

Head 245 – Department of Public Finance

1. Financial Statements

1.1 Unqualified Opinion

The audit of the financial statements of the Department of Public Finance for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020, 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 of the Department of Public Finance was issued to the Accounting Officer on 08 June 2021 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 in terms of Section 11(2) of the Audit Act, was issued on 16 August 2021. This report is presented in Parliament in pursuance of provisions in Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be 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 Public Finance 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 for the Financial Statements are further described in the Auditor's Responsibilities section of this 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

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 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 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 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 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

I express the following matters in accordance with Section 6 (1) (d) of National Audit Act, No. 19 of 2018.

- (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 Expenditure Management

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Provision relating to 07 Objects had been decreased from 53 per cent to 03 per cent and provision relating to 09 Objects had been increased from 08 per cent to 133 per cent in the year under review, subject to provisions of 66 to 69 of the Financial Regulations.	Provision appropriated under Head of Expenditure – 245 for the year 2020 were utilized to the maximum by transferring financial provision for Recurrent and Capital Objects for which it was found to be inadequate, subject to Financial Regulation 66 – Virement Procedure by Objects for which provision was anticipated to be saved for recurrent Objects in the year 2020. It is kindly informed that the reasons for transfer of provision between each Object have been given in Format ACA – 2 (iii) of the financial statements.	It is necessary to take steps to prepare annual estimates realistically and effectively.
(b) Provision had not been made by budget estimates in the year under review for 02 Objects. However, new Objects had been created in the year by making provision of Rs.1,441,400 subject to transfer of provision in Financial Regulation 66 - Virement Procedure.	It is kindly informed that provision had been transferred to Object 245-01-01-00-1701 – Losses and Waivers on the approval of the Department of National Budget in terms of provisions in Financial Regulation 66 and as the Van bearing No.WP NA – 2700 belonging to the Department should be repaired in the relevant periods, the said repairs had been carried out in the year 2020 by transferring financial provision subject the Financial Regulation 66 – Virement Procedure as no provision was available therefor.	-do-

2.2 Incurring of Commitments

Audit Observation

It should be ensured that sufficient budgetary provisions are available under the relevant Object Code prior to making a commitment as per Financial Regulation 94(i) and Section 6.4 of National Budget Circular No.01/2014 of 01 January 2014. However, commitments of Rs.160,222 had been incurred for 04 Objects without ensuring so. Moreover, liabilities totalling Rs.201,087 had not been included in the statement of liabilities in the financial statements.

Comments of the Accounting Officer

Travelling expenses, 1/3 allowances, overtime and 1/20 allowances as well as telephone bills of officers and bills sent by external institutions relating to the year 2020 have been included as liabilities in the CIGAS System within the limit of relevant provisions in order of receipt to the Accounts Section.

Necessary guidance should be given in taking action in terms of Financial Regulations.

Commitments have not been incurred exceeding the limit of savings of provision as at 31.12.2020 and it is kindly informed that payments have been made in the months of January and February 2021 using provision approved for the year 2021 as per provisions in Financial Regulation 115(2) and (3) for vouchers received in the year 2021 relating to the year 2020.

3. Operating Review

3.1. Non-performance of Functions

Audit Observation

The website of the Department should be updated by uploading the Action Plan and the Performance Report of the year 2020. Nevertheless, it was observed that only the Action Plan for the year 2019 had been uploaded by 10 May 2021, the date of audit.

Comments of the Accounting Officer

Daily activities of the Department are carried out from the first quarter of the year 2020 by calling a limited staff for duty as a result of the COVID 19 risk situation. As such, it is kindly informed that steps are being taken to update the website of the Department.

It is necessary to update the website properly.

4. Human Resource Management

Audit Observation

There were 12 vacancies representing 15 per cent in the approved cadre of the Department which stood at 78. The said vacancies comprised 11 posts of Additional Director General, Director and Deputy Director/Assistant Director of Senior Level.

Comments of the Accounting Officer

Action will be taken to fulfill vacancies in these Senior Level posts after completion of the transfer process of the relevant cadre in respect of the new organizational structure implemented in the year 2021 relating to the Department of Treasury by the Ministry of Finance.

Recommendation

Action should be taken to properly maintain the approved cadre of the Department by taking into consideration the requirement of service.