

Head 334 - Department of Multipurpose Development Task Force

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of Multipurpose Development Task Force for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 these financial statements of Department of Multipurpose Development Task Force presented to the Accounting Officer on 23 June 2021 in terms of Section 11(1) of the National Audit Act, No.19 of 2018 appear in this report. The Annual Detailed Management Audit Report related to the Department of Multipurpose Development Task Force was issued on 28 June 2021 to the Accounting Officer in terms of Section 11(2) of the National Audit Act, No.19 of 2018. The report of the Auditor General in pursuance of provisions in 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 will be tabled in Parliament in due course.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Department of Multipurpose Development Task Force as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements are further described in the Auditor's Responsibilities Section. 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 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 the determination of the internal control that 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 Multipurpose Development Task Force is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable the preparation of annual and periodic financial statements.

In terms of Sub-section 38(1)(c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department of Multipurpose Development Task Force 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 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 and its materiality depends on the influence on economic decisions taken by users 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:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the 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.

- Evaluate the overall presentation, structure and content of the financial statements including 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 terms of Section 6 (1) (d) of the National Audit Act, No. 19 of 2018.

As it was a new department established during the year under review, there was no need to prepare financial statements for the previous year.

1.6 Comments on Financial Statements

1.6.1 Non-compliance of Financial Statements with Circular Provisions

Although the financial statements should have been prepared in accordance with Guideline No. 06 issued by the Department of Public Accounts, instances of non-compliance with those requirements are given below.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) Forms SA 80 and SA 92 had not been included in the Financial Statements as per the guidelines and Form 3.1 pertaining to the preparation of financial statements under paragraph 10-1 of Public Finance Circular No. 02/2020 as per the Treasury Accounts Publications Annexure of the year 2020.	As Form SA 80 and SA 92 had not been included as the final treasury account declaration attachments for the year 2020, I am enclosing the above forms as Annexure 01 and Annexure 02 respectively for the necessary actions.	Action should be done in accordance with Public Finance Circular 2/2020

- | | | |
|---|---|--|
| <p>(b) According to the Statement of commitments and Liabilities (SA-92), the balance as at 31 December 2020 was Rs. 5,330,234 but the Department had not stated such a liability. The Department had a liability of Rs. 363,035 but the Treasury had not stated. Action had not been taken relevant to these discrepancies in accordance with Note No. (iii) of paragraph 10.1 of 02/2020, Guideline No. 06 3.4.</p> | <p>This condition is caused by a failure to enter liabilities due to a fault in the CIGAS system.</p> | <p>Action should be done in accordance with Public Finance Circular 2/2020</p> |
| <p>(c) Liabilities for the year 2020 had been understated by Rs. 55,712 in the Commitments and Liabilities Statement.</p> | <p>Due to a mistake, the liabilities could not be included in the statement of commitments.</p> | <p>Liabilities must be presented correctly.</p> |

1.6.2 Reconciliation Statement on Advance Accounts to Public Officers

Audit Observation	Comments of Accounting Officer	Recommendation
<p>Advance B Account to Public Officers had been submitted for audit on 5 May 2021 and the maximum approved debit balance limit is Rs. 30,000,000 and at the end of the year under review, the actual balance was Rs. 38,930,765 and the final debit balance had been exceeded by Rs. 8,930,765.</p>	<p>Approval has been requested but not yet received.</p>	<p>Action should be taken to adhere the limits of the advance "B" account.</p>

2. Financial Review

2.1 Management of Expenditure

Audit Observation	Comments of Accounting Officer	Recommendation
The total net provision for the year 2020 was Rs. 8,212,000,000 and saving was Rs, 6,445,492,985 or 78 percent out of them. Of these savings, the total provision of Rs. 5,100,000 allocated for two recurrent expenditure subjects had been remained.	It is stated that due to non-attachment of the approved staff during the year, recruitment of only 34,553 out of the estimated number of jobs in hundred thousand and payment of only a part of the total training expenditure, provisions had been saved.	Proper preparation of expenditure estimates should be done.

2.2 Issuarance and ettlement of Advances

Audit Observation	Comments of Accounting Officer	Recommendation
According to Financial Regulation 371 (2) an advance of up to a maximum of Rs. 100,000 could be given for one task at a time, but Rs. 500,000 had been given to 5 officers at the rate of Rs. 100,000 for one task and there was no approved cost estimate for that work.	Advances had been obtained for 05 activities for the Rantambe training course	Action should be done in accordance with Financial Regulation 317 (2).

