

## Head 23 – Audit Service Commission

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### 1 Financial Statements

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#### 1.1 Qualified Opinion

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The audit of the financial statement of the **Audit Service 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, 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 **Audit Service Commission** was issued to the Chief Accounting Officer on 31 May 2019 in terms of Section 11 (1) of the National Audit Act, No. 19 of 2018, and the Detailed Annual Management Audit Report relating to the **Commission** in terms of Section 11 (2) of the National Audit Act, No. 19 of 2018 was issued to the Chief Accounting Officer on 11 June 2019. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution 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 Paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the **Audit Service 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 Standards.

#### 1.2 Basis for Qualified Opinion

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I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAS). 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 Responsibilities of Chief Accounting Officer and the Accounting Officer for the Financial Statements

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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 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.

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

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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:

- 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 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 Chief Accounting Officer regarding, significant audit findings, any significant deficiencies in internal control and other matters that I identify during my audit.

## 1.5 Report on Other Legal and Regulatory Requirements

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I express the following matters in accordance with Section 6 (d) and Section 38 of the National Audit Act, No. 19 of 2018.

- (a) Since there was no need to prepare 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 Commission to prepare financial statements for the preceding year, recommendations on the financial statements had not been made.

## 1.6 Comments on Financial Statements

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### 1.6.1 Non-compliance of Financial Statements with Provisions of Circulars

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The financial statements should have been prepared in accordance with State Accounts Circular, No. 267/2018, dated 21 November 2018. However, instances of deviations from such requirements are as follows.

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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(a) When accounts are presented in accordance with Section 3.2 of the said Circular, all the values should be reported to the nearest rupee value.	Instructions of the Circulars should be followed.	Although it was stated in the State Accounts Circular, No. 267/2018, that values should be reported to the nearest rupee value when presenting accounts, the values have been reported to the nearest value of fifty cents in this year as in the preceding year by mistake. Action will be taken to prepare accounts with values reported to the nearest rupee value from the ensuing year.
(b) Although the Secretary certified	the Instructions of the Circulars should be followed.	Happened by mistake. Action will be taken to rectify in due course.

accounts in terms of Section 4.2 of the said Circular, it was not stated as being done by the Chief Accounting Officer.

#### 1.6.2 Statement of Financial Performance

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
<p>A revenue code had not been named in regard to a Revenue Accounting Officer under the Audit Service Commission. The Audit Service Commission had collected a sum of Rs. 590,979 in the year under review under 03 revenue codes pertaining to other Revenue Accounting Officers. The said receipts should have been shown under non-revenue receipts in terms of Section 7(ii) of the State Accounts Circular, No. 267/2018, dated 21 November 2018. However, it had not been so done.</p>	<p>Instructions of the Circulars should be followed.</p>	<p>As the Audit Service Commission is an institution established recently, there exists no precedents. Hence, the revenue collected by the Audit Service Commission on behalf of the Director, Treasury Operations, that had been classified as revenue codes in the trial balance, was shown as receipts of revenue. It is noted that the said value will be shown as other receipts in the ensuing year.</p>

## 1.6.3 Statement of Financial Position

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
A balance of Rs. 6,606,589 had been shown as at 31 December 2017 in the Property, Plant and Equipment account shown in the statement of financial position prepared for the year under review. However, according to the ACA Format, the said balance amounted to Rs. 6,696,588 thus observing a difference of Rs. 89,999 in the opening balance.	The values shown in the account should always tally with that of the totals shown in the relevant schedules.	The balance in the statement of financial position as at 31 December 2017 had been misprinted as Rs. 6,606,589, and the correct balance had been shown in the ACA-6 Format. The balance shown in the statement of financial position as at 31 December 2018 had been prepared based on the correct balance of Rs. 6,696,588 shown in the ACA-6 Format as at 31 December 2017. As such, the balance in the statement of financial position had been prepared correctly.

## 1.6.4 Balance of the Advance Account

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
A total of Rs. 6,482,950 should have been shown as payment of advances in the statement of financial performance comprising sums of Rs. 3,886,364 and Rs. 2,596,586 as lease rent advances and payment of advances to public officers respectively.	According to State Account Circular, No. 267/2018, information on the computers of the Treasury, should be included in the accounts.	As mentioned in (i) and (ii), the difference of Rs. 648,246 shown under receipts and payments of advances in the statement of financial performance, had occurred under the Government Officers Advance B Account.

