

Head 250- Department of Public Accounts

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Department of Public Accounts 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. The Summary Report including my comments and observations on the financial statements on the Department of Public Accounts was issued to the Accounting Officer on 31 May 2020 in terms of Section 11(1) of the National Audit Act No.19 of 2018. The Annual Detailed Management Audit Report relating to the Department was issued to the Accounting Officer on 10 December 2020 in terms of Section 11(2) of the National Audit Act No.19 of 2018. This report is presented to Parliament in terms of Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 10 of the National Audit Act No.19 of 2018.

In my opinion, the accompanying financial statements prepared in terms of provisions in the Public Finance Circular No.271/2019 of 03 December 2019 give a true and fair view of the financial position of the Department 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 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 opinion.

1.3 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

The Chief Accounting Officer and the 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 with Section 38 of the National Audit Act No.19 of 2018.

As per 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 by the Department.

As per Sub- section 38(1) (c) of the National Audit Act No.19 of 2018, the Accounting Officer should certify that an effective system of internal control is prepared and maintained for the financial control of the Department and a review on the effectiveness of this system should be carried out from time to time and as such, necessary changes should be made to effectively carryout the system.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain a 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 judgement 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.
- Conclude on the appropriateness of management's use of going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Department's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Department to cease to continue as a going concern.

- 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 and Regulatory Requirements

I state the following matters in terms of Section 6(1) (d) and in terms of Section 38 of the National Audit Act No.19 of 2018.

- (a) The financial statements correspond with the preceding year.
- (b) The recommendations I had made on the financial statements relating to the preceding year had been implemented.

2. Financial Review

2.1 Expenditure Management

Audit Observation	Recommendation	Comment of the Accounting Officer
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Provisions amounting to Rs.34,472,000 had been made for 06 Objects in the year under review and provisions amounting to Rs.28,449,851 had been saved after the utilization of those provisions. Those savings were ranging from 34 per cent to 91 per cent of the net provision being made available.	Making over- provisions by the Annual Estimates should be controlled.	Savings of provisions had been incurred on the expenditure not being made as intended.

2.2 Entering into Liabilities and Commitments

Audit Observation	Recommendation	Comment of the Accounting Officer
Liabilities totalling Rs.136,066 had been entered into, by the Department under 04 Objects by the end of the year under review, contrary to the instructions of Paragraph 02(d) of the Public Accounts Circular No.255/2017 of 27 April 2017.	Action should be taken in terms of the Circular and the accounting of liabilities should be formalized.	Even though these liabilities were related to the year 2019, they had not been incurred in the Year of Accounts. It could not be settled in the Year of Accounts on the relevant claims had not been incurred in the year under review.

2.3 Reconciliation Statement on the Advances to Public Officers' Account

Audit Observation	Recommendation	Comment of the Accounting Officer
Loan balance amounting to Rs.164,953 that remains recoverable from 10 years of a deceased Officer and the loan balance amounting to Rs.132,846 that remains from a period of 06 years had not been recovered even by the end of the year under review.	Sufficient further steps should be taken either to recover the outstanding loan balances or for the settlement of these balances.	The Officers of this Department had discussed with the Chief Executive Officer of the national Insurance Trust Fund on 29.11.2018 relating to the recovery of the outstanding loan balance amounting to Rs.164,953. Lawsuits had been filed by the Attorney General's Department relating to the recoverable balance amounting to Rs.132,846.

2.4 Non- commercial Advance Accounts

2.4.1 Miscellaneous Advance Account

The following observations are made.

Audit observation	Recommendation	Comment of the Accounting Officer
(a) The outstanding balance of the Miscellaneous	Sufficient further steps should be taken for the recovery of the outstanding	Instructions and the support are being provided to the relevant Institutions to recover the

Advance Account loan balance for formalizing outstanding money by constantly amounting to the follow- up actions. taking follow- up action in this Rs.173,004,106 by 31 December 2018 had been a sum of Rs.160,584,099 by the end of the year under review. As such, a sum of Rs.18,741,792 or only 11 per cent of the outstanding balance had been recovered in the year. Public Accounts.

- (b) The total outstanding Advance balance relating to 11 District Secretariats, Ministries and Departments as at 31 December 2019 had been a Rs.160,584,099 and it was observed that, out of that, a sum of Rs.154,262,314, the total of the outstanding loan balances of 09 District Secretariats and Departments had remained from a period of over 05 years. Sufficient further steps should be taken for the recovery of the outstanding loan balance for formalizing the follow- up actions. Only the information reported by the District Secretariats relating to the transactions occurred between the District Secretariats and the relevant Sub- Institutions, is in the possession of the Department of Public Accounts does not have the capability to directly intervene for the recovery of the outstanding balances of these Sub- Advances. However, it is kindly informed that further action would be taken by constantly taking follow- up action, providing with the instructions and support to the relevant Institutions, acting as an Intermediary for the recovery of the Advances and by taking necessary action.