3. Operating Review

3.1 Planing

Audit Observation	Comments of Accounting Officer	Recommendation
<hr/>	<hr/>	<hr/>
<p>09 Treasury Bills in the possession of the President's Office had been transferred to the Department and Although Rs. 1,152,136,263 had been remitted to the Treasury After the maturity of the investment in the Treasury Bills, The objective of transferring treasury bills was utilizing the expenditure requirements of the department or to reinvest but it had not been done.</p>	<p>According to Letter No. TO / BE2 / 05 / MPDTF / 2020 and dated 2020/08/04 from the Additional Director General of the Treasury Operations Department and the letter No. MOD/FIN/06/02/11 and dated 2020/09/03 of the Chief Financial Officer of the Ministry of Defense, the values received after the maturity of the investment in the bills are remitted to the Treasury. The purpose of assigning Treasury Bills to this Department is to utilize for Departmental Expenditure Requirements. applications are made monthly from the Treasury in accordance with the provisions of the Budget Estimates and on the priority of needs. The Director General of the Treasury Operations Department, No. TOD / BE2 / 05 / MPDTF / 2020 and dated 2020/03/05 and the annexure 01 of the letter addressed to General Manager of the Bank of Ceylon Head Office, International treasury Investment, stated that nine treasury bills matured value was Rs. 1,147,851,094 and as a result of the receipt of those treasury bills, the amount actually credited to the official bank account of the department was Rs. 1,152,136,263. There were two main reasons for this difference.</p>	<p>Should be worked to achieve the desired objectives.</p>

Changes in the interest rate agreed to be paid on the issuance of Treasury Bills in Annexure 01. Although the matured date was stated as 31/01/2020 as mentioned in the annexure of the Rs. 47,006,135.24 invested in treasury Bill on 01/02/2019 and as this department was not established at that time, it had been reinvested and accordingly the received interest on 2021/01/29 of reinvested face value of that day had been accounted.

3.2 Non Performance of Functions

Audit Observation	Comments of Accounting Officer	Recommendation
As of April 2021, the Annual physical verification of the department had not been done as per FR 756.	Physical verification is being done	Action should be done in accordance with paragraph 11 of the Public Finance Circular No. 01/2020 dated 2020/08/28

3.3 Procurements

Audit Observation	Comments of Accounting Officer	Recommendation
(a) According to paragraph 2.14.1 of the Procurement Guidelines, each procurement level should be determined within the limits set out in the case where the procurement of goods is done under the Market Method, but procurement of non-current assets worth Rs. 41,096,956 had been done from State Commercial Multi-Corporate Corporation exceed those procurement limits.	Due to the urgent need to provide office equipment for 331 Divisional Secretariats, 25 District Secretariats and 09 Provincial Offices, the relevant purchases have been made under direct procurement.	Action should be taken within the prescribed limits in accordance with the procurement guidelines.

3.4 Assets Management

The following observations are made.

Audit Observation	Comments of Accounting Officer	Recommendation
-----	-----	-----
(a) The ACA-6 Non-Financial Assets Statement was valued at Rs.50,025.209 but the Treasury SA 80 Report was valued at Rs. 35,684,297. Action had not been taken regarding these unmatched balances according to Paragraph 10.1 of Public Finance Circulars 02/2020 regarding these Guideline 3.3 of No. 06.	The opening balance of Rs.14,340,906 had not been not included.	The value of non-financial assets should be recorded accurately.
(b) At the time of the establishment of the Multipurpose Development Task Force Department, 22 inventory items in an office located in that building were included in the inventory register without a written assignment or any source.	Assets had been entered into the Assets Register with the written approval of the Director General as they had not been properly transferred or handed over.	Inventory should be documented on a written assignment.

4. Human Resource Management

The following observations are made.

Audit Observation	Comments of Accounting Office	Recommendation
-----	-----	-----
(a) The 23 per cent vacancy in the approved staff had hampered the functioning of the department.	No answers provided	If the existing staff is enough to maintain the performance of the department, it is proposed to revise the approved staff or fill the vacancies

- | | | | |
|-----|--|--|--|
| (b) | 15 out of 20 posts of Information and Communication Technology Assistant and 23 out of 30 posts of Management Services Officer were vacant. It was observed that this could be a hindrance to the day to day duties of the department. | No answers provided | If the existing staff is enough to maintain the performance of the department, it is proposed to revise the approved staff or fill the vacancies |
| (c) | A Human Resource Plan for the year under review had not been prepared and implemented based on Form 02 mentioned in Public Administration Circular No. 02/2018 dated 24 January 2018. | A Human Resource Plan for 2021 is being prepared in accordance with Circular No. 02/2018 dated 2018/01/24 and action is being taken to rectify the shortcomings pointed out. | Follow the instructions in the circular 02/2018. |