on non-financial assets in Government institutions. Data systems or registers on non-financial assets had not been properly maintained in many Government institutions and as such, it was informed to get the information on non-financial assets. Further, the formal preparation of an information system on assets was planned and I inform that instructions were not given as stated in the circular and moreover, the information on purchases and disposals should be updated after preparing the data system properly.</p> |