- (c) The following observations are made relating to the recoveries of the

outstanding loan
balances totalling
Rs.160,584,090
relating to 11
Institutions as at 31
December 2019.

- (i) Action had been taken to recover the remaining balance amounting to Rs.2,183,000 of the amount released to the Laggala Cooperative Society by the Matale District Secretariat for purchasing paddy in the years 2004/2005 in monthly installments amounting to Rs.5,000 itself as at 31 December 2019. As such, it was observed that a period of approximately 36 years would be lapsed to recover the above outstanding amount in the instance where the recovery is being made in that manner.
- (ii) Only a sum of Rs.1,793,880 had been recovered by 31 December 2019 of a sum of
- Sufficient further steps should be taken for the recovery of the outstanding loan balance for formalizing the follow- up actions.
- Even though instructions had been given to take action either to settle the outstanding amount at once or to settle by making a minimal monthly payment of Rs.25,000 each on the sum of Rs.5,000, the amount monthly charged by the Laggala Cooperative Society not being sufficient, in the discussions held with the District Secretariat of Matale and, the District Secretariat of Matale had informed that Laggala Cooperative Society is being maintained with financial difficulties at this moment, by the General Manager of that Society.
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- Instructions had been given in the Meeting Sessions held with the Agrarian Development Department to settle the outstanding Advance Balances

Rs.12,560,031, the outstanding balance remained in the year 2014 of the Paddy Purchasing Advances provided in the year 2006 to the Agrarian Development Department. As such, the further outstanding balance amounted to Rs.10,766,151 and any amount whatsoever had not been recovered in the year under review.

(iii) Action had not been taken by the Department to recover the loan balance amounting to Rs.349,477.50 which remains from the year 2008 relating to the Kurunegala District Secretariat.

(iv) Action had not been taken to recover Advances amounting to Rs.321,785 provided to the Ministry for settling the money stolen

without a delay.

However, even though activities had been prepared to organize a Meeting to provide instructions to settle the Advances by calling the relevant Institutions, it is noted to take appropriate action in the future to settle the Advances by conducting Meetings on that opportunity being avoided due to the pandemic situation occurred.

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The awareness of the relevant Institution has been raised to settle the sum of Rs.349,477, that should be settled by the Kurunegala District Secretariat and it is being noted to take the steps necessary to settle the relevant amount.

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An Advance amounting to Rs.6,321,785 has been provided to the Ministry of Health, Nutrition and Indigenous Medicine for settling the loss incurred due to the robbery of money occurred in the Anuradhapura Teaching Hospital. Instructions has been given to the

from the Safe of the Anuradhapura Teaching Hospital, under the purview of the Ministry of Health, Nutrition and Indigenous Medicine, on 02 March 2019.

relevant Institution to submit a Complete Report in this connection, to the Department.

(v) The outstanding balance by 31 December 2019 of a sum of Rs.38,097,815, that remained recoverable relating to the year 2015 from the Anuradhapura District Secretariat had been a sum of Rs.34,033,861 and as such, the recoveries by the end of the year 2019 remained at 11 per cent or, a sum of Rs.4,063,954. As such, slowness was observed in the process of recovering the outstanding money.

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The expeditious recovery of the outstanding money has been difficult on most Agrarian Service Centres and Cooperative Societies being maintained with economic difficulties and it is being noted to take further necessary action for the recovery of the outstanding money.

(vi) The outstanding balance remained as at 31 December 2019 in the Polonnaruwa District Secretariat had

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The application that are being referred to the Ministry of Home Affairs to taken action in terms of Financial Regulations 109 and 113 for the losses amounting to Rs.13,018,114 and it is being noted to taker follow- up action relating thereto.

been a sum of Rs.55,927,666 and it had been 35 per cent of the total outstanding money of the year under review. Even though it had been informed that it had been referred to the Ministry of Home Affairs by acting as per Financial Regulations 109 and 113 relating to the loss of maintaining the Rice Mill at Kuruppu Junction of the Paddy Marketing Board amounting to Rs.769,428 and relating to the loss of issuing rice to the Food Commissioner amounting to Rs.13,018,114 in the year 2018 out of it, action had not been taken relating thereto even by 31 December 2019.

(vii) Action had not been taken either to recover or to set-off from books even by 31 December 2019 the Advance Balance

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A case is pending in the Maligakanda Court relating to the robbery of salaries occurred in the National Dental Institute and appropriate action is expected relating thereto, after the completion of the relevant court proceedings.

amounting to Rs.2,408,460, which had been provided to the Director, National Hospital of Sri Lanka – Colombo relating to the robbery of salaries which had occurred on 22 January 2002 in the National Dental Institute of the National Hospital of Sri Lanka.

