

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of Project Management and Monitoring 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. This summary report containing my comments and observations on the financial statements of the Department of Project Management and Monitoring was issued to the Accounting Officer on 29 May 2019 in terms of Section 11 (1) of the National Audit Act, No. 19 of 2018, and the Detail Annual Management Audit Report relating to the Department in terms of Section 11(2) of the National Audit Act, was issued to the Accounting Officer on 28 May 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 the basis for Qualified Opinion section 1.6 of my report, the financial statements give a true and fair view of the financial position of the Department of Project Management and Monitoring 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 (SLAuS). 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 the Chief Accounting Officer and Accounting Officer for the Financial Statements

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The 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 Section 16(1) of the National Audit Act, No. 19 of 2018, the Department of Project Management and Monitoring 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 subsection 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control of the Department exists and carry out periodic review to monitor the effectiveness of such systems and accordingly make any alteration as required 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 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 Department's internal control.
- Evaluate the structure and content of the financial statements containing the disclosures and the transactions and events underlying the financial statements in a timely and reasonable manner.
- 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.

The accounting officer was made aware of important audit findings, key internal control deficiencies and other issues identified in my audit.

1.5 Reports of other Legal requirements

I express the following matters In terms of Section 6 (d) and Section 38 of the National Audit Act No. 19 of 2018.

- (a) Since the financial statements were first presented, a comparison with the preceding year was not made.
- (b) The Department of Project Management and Monitoring did not make recommendations on financial statements as there was no need to prepare financial statements for the previous year.

1.6 Comments on Financial Statement

1.6.1 Accounting Deficiencies

Statement of Financial Position

Audit Observation	Recommendation	Comment of the Accounting officers
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(a) According to appropriation account 2017, An asset, valued Rs.9, 180,101 called as” The project appraisal and web-based monitoring system”, had been shown in the account as at 31 December 2017 was removed from the account without any basis.	Written off of assets from the account should be done according to the accepted procedures.	The project appraisal and web based monitoring system value amounted to Rs.9, 180,101 as at 31 December2017 will continue to be in the accounts further from year 2019.
(b) In the non-financial assets statement amounting to Rs.15,476,452 classified as other office equipment, but it had not properly classified under the respective asset categories, namely office equipment, computer equipment, furniture.	The classification referred to in the form introduced in the circular instructions should be used when submitting financial statements.	Action will be taken to show, classifying the assets in the future.

1.6.2 Reconciliation of Advance to Public Offices Account

The following observation is made in this connection.

Audit Observation	Recommendation	Accounting officers Comment
----- The outstanding loan balance Rs.139, 921 was not recovered an officer who had been out of service for 3½ years.	----- The provisions of Section 5.4 of Chapter XXIV of Establishments Code shall be followed in respect of officers who have left the service.	----- Action has been taken to recover the balance due from someone who has left the service.

1.6.3 Responsibilities of the Accounting Officer

Accordance with the provisions of section 38 of the National Audit Act No. 19 of 2018, the Accounting Officer should have ensured the following matters .But had not been done so.

Audit Observation	Recommendation	Comment of the Department
----- The Chief Accounting Officer and the Accounting Officer should ensure the existence of an effective internal control system for the financial control of the Department, and periodic reviews should be carried out to monitor the effectiveness of the system by making necessary alternation as required for such system to be effectively carried out. Such reviews should be made in writing and a copy should be presented to the Auditor General. However, no such statement had been presented to the Audit.	----- Actions should be taken in accordance with the provisions of section 38 of the National Audit Act No. 19 of 2018.	----- As the accounts were first prepared under the National Audit Act and Accounting officer will act to give certification for preparing and activating effective internal control system for financial control from the next year.

1.6.4 Non-compliance with Laws, Rules, Regulations

Cases of non-compliance with the rules, and regulations observed during the sample audit are described below.

Reference to Laws, Rules and Regulations	Value	Non-compliance	Recommendation	Accounting officers comment
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	Rs.			Officers who are
(a) Code of Financial Regulation of the Democratic Socialist Republic of Sri Lanka - Financial Regulations 880.	-	According to provisions of Financial Regulation 880 officers who are liable to submit securities had not been submitted.	should comply with the financial regulations.	required to submit securities in accordance with the provisions of the Financial Regulations will take action in the future.
(b) Assets Manager Circular No.02/201 and 03/2018.	-	It was observed that ownership of three vehicles used by the department in the year under review had not been registered.	Should act in accordance with the Circular requirement.	Actions are taken to take over the Department.

2. Operational Review

2.1 Management Inefficiencies

Audit Observation

In the year under review, the total number of projects was 1,398 including 1,141 local and 257 foreign projects, relating to them only 26 field inspection progress were achieved that was 1.86 percentage of total projects and it was a poor level.

Recommendation

When planning make sure that sufficient coverage of projects are covered.

Comment o Accounting Officers

Several strategies are used to monitor development projects, one of which is monitoring by field visits. These field visits are carried out on projects that have the most problems in project monitoring. Therefore, although the number of projects was large, fewer field visits were made on staff shortage and time.

3.Human Resources Management

Observation

As at 31 December 2018, the approved cadre was 108, the actual number of employees was 69 and 39 vacancies. It consisted of 9 senior level positions, 2 tertiary level positions, 22 secondary level positions and six primary level positions.

Recommendation

Actions should be taken to fill the vacancies.

Comment Of the Department

A request has been made to attach officers to the vacancies from the Ministry of public Administration.