

Head-329- Department of Information Technology Management

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of Information Technology Management 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 containing my comments and observations on the financial statements of the Department of Information Technology Management was issued to the Accounting Officers on 31 May 2019 in terms of Section 11 (1) of the National Audit Act No. 19 of 2019. The Annual Detailed Management Audit Report relevant to the Department was issued to the Accounting Officer on 31 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 Department of Information Technology Management 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 and the Accounting Officer for the Financial Statements

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 Department 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.

In terms of Sub-section 38 (1) (c) of the National Audit Act, the Chief Accounting Officer and the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department 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 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 Department'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) of National Audit Act, No. 19 of 2018.

Since there was no requirement to prepare financial statements for the preceding year, the financial statements of the year under review could not be compared with that of the preceding year and therefore, recommendations on the financial statements of the preceding year are not presented in this report.

1.6 Comments on Financial Statements

1.6.1 Non-compliance with Provisions in Circulars

Although financial statements should be prepared in terms of State Finance Circular No.267/2018 dated 21 November 2018, instances of deviating from those requirements are given below.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Even though a difference of Rs.13,391,777 was observed between the balance stated in the Non-current Assets Movement Report as at 31 December 2017 and the balance of the non-current assets stated in the Statement of Financial Position as 01 January 2018, action had not been taken to reconcile that difference by recognising the reasons thereon.	The difference of the value of each asset brought forward should be recognized and action should be taken to reconcile that difference by citing reasons therefor.	Observation is correct. There was a difference of Rs.13,391,777 between the balance stated in the Non-current Assets Movement Report and the balance of the non-current assets stated in the Statement of Financial Position. The above difference was corrected and the value of non-financial assets of the year 2018 has been stated.
(b) The fixed assets which had been reported as Rs.29,680,827 as at 31 December 2018, had not been reported to the Treasury through the Zigas Programme.	Action should be taken to account the fixed assets under the Zigas Programme at the relevant instance.	Reported.

1.6.2 Statement of Financial Performance

The following observations are made

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) A difference of Rs.9,133 was observed between the value of other receipts of the Statement of Financial Performance and the value stated in the schedule and the reasons for the above difference had not been ascertained.	Action should be taken to recognize reasons for the difference and make reconciliations.	Observation is correct. The sum of Rs.9,133 had been omitted owing to a documenting error. Since that amount has been reported by cross entries, it has been included in the accounts as cross entries.

2. Financial Review

2.1 Imprest Management

The following observation is made

Audit Observation	Recommendation	Comments of the Accounting Officer
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It had been planned to request imprests of Rs.272.2 million during the year 2018, whereas imprests of Rs.402.5 million had been requested. The Treasury had issued only an imprest of Rs.129.8 million. Accordingly, it was observed that the Department had not correctly planned the required amount of imprest.	Action should be taken to properly plan and effectively manage the imprest.	Not commented.

2.2 Expenditure Management

 The following observations are made

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Overprovisions had been made for the capital and recurrent expenditure and therefore, savings after the utilization of provisions had been 89 per cent and 50 per cent respectively of the net provisions made.	Annual budget estimates should be prepared as realistically as possible.	Observation is correct.
(b) A sum of Rs.3.08 million had been transferred through F.R.66 for an Object, for which provisions had not been made by the annual estimate and 97 per cent of the above amount had been saved.	Transfers through the F.R should be done only up on the requirements.	Even though provisions of Rs.30,85,000 had been obtained under F.R.66 for making payments to the ICT institute for new salary software, due to a technical fault found in that software, above amount was not released in the year 2018.
(c) Provisions made by the annual estimate for 09 Objects had been decreased from 5 per cent to 100 per cent and provisions made for 04 Objects had been increased from 06 per cent to 74 per cent under F.R 66-69.	Annual budget estimates should be prepared as realistically as possible.	Observation is correct.

2.3 Incurring Liabilities and Commitments

 The following observations is made

Audit Observation	Recommendation	Comments of the Accounting Officer
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In terms of F. R. 94 (i) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka, it should be established that adequate provisions exist in the relevant Object before	In incurring commitments for liabilities, action should be taken in accordance with the relevant Financial Regulation.	Observation is correct. Since overtime had been paid exceeding the expected amount in December of the year 2018, expected expenditure limit had been

incurring commitment. Nevertheless, without such confirmation commitments had been incurred for one Object and as such, expenditure had been incurred exceeding the provisions by Rs.21,724.

exceeded.

