

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 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 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 Information Technology Management was issued to the Accounting Officer on 12 June 2020. In terms of section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the Department was issued on 03 December 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, except for the effects of the matters described in paragraph 1.6 of this report, the accompanying financial statements prepared in accordance with 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 Information Technology Management 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 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 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 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) That the financial statements are consistent with the preceding year,
- (b) The recommendations made by me on the financial statements furnished in the previous year had been executed.

1.6 Comments on Financial Statement

1.6.1 Statement of Financial Position

Audit Observation	Recommendation	Comments of the Accounting Officer
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Although according to the Treasury books, the final balance of the Property, Plant, and Equipment was Rs. 41,672,672, the assets had been overstated by Rs. 1,500,121 due to it was shown as Rs. 43,172,793 in the statement of financial position. As a result, the value of the reserves had been increased by the same amount.	Identify the reasons for the difference in those balances and take actions to compare.	That the value had changed due to the difference in the opening balances between the Treasury books and the Department books and the inclusion of the balance in the Department books in the financial statements, that the Department of Public Accounts had been informed to correct the opening balances.

1.6.2 Cash Flow Statement

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Although the actual expenditure incurred by the Department on other expenditure objects were Rs.6,118,037, it had been overstated by Rs. 204,040 due to it was shown as Rs. 6,322,077 in the cash flow statement.	Requirement to take actions to compare by identify the reasons for the difference.	Correct. That the accounts had been prepared in accordance with the treasury computer printouts.
(b) Expenditure incurred on personal emoluments and operating expenses, subsidies and transfers amounting to Rs.337,681,982 had not been properly adjusted to the cash flow statement.	Relevant values should be adjusted accurately to the cash flow statement.	Correct. That the expenditure incurred had been shown under other expenses in addition to shown under salaries and other staff benefits.
(c) Although the capital expenditure of Rs. 2,421,071 was incurred during the year, the cash outflow had been understated by Rs.1,721,550 due to shown it as Rs. 699,521 in the cash flow statement.	-do-	Correct. That the accounts had been prepared in accordance with the treasury computer printouts

2. Financial Review

2.1 Expenditure Management

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) At the end of the year, 16 per cent and 24 per cent of the total net provision for recurrent and capital expenditure respectively made during the year under review had saved. Accordingly,	Necessary steps should be taken to prepare the annual estimates and realistically and effectively.	Although the bills amounting to Rs.62,710,713 had received under recurrent expenditure object 1409, that the provisions had saved due to final bills

it was observed during the audit that the annual estimates had not been made realistically.

for the expenditure object 2106 under capital expenditure had not been presented to payment and imprest were not received.

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| <p>(b) The deductions had been made 10 per cent to 87 per cent under provisions in F.R. 66-69 provision of Rs.900,000 in 02 recurrent expenditure objects in year 2019.</p> | <p>-do-</p> | <p>Due to the unrest in the country at the beginning of the year 2019, due to decrease of training workshops and the participation of officers, there was no need for expenditure under the local travel expenditure objects, that its allocations had been transferred to other expenditure subjects under FR 66.</p> |
| <p>(c) In the same Expenditure Head, it was observed increases and decreases by F.R. 66 in the same value.</p> | <p>-do-</p> | <p>That this situation had occurred due to providing of additional provisions for the relevant expenditure objects again after obtaining approval by submitting prescribe leaflets to meet the provisioning requirements through transferring F.R.66.</p> |
| <p>(d) The total estimated provision of Rs.100,000 under expenditure object No. 329-1-1-0-1303 had saved at the end of the year. The reasons for this saving were not furnished.</p> | <p>-do-</p> | <p>Although the total amount of Rs.100,000 allocated under that expenditure object was transferred to the Ministry, that had not been notified through any letter regarding recovery or expenditure report regarding the relevant allocation amount even as at 31 December 2019.</p> |

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| (e) | As an over-provision of Rs.2,915,000 had been made for six expenditure objects during the year under review, an allocation of Rs.1,026,732 had saved after utilize those provisions. That savings ranged from an amount of 33 per cent to 70 per cent of the net provision had provided. | -do- | That the matters such as no expenditure requirement, transfer of officers who have paid interest on property loans and failure to submit bills for payment till 31 December 2019 etc. were affected. |
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3. Operating Review

3.1 Planning

Audit Observation	Recommendation	Comments of the Accounting Officer
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According to the Public Finance Circular No. 01/2014 dated 17 February 2014, the Action Plan for the year 2019 was prepared and submitted with 18 major functions to be performed by the Department. However, the organizational structure of the institution updated for the relevant year, the details about approved cadre and the actual cadre, the imprest requirements plan and the procurement plan were not submitted with the plan.	Action should be taken to prepare the Action Plan completely and accurately in accordance with the Circular.	Although not included in the Action Plan, that those documents were prepared, that these matters had been included in the 2020 Action Plan, that estimates of imprest requirements and procurement plan had been submitted by now.