However, that sum had been shown as Rs. 5,834,704 thus observing a difference of Rs. 648,246.

#### 1.6.5 Imprest Balance.

----- Audit Observation -----	Recommendation -----	Comment of the Chief Accounting Officer -----
According to the summary of accounts, and computer printouts of the Treasury, the sum received from other sources amounted to Rs. 82,173, but the same amounted to Rs. 152,250 as per ACA-3 Format presented along with the accounts. Accordingly, a difference of Rs. 70,077 was indicated, and that difference was observed to have been caused by the monies received from the settlement of sub-imprests.	According to the State Accounts Circular, No. 267/2018, the values should always tally with the computer printouts of the Treasury. In case of a difference, remedial action should be taken.	The value of monies received from other sources shown in the imprest account, had been obtained considering the receipts in the cash book including settlement of sub-imprests. The monies received in the settlement of sub-imprests, had not been included in the monies received from the other sources shown in the summary of accounts and the computer printouts of the Treasury. It is that value which is shown as Rs. 70,077.  Receipts of monies , as well as payments have been shown in the ACA-3 Format. The payments therein includes the payment of imprests. As such, the said difference had not affected the account balance.

## 2. Financial Review

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### 2.1 Management of Expenditure

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Audit Observation -----	Recommendation -----	Comment of the Chief Accounting Officer -----
(a) The savings in the Object, No. 23-2-1-0-1002, overtime payment and holiday pay, and Object, No. 23-2-1-0-1101, local travel expenses, had been 89.64 per cent and 93 per cent respectively.	Provision should always be made based on the requirement.	Estimates had been prepared in mid 2017. Accordingly, the staff requirement of the Audit Service Commission should be fulfilled through the Ministry of Public Administration, and requests had been made from time to time in that connection, but officers had not been assigned. As such, the estimated provision could not be utilized. Although estimates had been prepared by identifying the requirements, the relevant expenses could not be incurred due to reasons beyond scope of the Audit Service Commission.
(b) The saving of provision relating to 09 Objects, ranged between 15 per cent to 81 per cent.	Provision should always be made based on the requirement.	Apart from the delay in implementing the National Audit Act, the expected staff had not been provided despite the requests made to the Ministry of Public Administration, thus resulting in the saving of provision.

### 3. Operating Review

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#### 3.1 Procurements

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The following observations are made.

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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(a) According to the Guidelines 4.2.1 (a), and (b) of the Procurement Guidelines, procurement activities envisaged at least for a period of three years should be listed in the Main Procurement Plan. However, the Commission had not done so.	When a procurement is envisaged for obtaining goods or services under a recurrent Object, as well as the acquisition of capital assets, the information in that connection should also be included in the Procurement Plan.	The Main Procurement Plan will be prepared in due course including the envisaged procurements.
(b) According to Procurement Guideline 4.2.1, all the procurements envisaged for the ensuing year should be included in the Procurement Plan. However, the Procurement Plan prepared by the Commission included only the acquisition of capital assets	When it is envisaged to procure goods or services under recurrent Objects, as well as acquisition of capital assets, information in that connection should also be included in the Procurement Plan.	Procurement Plans have so far been prepared only for the acquisition of capital assets. As it is not clear as to how a Procurement Plan should be prepared with respect to recurrent items, it is expected to seek instructions thereon.



whereas information relating to the goods and services expected to be procured under recurrent expenditure had not been included therein.

3.2 Securities of the Government Officers

----- Audit Observation -----	Recommendation -----	Comment of the Chief Accounting Officer -----
In terms of Financial Regulation 880, officers who are administratively responsible for, or who under delegation are entrusted with, the receipt or custody of public money, revenue stamps, or stores, or the disbursement of public money or the issue of stamps or stores and those who certify vouchers or sign cheques on Government account will be required to give security in accordance with the Public Officers (Security) Ordinance (Cap. 612) for the faithful discharge of their duties. Nevertheless, none of the officers of the Commission had given	Action should be taken in terms of Financial Regulation 880.	It is noted to take action in due course.

securities.