2.4 Assurance to be given by the Accounting Officer

The following observation is made

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>In terms of Section 38 (1) of the National Audit Act, No.19 of 2018, the Accounting Officer shall ensure that financial planning and financial management are effectively carried out. Nevertheless, it was observed according to the weaknesses in the imprest management, expenditure management and incurring in commitments and liabilities referred to in Paragraphs 2.1, 2.2 and 2.3 above that the accounting officer had not taken steps in accordance with the provisions in the Act.</p>	<p>Action should be taken in accordance with Section 38 of the National Audit Act, No.19 of 2018.</p>	<p>Observation is correct. Action had been taken within the prescribed imprest limit and due to failure in purchasing 32 switches included in the Procurement Plan and transfer of provisions under F.R.66 for software and development Objects, provisions had been saved.</p>

2.5 Non-compliance with Laws, Rules and Regulations

The following observation is made

Reference to Laws, Rules and Regulations.	Non-compliance	Recommendation	Comments of the Accounting Officer
<p>Paragraph 3.1.5 of the State Finance Circular No.05/2016 dated 31 March 2016.</p>	<p>Relevant activities on the recommendations and proposals referred to in the Board of Survey report of the year 2018 had not</p>	<p>Action should be taken to dispose of the goods in accordance with the relevant circulars.</p>	<p>Observation is correct. Due to lack of officers with proper knowledge and technical skills on the media</p>

been completed even by 05 May 2018.

equipment available in the Ministry of Finance, certain delays had occurred.

3. Operating Review

3.1 Planning

The following observation is made.

Audit Observation	Recommendation	Comments of the Accounting Officer
----- In terms of State Finance Circular No.01/2014 dated 17 February 2014, the Department had prepared and presented the Action Plan including 15 functions to be discharged by the Department. Nevertheless, the organizational structure, cadre information, imprest requirement plan and Procurement Plan had not been presented together with the above plan.	----- Action should be taken to prepare Action Plan in accordance with State Finance Circular No.01/2014 dated 17 February 2014.	----- In the preparation of Annual Action Plan 2019, action should has been taken to correct such errors.

3.2 Failure to Discharge Functions

The following observation is made.

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Even though plans had been drawn to implement the Information Technology Management Information System (ITMIS) developed under the State Financial Management Efficiency Project by 31 December 2018 according to the Action Plan, it was observed in the examination of Annual Performance Report that it was not in operational condition.	----- Necessary steps should be immediately taken to operate the computer system for the achievement of planned objectives.	----- Budget Plans, budget appropriations and system administration modules of the ITMIS system were in operation in the year 2018. Although plans had been drawn to operate the other modules in the year 2018, it could not be put in operation due to various reasons.

3.3 Annual performance Report

The following observation is made.

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Although the Annual Performance Report should be prepared in a manner able to comparatively examine the same with the Annual Action Plan, Performance Report had not been prepared accordingly.	----- Annual Performance Report should be prepared in a manner able to comparatively examine with the Annual Action Plan.	----- In certain instances, this Department carries out some activities which are not included in the Annual action Plan in keeping with the timely needs. Accordingly, it is rather difficult to present the same comparatively. However, it is expected to prepare the report properly in future.

4. Achievement of Sustainable Development Goals

The following observation is made.

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Based on the sustainable development goals and the indicators of the Department existed thereunder, it was required to draw attention on the identification and achievement of sustainable development goals and indicators. Nevertheless, the plans including Action Plan of the year 2018 had not been duly prepared and evidence was not furnished to Audit that necessary steps for the achievement of those objectives had been taken even by 2019.	----- Attention should be drawn on the achievable sustainable goals and all necessary steps should be taken to expeditiously achieve those objectives.	----- The Action Plan for the years 2018 and 2019 had been prepared with the objective of achieving 8 th and 9 th goals from among the Sustainable Development Goals. Attention has been drawn on the preparation of necessary background to make the Treasury Management System being developed under the 8 th Goals- Decent work and economic development, success. Plans have been prepared to implement ITMIS system so as to cover the whole island within a period of 18 months from July 2019. With the objective of

bringing about industrial promotion under the 9th Goal, new computer system has been introduced and other devices have been installed for the Digital Transformation process under the development of new infrastructure facilities.

5. Human Resource Management

 The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Out of the approved cadre of the Department, 16 posts remain in vacant and it represents 35 per cent of the approved cadre. The above vacancies include 07 posts of senior level that had continued to remain in vacant.	In case the above vacancies adversely affect the performance of the Department, action should be taken to fill the vacancies and otherwise, revise the approved cadre.	The Line Ministry and the Ministry of Public Administration and Disaster Management have been informed on the vacancies of this Department.
(b) Although the Department of Management Services had approved a post of Assistant Director (Special Project) on 23 November 2018, action had not been taken to prepare the scheme of recruitments and make the relevant recruitment.	Action should be taken expeditiously to make recruitments.	Initial activities are in progress relating to the preparation of scheme of recruitment.
(c) According to the information made available to Audit, an officer had been appointed to the post of Science and Technology Officer. Nevertheless, it was not an approved post.	Action should be taken to properly approve the relevant post or to eliminate the same, if it is not necessary.	A letter stating that the relevant officer be appointed to the Ministry of Development Strategies and International Trade and Science, Technology and Research was sent to the Secretary to that Ministry through the Ministry of Finance. A reply to that letter has not been received

and instructions were given to send reminders in that respect.