(viii) It had been informed by Lanka Sathosa Limited that it is not financially capable to settle the outstanding balance amounting to Rs.1,652,917 that remains from the year 2016 of the Trincomalee District Secretariat. Moreover, it was observed that action had not been taken in terms of the Financial Regulation 109 for setting-off the relevant balance from Books.

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The Financial Regulation 109 Applications submitted on the recommendation of the Chief Accounting Officer by the Trincomalee District Secretariat for setting-off that money from Books were not submitted to the Department of Public Accounts for the necessary future activities due to the lack of sufficient documentary evidence.

(ix) The outstanding balance as at 31 December 2019 of the Ampara District Secretariat had been a sum of Rs.45,499,095 and it had been 25 per cent of the total outstanding money. The settlement of the relevant money in the year 2019 had been a sum of Rs.200,000 or 0.44 per cent.

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Instructions had been given to take action, to take legal action on the Agrarian Development Centres that have failed to make payments for the recovery of the money recoverable from the Ampara Agrarian Development District Office, that, it is expected to recover the relevant money through court proceedings and to take action without a delay for the recovery of the money that is recoverable from the Food Commissioner's Department and from Lanka Sathosa Limited.

3. Operational Review

3.1 Non- achievement of the expected Outcome

The following observations are made.

Audit Observation	Recommendation	Comment of the Accounting Officer
<p>(a) The supervision of the Advances "B" Accounts had been a key function of the Department as per the Action Plan of the year 2018 and, non-recoverable balances totalling Rs.602,462,162 remained relating to retirements, deaths, interdictions and the vacating of service in the Advances "B" Account which remains from a period of several years relating to 70 Institutions, as</p>	<p>Action should be taken to achieve the expected outcome by the key functions of the Department.</p>	<p>Necessary instructions had been given by selecting 10 Institutions that remain at a very high level as the First Category, by analyzing the Advances "B" Accounts and by calling for 7 Institutions out of them and by conducting Meetings. Action would be taken to call for the 3 remaining Institutions, in the future.</p>

disclosed at the audit test checks. Moreover, even though instructions had been given relating to the settlement of the loan balances recoverable from the retired and deceased Officers from 01 January 2018 onwards, instructions had not been given in recent times on the recovery of the outstanding loan balances.

- (b) It had been intended to nullify the Deposit Accounts in the 6003 Category, in terms of the Public Accounts Circular No.243/2015 of 24 June 2015 and it had been instructed to carry out those activities through the Annual Estimate from the year 2016. However, a total balance amounting to Rs.10.111 million in 3 Deposit Accounts under No.6003 had been further brought to account without being settled.
- Action should be taken to achieve the expected outcome.
- Action would be taken to set-off the Debit balance amounting to Rs.10 million of the Colombo District Secretariat out of these balances and to rectify the balance amounting to Rs.108,029 of the Ratnapura District Secretariat by referring that balance to the Department of Treasury Operations.

- (c) Even though proposals had been passed for preparing the financial statements under accrued basis within the subsequent 10 years as per the Budget Proposals of the year 2018 and the approval of the Cabinet of Ministers had been received for this matter on 02 October 2018. However, the time frame relating to the functions including in the Road map submitted relating to that approval of the cabinet of Ministers had been revised, without a proper approval, by the Department. The following matters are further observed in this connection.
- The objective intended by the Budget Proposals should be executed within the relevant time frame.
- Not obtaining the approval of the Cabinet of Ministers for the revisions made to the Initial Road Map is accepted and it is intended to obtain the approval of the cabinet of Ministers by including the current progress into it, in the future.
- i. Functions relating to the identifications of State Assets, measuring and disclosing that had been expected to complete in the year 2020 as per the Initial Road Map and in the year 2021 as per the Revised Road Map, was expected to complete by the end of the year 2022. Moreover, it could not be confirmed in
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- A quantitative progress is indicated relating thereto and it had been able to account the value of the Non-commercial Assets amounting to Rs.1,355 billion that had been stated in the financial statements of the year 2019, up to a sum of Rs.1,389 billion or, a sum of Rs.34 billion by October 2020. It is expected to complete this function by the year 2022.

the audit that all those Institutions had been accurately identified on the details on all Public Institutions with lands and building were not furnished to the audit.

ii. The function of the identification of liabilities, measuring and disclosing that had been proposed to be completed in the year 2020 as per the Initial Plan had been delayed up to the year 2022 by the Revised Plan.

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The completion of these functions had to be extended up to the year 2022 with the rise of the COVID- 19 pandemic in the year 2020.

iii. The functions of the identification of income and expenditure, measuring and disclosing that had been expected to be completed in the year 2021 as per the Initial Road Map had been delayed up to the year 2027 by the Revised Plan.

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It had been planned to implement those functions from the year 2027 on the reporting of the Accounts under the accrued basis is expected to be implemented from the year 2027.