

## **Head 243- Department of Development Finance**

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### **1. Financial Statements**

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#### **1.1 Opinion**

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The audit of the financial statements of the Department of Development Finance 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 Development Finance was issued to the Accounting Officer on 16 June 2021. In terms of Section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the Department was issued on 16 June 2021 to the Accounting Officer. This report will be presented in Parliament in pursuance of the 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 Development Finance give a true and fair view of the financial position of the Department as at 31 December 2020 and of its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### **1.2 Basis for Opinion**

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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 Chief Accounting Officer and Accounting Officer for the Financial Statements**

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The Chief 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 management determines is necessary to enable the preparation of financial statements that are free from material misstatements, 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 Chief 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**

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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 the report of the Auditor General 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 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 Requirements**

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

- (a) The financial statements are consistent with the preceding year.

- (b) The recommendations made by me on financial statements furnished for the preceding year had been implemented.

## 2. Financial Review

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### 2.1 Management of Expenditure

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Audit Observation	Comments of the Accounting Officer	Recommendation
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<p>The entire net provision amounting to Rs.900,000 made under Recurrent Object for travelling expenses (Foreign) and under Capital Object for repair of motor vehicles of the year under review had been saved without being utilized.</p>	<p>The entire net provision made under the Object for travelling expenses (Foreign) had been saved due to failure in conducting foreign training programmes and due to foreign travel restrictions as a result of Global pandemic of COVID – 19 prevailed in the year 2020. Even though quotations for repairs of motor vehicles owned by the Department had been called for in the year under review, activities planned could not be implemented due to failure to import additional accessories as a result of Global pandemic of COVID – 19.</p>	<p>It is necessary to prepare estimates considering the actual requirements.</p>

### 2.2 Issuance and Settlement of Advances

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Audit Observation	Comments of the Accounting Officer	Recommendation
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<p>According to the Members Credit Register (CC10), the loan balance recoverable from an officer as at 31 December 2020, had been Rs.246,373. Nevertheless, the loan balance entered in the list of individual loan balances had been Rs. 256,373, thus overstating the total of individual loan balances by Rs. 10,000.</p>	<p>It was noted that the said officer had obtained festival advances of Rs.10,000 in December 2020 and the said amount has been entered in the loan ledger and in the control account and that action will be taken to rectify the error in the Register CC10 and to avoid such errors in future.</p>	<p>It is necessary to enter advances granted, in relevant registers in a proper manner.</p>

### 3. Human Resource Management

Audit Observation	Comments of the Accounting Officer	Recommendation
Six or 33 per cent of the approved cadre in the senior level had been vacant by 31 December 2020.	<p>Officers have been transferred out from this Department without successors by the Public Service Commission which is the Appointing Authority of officers in the senior level. However, the Ministry of Public Services, Provincial Councils and Local Government has been informed quarterly regarding vacancies existed.</p> <p>However, as the existing staff had performed their duties to the maximum until vacancies are filled, action could be taken in a manner of not affecting the performance of the Department despite having such vacancies.</p> <p>It was noted to fill these vacancies as soon as possible by informing relevant sections again.</p>	In case the existing vacancies of the staff may adversely affect the performance of the Department, it is necessary to take action to fill those vacancies and if not, it is necessary to take action to revise the said staff.