

Head - 242 – Department of Management Services

1. Financial Statements

1.1 Unqualified Opinion

The audit of the financial statements of the Department of Management Services 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 statements 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 Management Services was issued to the Accounting Officer on 16 June 2021. In terms of Section 11(2) of the Audit Act, the Annual Detailed Management Audit Report relating to the Department was issued on 16 August 2021. This report will be presented in Parliament 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.

In my opinion, the financial statements of the Department of Management Services give a true and fair view of the financial position of the Department 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 Unqualified 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 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 such internal control as 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 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 of the Department.

As per 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 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 Responsibility 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 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 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

As required by Sub-section 6 (1)(d) 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 relating to the preceding year, had been implemented.

2. Financial Review

2.1 Imprests Management

Audit Observation

According to the Imprests Plan prepared by the Department for the year 2020, the imprests to be applied from the Treasury in the month of December had been Rs.8,680,000 and the imprests applied had been Rs.10,548,000, thus observing a variance of Rs.1,868,000 and it represented 22 per cent of the imprests to be applied.

Comments of the Accounting Officer

Even though the Imprests Plan had been prepared according to anticipated expenditure in each month based on budgetary provision made, action has been taken to apply imprests subject to the limit of annual Ad-hoc sub-imprests according to the actual expenditure to be incurred in the relevant month.

Recommendation

It is necessary to take steps to prepare annual estimates realistically and effectively.

2.2 Expenditure Management

Audit Observation

- (a) Provision amounting to Rs.1,350,000 had been made for capital expenditure of the year under review and the actual expenditure of the year had been Rs.114,181 and as such, the savings of the net provision had been 92 per cent.

Comments of the Accounting Officer

Capital provision have been saved due to matters such as failure in carrying out procurement activities as planned due to Covid 19 pandemic (Object No.2102), maintenance of motor vehicles economically (Object

Recommendation

It is necessary to take steps to prepare annual estimates realistically and effectively.

No.2003) and failure to apply for training opportunities and to plan training programmes. (Object No.2401)

- | | | | |
|-----|--|---|------|
| (b) | Total estimated provision amounting to Rs. 100,000 and Rs.150,000 relating to Objects 1101 and 2401 respectively had been saved without utilizing as at the end of the year. | Provision had been saved due to failure in applying for training opportunities and planning the training programmes due to Covid 19 pandemic. | -do- |
| (c) | Excess provision amounting to Rs.8.032 million had been made relating to 10 Objects in the year under review and as such, savings after utilization of that provision amounted to Rs.2.95 million. That savings out of the net provision made, had ranged between 10 per cent and 99 per cent. | Provision had been saved due to Covid 19 pandemic and utilization of provision economically. | -do- |

3 Operating Review

3.1 Performance

3.1.1 Planning

Audit Observation

In terms of Section 3 (b) of Public Finance Circular No.01/2014 of 17 February 2014, in the preparation of Action Plan for the year under review, the approved cadre and actual cadre for the relevant year and Imprest Requirement Plan for annual activities had not been included in the Action Plan prepared according to the priorities based on the annual budget.

Comments of the Accounting Officer

It was noted to prepare the Annual Action Plan in future in terms of Public Finance Circular No.01/2014 by rectifying relevant shortcomings.

Recommendation

Action should be taken in terms of the Circular.

3.1.2 Non-performance of Functions

Audit Observation	Comments of the Accounting Officer	Recommendation
-----	-----	-----
<p>It was observed that the following objectives and performance indicators relating thereto identified in the Annual Action Plan had not been achieved by the Department.</p>		
<p>(a) As per a Cabinet Decision dated 15 August 2017, submission of quarterly updated employees' information and employees' records relating to second, third and fourth quarters in the years 2019 and 2020 to the Cabinet.</p>	<p>Relevant information could not be submitted as information could not be obtained properly from other institutions resulting from the outbreak of Covid 19 pandemic.</p>	<p>Functions planned, should be completed within the due periods.</p>
<p>(b) Information on public service human resources as at 31 December 2019 had not been published while the publications of the Department had not been updated by including information on public service human resources of the year 2020.</p>	<p>The relevant publications could not be updated due to difficulties in obtaining information from other Ministries, Departments and statutory institutions in the backdrop of the Covid 19 pandemic.</p>	<p>Functions planned, should be completed within the due periods.</p>
<p>(c) The website of the Department had not been updated by uploading the Annual Action Plan and the Performance Report.</p>	<p>It was recorded to update the website by uploading the Annual Action Plan and the Performance Report for the year 2020.</p>	<p>It is necessary to update the website properly.</p>

4. Human Resource Management

4.1 Attached Cadre, Actual Cadre and Expenditure on Personal Emoluments

Audit Observation	Comments of the Accounting Officer	Recommendation
-----	-----	-----
<p>(a) Vacancies exist since the year 2019 in the Senior Level posts of Human Resource Management Specialist, Work Studies Specialist and 02 posts of Deputy Director/Assistant</p>	<p>The Secretary to the Ministry of Public Administration has been informed to take necessary steps to fill the vacancies in the posts of Deputy and Assistant Director. However, no officers have been provided so far.</p>	<p>Action should be taken to maintain the approved cadre of the Department properly.</p>

Director. As the vacancies in Senior Level represent 40 per cent of the approved cadre of Senior Level, it was observed that the said matter could affect the performance of the Department.

- (b) Moreover, 08 posts comprising 03 posts and 02 posts respectively of Development Officer and Management Service Officer in Secondary Level and 02 posts and 01 post respectively of Driver and Office Aid in the Primary Level had been vacant. It has also been informed to fill vacancies in the posts of Driver and Office Aid. -do-