3.2 Failure to perform Functions

Audit Observation	Recommendation	Comments of the Accounting Officer
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The 03 indicators such as conducting awareness programmes for public officers in 25 Districts under ITMIS implementation out of the 18 performance indicators included in the Action Plan, conducting Application Mobile App Development	Necessary action should be taken to achieve the planned objectives.	Due to the fact that the allocations made for the entire training program had to be spent on another training program in June 2019, that it was not possible to conduct training programs which were planned on the issue of lack of funding. Due to reasons such as the terrorist attack in the country in 2019, the financial crisis in 2019

Competitions as a Government supported project for Information Technology at the level of Public Services, Universities and Schools and conducting external training programmes for all staff officers had not been fully implemented.

and the Presidential Election, that it was not possible to allocate funds for this tournament as per the Circulars issued for expenditure management. The remaining funds were not enough to spend to the external training programme, that there was no possibility to conduct the programme.

3.3 Failure to Obtain the Expected Output Level

 The following observations are made.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
<p>(a) Optimal performance was not observed in the following performance indicators included in the Action Plan.</p> <p>i. Although it is planned to bring the payroll system to an active level for 14 Departments of the Ministry of Finance to expand the payroll system, it had been implemented for 06 Departments and had not been implemented for 08 Departments.</p> <p>ii. The function of gathering information and requirements from other institutions to implement the island-wide system had not been achieved.</p>	<p>Action should be taken to achieve the desired output level.</p> <p>-do-</p>	<p>Implementation of e-Salary Software is done under the supervision of the Department of Public Accounts and they provide the necessary support to resolve technical and operational issues that may arise during the implementation of the system.</p> <p>The program is expected to be implemented island wide as second phase and that the supervision and implementation have been done by the Department of Public Accounts. In the first phase, it will be implemented in the Treasury Departments and its success will be monitored and then information will be obtained and analyze on how to implement it island wide.</p>

iii. Under the implementation of the Single Window System, the infrastructure required to implement it island wide had not been adequately identified and process digitization had not been implemented.

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Single Window Software will run live from 26 November 2018. The software had also been developed and added to the above system to pay online using that software. The investigations activities of Payment Gateway had been completed. However, local banks should be provided the necessary facilities for online payment. However, ICTA is in the process of launching a National Trade Portal. Once the project is implemented, that the Single Window project will be a part of it.

(b) It was observed during the inspection of the Annual Performance Report that the implementation of the ITMIS computer software enhanced by the Fiscal Management Efficiency Project will not be operated at the expected level as on 31 December 2019.

Urgent action needs to be taken to activate the computer system to achieve the planned objectives effectively.

The ITMIS System Budget Planning, Budget Appropriation, System Administration and Master Ledger module were used in year 2019. Out of these budget plans, budget appropriation modules had been used by all Government Ministries and Departments. Cabinet approval was granted in July 2019 to install other modules of the ITMIS system in the Government Expenditure Institutions and the relevant procurement work had been completed in month of February 2020.

4. Human Resource Management

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) There are 08 vacancies out of the Approved Cadre and it is 17 per cent of the Approved Cadre. There are 06 senior level posts in	Action should be taken to fill the vacancies if adversely affected to the performance of the Department	The post of Director General, one of the vacant posts, was filled on 07 January 2020. Nearly 1/3 of the approved posts of the Department are senior level posts and the Management Services Department had been

these vacancies and or to revise the
these posts were Approved Cadre.
continuously vacant.

informed to conduct a study on the
staff of the Department as there is a
shortage of approved posts for the
frontline staff. A letter had been sent
to the Department of Management
Services by proposing to suppression
the several posts that had vacant for a
long period.

- (b) Although the post of Action should be
Assistant Director taken to fill the
(Special Projects) had vacancies or to
been approved by the revise the Approved
Department of Cadre.
Management Services
on 23 November 2018,
Recruitment
procedures had not
been prepared and
action had not been
taken to the relevant
recruitments.

Observations had been referred to the
Department of Management Services
by proposing to suppress the post of
Deputy / Assistant (Special Projects).