

Head 6 – Public Services Commission

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Public Services Commission 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 and a summary of significant accounting policies and other explanatory information, 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 to be 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 Public Services Commission was issued to the Chief Accounting Officer on 28 May 2019 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report related to the Commission was issued to the Chief Accounting Officer on 21 May 2019 in terms of Section 11 (2) of the National Audit Act No. 19 of 2018. 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 Public Services Commission as at 31 December 2018, and of its financial performance and its 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 qualified opinion.

1.3 Responsibility of the Chief Accounting Officer in relation to the Financial Statement

The 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 the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Commission is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable the preparation of annual and periodic financial statements.

In terms of Sub-section 38 (1) (c) of the National Audit Act, the Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Commission 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'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 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 Commission's internal control.
- 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.
- At the overall presentation of Financial Statement, the structure and content of the Financial Statement represent the underlying transactions and events in a manner that, achieves fair presentation, 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 and Regulatory 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 by the Public Service Commission for the preceding year, it could not be stated that the financial statements for the year under review presented was consistent with the preceding year.
- (b) Since there was no requirement for the Commission to prepare financial statements for the preceding year, no recommendations had been made with regard to the financial statements for the preceding year.

1.6 Comments on Financial Statements

1.6.1 Financial Performance Statement

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
(a) It had been shown Rs.1,290,170 by reducing an amount of Rs.5,705,722 instead of accounting the collection of Rs.6,995,892 collected on behalf of other Revenue Accounting Officers according to the paragraph 3.1 of the State Accounts Circular No.267/2018 dated 21 November 2018, had been accounted as other receipts that received from the General Treasury as a part of the imprest in the Financial Statements.	Action should be taken in accordance with the Circular.	Rs.6,995,892 of other receipts while recording a sum of Rs.1,290,170 were recorded.
(b) According to the monthly summaries presented to audit, the imprest Rs.308,970,000 received from the Treasury, which had been shown as Rs.310,782,720 by increasing a sum of Rs.1,812,780.	Action should be taken in accordance with the Circular.	Incorrectly, the receipts from other sources and the Treasury imprests are listed as a combination.
(c) Based on the above observation, the imprest account balance of the Financial Performance Statement is Rs.740,193 which was shown in the Financial Performance Statements as Rs.3,152,809 resulting a disadvantage balance.	Action should be taken in accordance with the Circular.	Observation accepted.

1.6.2 Financial Position Statement

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
(a) Instead of accounting the non-financial assets of Rs.704,601,823, it had been shown Rs.358,342,271 by reducing Rs.346,259,552.	Action should be taken according to the instructions of the State Accounts Circular No. 267/2018 dated 21 November 2018.	No answers were submitted.
(b) The value of official building Rs.541,863,871 had been shown as Rs.264,169,319 in the non-financial assets statement.	-Do-	Steps will be taken to rectify the value of Rs.541,863,871 of which the correct value of the office building.
(c) Even though the value of Transport Equipment shown in the statement of non-current assets as Rs.523,690, the total value of the vehicles had been amounted to Rs.68,565,000.	-Do-	I will take action to correct the correct value to be reported under transport equipment which is Rs.69,088,690.
(d) Two instalments amounted to Rs.956,761 paid in 2018 with regard to 4 vehicles had been obtained on Finance lease basis. The value of that premium was not included in the statement of financial statement under lease assets.	Action should be taken according to the instructions of the State Accounts Circular No. 267/2018 dated 21 November 2018.	The CIGAS software not provided facilities to show the total value with regard to those 4 vehicles under lease assets.
(e) A loan of Rs. 231,980 was given in 2018 but the details were not recorded in the Members Loan Register (CC10)	The Member Loan Register should be maintained properly.	It was advised to account the loan balance.
(f) The credit balance of Rs.138,836 as at 31 December 2017 was recorded as Rs.117,008 in the members loan register as at 01 January	Loan balances should be recorded accurately.	By mistake the balance is understated.

2018.

- | | | | |
|-----|--|--|---|
| (g) | The loan balance of a lady officer amounted to Rs.188,495 had been transferred to the Ministry of Higher Education and Cultural Affairs in 2018 August was not settled even by 31 December 2018. | Action should be taken in terms of the paragraph 1.1.6 of the National Budget Circular No.118 dated 11 October 2004. | Informed to the relevant Ministry to settle same. |
| (h) | The loan balance of Rs.175,261 belongs to an officer had settled according to the Debtors/ Creditors balance settlement register, but the loan amount was shown under the receivable loan balance. | The register should be properly updated. | It was advised to correct the fault. |

1.6.3 Cash Flow Statement

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
-----	-----	-----
(a) Accounting to the monthly summaries presented to audit the non-revenue receipts were Rs.316,228,740. But it had been shown as Rs.310,782,740 by reducing Rs.5,446,020.	Receipts should be accounted in terms of the State Accounts Circular.	I will correct the reporting errors that occurred in preparing the financial statements.
(b) Deposit payment Rs.10,876,218 had not been stated in the amount spent on operating activities cash flow.	Should be accounted in terms of the State Accounts Circular.	I will correct the reporting errors that occurred in preparing the financial statements.
(c) Rs.8,220,827 was not stated in the cash flow statement generated by investing activities.	Should be accounted in terms of the State Accounts Circular.	I will correct the reporting errors that occurred in preparing the financial statements.

