

Head 280 – Department of Project Management and Monitoring

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Department of Project Management and Monitoring for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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. In terms of Sub-section 11(1) of the National Audit Act, No.19 of 2018, the summary report including my comments and observations on the financial statements of the Department of Project Management and Monitoring was issued to the Accounting Officer on 12 June 2020. In terms of Sub-section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the Department was issued on 29 September 2020 to the Accounting Officer. This report which should be read in conjunction with Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka is submitted to Parliament in terms of Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, the accompanying financial statements prepared in accordance with the provisions of the State Accounts Circular No. 271/2019 dated 03 December 2019 give a true and fair view of the financial position of the Department of Project Management and Monitoring as at 31 December 2019 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 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 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 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.

As per Sub-section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that effective internal control system for the financial control of the Department 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 an Auditor General'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 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 appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Evaluate the structure and content of the financial statements containing the disclosures and the transactions and events that underlie the financial statements in an appropriate and reasonable manner.

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

As required by Sub-section 6 (1) (d) and Section 38 of the National Audit Act, No.19 of 2018, I state the followings.

- (a) Although the value of the Property, Plant and Equipment which were Rs.53,755,452 as at 31 December 2018 had been revised to Rs.62,935,553 as opening balance as at 01 January 2019, the figures for the previous year in the statement of financial position had not been revised accordingly. Thus, the financial statements had not comply with the previous year.
- (b) My recommendations on financial statements for the previous year had been implemented.

2. Financial Review

2.1 Expenditure Management

The following observations are made in this connection.

Audit observation	Recommendation	Comments of the Accounting Officer
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(a) According to paragraph 212 of the 2019 Budget Speech and National Budget Circular No. 5/2019 dated 24 September 2019, although it is stated that 25 per cent of the total allocation for capital expenditure should be saved, out of the provisions of Rs.3,500,000 allocated for Expenditure Code No. 280-2-1-0-2506, only Rs.651,731 or 19 per cent were reported as savings.	Action should be taken in accordance with the Circular instructions.	That these savings were made by informing to the National Budget Department.

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| (b) The 85 per cent or Rs.600,000 had not been utilized out of the provisions made for Furniture and Office Equipment under transfer of FR 66. | Arrangements should be made to utilize the provisions by proper planning and efficiently. | That these savings were made by informing to the National Budget Department. |
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2.2 Enter to Liabilities and Commitments

Audit observation	Recommendation	Comments of the Accounting Officer
The Department had entered for liabilities of Rs.730,576 by exceeding the savings of the provisions during the year under review.	Should not enter to the liabilities beyond the savings of the provisions.	Comments were not submitted.

2.3 Statement of Reconciliation of Advance Accounts to Public Officers

Audit observation	Recommendation	Comments of the Accounting Officer
The loan balance of Rs.139,921 to be recovered from an officer who vacated the post had not been recovered during a 4 ½ years period.	Action to be taken to recover the loan balance immediately.	That all necessary steps had been taken by this Department to recover the loan balance.

3. Operating Review

3.1 Performance

Audit observation	Recommendation	Comments of the Accounting Officer
According to the Annual Performance Report, the conducting of 319 special meetings and discussions during the year under review and, also works related to two projects implemented through the Ministry of Finance had not been included in the Action Plan.	Action should be taken according to the Action Plan by amending it.	Meetings and discussions have to be held on the day-to-day problematic needs that arise during the project supervision process and it is not possible to include it in the Action Plan.

3.2 Annual Performance Report

Audit observation	Recommendation	Comments of the Accounting Officer
The formulation of the National Assessment Policy Framework for the implementation of the National Assessment Policy released in June 2018 had not been completed even as at 31 August 2020.	Action should be taken according to the Action Plan	In order to further improvement of the draft of the additional phase of the policy framework, a committee consisting of senior officials with knowledge and experience was able to develop it and formulate a detailed policy framework.

3.3 Securities by Public Officers

Audit observation	Recommendation	Comments of the Accounting Officer
Securities were not given by the officers who were required to give securities in accordance with the provisions of Financial Regulation 880.	Action should be taken according to the Financial Regulation 880.	According to the provisions of Financial Regulation 880, the officers who are required to give securities are taking the necessary steps to give securities.

4. Human Resources Management

The following observations are made in this connection.

Audit observation	Recommendation	Comments of the Accounting Officer
(a) The approved Cadre as at 31 December 2019 was 106 while the actual Cadre was 72 and the number of vacancies were 34. It was 32 per cent of the approved Cadre. These vacancies consisted of 7 senior level posts, 3 tertiary level posts, 20 secondary level posts and 4 primary level posts. Out of the 07 vacant senior-level posts, 05 posts were the posts of Director belonging to the Planning Service.	Attention should be paid to fill the vacancies in these posts if the existing vacancies adversely affect the performance of the organization and	The Ministry of Public Administration had been requested to induct officers to the vacancies.

to revise the approved number of employees if there is no such effect.

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| <p>(b) Although a Human Resource Development Plan should have been prepared in accordance with Annexure 02 of the Public Administration Circular No. 02/2018 dated 24 January 2018, the Department had not complied accordingly.</p> | <p>Action should be taken according to the Circular provisions.</p> | <p>The comment had not been made regarding the observation.</p> |
| <p>(c) According to paragraph 6.1 of the Circular mentioned in above (b), training opportunities should be provided to each staff member for a minimum of 12 hours but training opportunities were provided only to 23 officers. Out of those, 12 officers were given only a one-day training.</p> | <p>Action should be taken according to the Circular provisions.</p> | <p>The comment had not been made regarding the observation.</p> |