- | | | | |
|-----|---|--|--|
| (d) | Advance payment
Rs.14,765,624 had not been stated in the cash flow of amount spent on investing activities. | Should be accounted in terms of the State Accounts Circular. | I will correct the reporting errors that occurred in preparing the financial statements. |
| (e) | Even though, the cash and cash equivalent amount had not been shown in the statement of financial position, that balance was shown in the cash flow statement as a disadvantage balance of Rs.15,175,362. | Should be accounted in terms of the State Accounts Circular. | I will correct the reporting errors that occurred in preparing the financial statements. |
| (f) | An opening cash balance of Rs.243,892 was indicated as at 01 January 2018, but according to the Imprest Account there was no such opening cash balance as at that date. | Should be accounted in terms of the State Accounts Circular. | Caused by mistake. |

1.6.4 Non-compliance with Laws, Rules and Regulations

The non-compliances with provisions of Laws, Rules and Regulations that were observed at audit test checks are analysed below.

Reference to Laws, Rules and Regulations -----	Observation ----- Non-compliances	Recommendation -----	Comments of the Chief Accounting Officer -----
(i) Financial Regulations of the Democratic Socialist Republic of Sri Lanka -----	Financial Regulation 1647	No Annual Board of Survey had been conducted with regard to vehicles.	Action should be taken in accordance with the Financial Regulations. No separate survey had been conducted on vehicles and I will be conducting the survey from next year.

(ii) **Public Administration Circulars**

Paragraph 3.1 and 3.3 of the Circular No.30/2016 dated 29 December 2016.

Fuel consumption tests were not carried out.

Action should be taken according to the Circular.

It is planned to conduct the fuel tests at the end of the year and maintain records thereafter.

(iii) **Public Finance Circular**

- Paragraph 3.1 of the Circular No.05/2016 dated 31 March 2016.

The Board of survey report for the year 2017 had been submitted to the Auditor General about 11 months after the due date. The report for 2018 too had not been submitted on due date.

All assets should be identified and accounted for in accordance with the State Accounts Circular No. 267/2018 dated 21 November 2018.

Since the report was delayed as a result of shift of the office to a new building and the relevant goods were kept in different sections and taken time to sort the same. The preparation of the 2018 report is in the final stage.

- Paragraph 12 of the Circular No. 02/2015 dated 10 July 2015

The report on vehicle abuse with regard to vehicle abused had not been submitted to the Auditor General before 30 June 2018.

Action should be taken in terms of the Circular.

It was advised to submit to audit.

2. Financial Review

2.1 Expenditure Management

Following observations are made in this regard.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
Excess provision had been made for 03 capital objects and hence savings had been ranged between 19 per cent to 87 per cent after utilization of the provision made available.	Estimate should be prepared for the accomplishing the provision stated in the Financial Regulation 50.	Provisions were left due to non-repairs of equipment, cancellation of planned training programs and insufficient funds.

3. Operational Review

3.1 Planning

Following observations are made in this regard.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
Organization structure of the institution, approved cadre and the existed cadre, annual imprest requirement plan, internal audit plan, expected output of the activities etc. had not been included to the Action Plan in terms of the Public Finance Circular No.2014/01 dated 17 February 2014.	Information should be included to the Action Plan in accordance with the Circular.	By mistake the relevant information had not been included to the Action Plan.

3.2 Annual Performance Report

Following observation is made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
-----	-----	-----
The Annual Performance Report 2018 presented only the details of the work performed. Sufficient information to compare the action plan and its performance was not submitted to the audit.	The achievement of the performance according to the Action Plan had to be compared and submitted.	No. (submitted with answer)

3.3 Asset Management

Following observations are made in this regard.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
-----	-----	-----
(a) In the case of a change of custody of vehicles, inventory handover or receipt information was not included in the vehicle log entry books.	Vehicle log entry books should be updated and maintained.	Logging in the log book is missing. In the future, it will be corrected by logging in the log book.
(b) As per the directions of the Department of National Budget, the Commission did not maintain a separate register for vehicles purchased under the Finance Lease method.	Had to comply with the instructions of the Department of National Budget.	Action will be taken to maintain a register.

3.4 Management Inefficiencies

Following observation is made.

Audit Observation

Recommendation

Comments of the Chief Accounting Officer

The new building of the Commission was established in February 2018, but the conformity certificate for that building had not been obtained even by 21 May 2019.

Action has to be taken to obtain the conformity certificate.

As a result of changes to be made to the fire protection system, obtaining the conformity certificate was delayed.