

## **Head - 329 – Department of Information Technology Management**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Department of Information Technology Management 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 including my comments and observations on the financial statements of the Department of Information Technology Management was issued to the Accounting officer on 23 June 2021 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. As per Section 11 (2) of the Audit Act, the Detailed Annual Management Audit Report related to the Department was issued to the Accounting Officer on 16 August 2021. This report will be tabled 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, except for the effects of the matters described in paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Department of Information Technology Management as at 31 December 2020, 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 Qualified Opinion**

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My opinion is qualified on the matters described in paragraph 1.6 of this report. 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 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 the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-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.

As per Section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that 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**

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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 summary 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.
- It is not intended to express an opinion on the effectiveness of the Department's internal control in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- 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 Section 6 (1) (d) of the National Audit Act, No. 19 of 2018.

- (a) The financial statements presented are consistent with the preceding year.
- (b) The recommendations made by me pertaining to the financial statements related to the previous year had been implemented.

## 1.6 Comments on Financial Statements

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### 1.6.1 Imprest Adjustment Account

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Audit Observation	Comments of the Accounting Officer	Recommendation
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A value of Rs.203,600 that should not be adjusted in the preparation of Imprest account as per the Guideline of the Department of State Accounts related to the preparation of accounts in the year 2020 had been adjusted to the Imprest account.	<p>The amount of Rs. 203,660/- has been properly accounted and the balance has been settled also according to the departmental books. Although it was observed that there was an unsettled balance in obtaining hard copies of the consolidated trial balance, there was no such opening balance in the <b>Cigas</b> programme that is being operated for the year 2021. Therefore, it was an error occurred due to a hard copy taken from the <b>Cigas</b> computer programme that was not accurate and the relevant officers were instructed to proceed with caution hereinafter.</p> <p>The adjustment of the amount of 203,660/- to the Imprest account is accurate and the Department of State Accounts had informed in an inquiry made from that Department over the telephone that an adjustment should not be made to the Imprest account receivable. The Department has also informed that all the items that should be included in the Imprest Adjustment Account have not been included in the 20/2020 Guidelines Manual.</p>	The need in following guidelines in the preparation of accounts.

## 1.6.2 Non-Financial Assets

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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Although the opening balance of the computer software stated under intangible assets was Rs.879,281 according to the Treasury books, the intangible assets had been overstated by Rs.600,000 as the opening balance of computer software had been stated as Rs. 1,479,281 in the statement of non-financial assets.	The computer software is accounted by the Department of State Accounts and the balance for the year 2019 had been understated by Rs.600,000 in the year 2020. That difference has been rectified in March 2021.	Financial statements should be consistent with that of in the previous year. Accurate values should be maintained by reconciling accounts in accordance with the Treasury books and Departmental books.

## 1.6.3 Cash Flow Statement

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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(a) Even though the non-income receipts were Rs.1,953,919 according to the departmental books, it was stated in the cash flow statement as Rs.1,838,211 and as a result, a difference of Rs. 115,708 was observed in the net cash flow.	An amount of Rs. 115,708.00 has been stated twice by mistake and as a result, it has been understated in the cash flow statement. The Department of State Accounts stated that it is not a problem to prepare the cash flow statement on cash basis, although it has been stated in the Guidelines that it should be prepared on gross basis.	Financial statements should be prepared by following proper accounting methodologies and guidelines.

- (b) According to the departmental books, receipts and payments of advances had been stated as Rs.2,305,173 and Rs.2,375,764 respectively and an amount of Rs.762,545 had been overstated in net cash flow as those values had been stated as Rs. 3,275,317 and Rs. 2,583,363 in the cash flow statement.
- According to the records of the Department, a difference between the recoveries of loans in the advance “B” account and the recoveries of loans in the cash flow statement cannot be observed and non-transfer of loan balances amounting to Rs. 210,099 of an officer, who came to the Department in advance payments and overcharging of loan instalments amounting to Rs. 2,500 has been occurred. Necessary steps have been taken to rectify it.
- It is required to regularize the accounting of cash flows related to receipts and payments of advances.

#### 1.6.4 Issuing and Settling advances

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Audit Observation	Comments of the Accounting Officer	Recommendation
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According to department books and treasury books, a difference of Rs. 164,126 was observed in the Public Officers’ Advance “B” Accounts.	These changes have already been rectified and the relevant officers have been instructed to avoid making such omissions in the future.	Taking action to account the Public Officers’ Advance “B” Accounts accurately.

## 2 Financial Review

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### 2.1 Imprest Management

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Audit Observation	Comments of the Accounting Officer
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The Department had requested imprest amounting to Rs. 763 million during the year 2020 and the General Treasury had only issued an Imprest amounting to Rs.406 million to the Department. Accordingly, the General Treasury had issued the Department only 53% of the	There was a Vote-On-Account in the year 2020 and its first budget was applicable for the months of January, February, March and April. It had been scheduled to request Imprest in relation to those months and plans could not be made to request Imprest for the next months due to the <b>Covid-19</b> pandemic prevailed in the country. Even though provision has been requested for the quarterly payment for <b>Free Balance</b> and <b>Enable</b> Institutions (for the <b>ITMIS</b> programme) on budgetary provision, this situation has arisen due to the decrease in the provision of imprest by the General Treasury

amount requested by the Department.

due to the reduction in the amount to be paid owing to the reduced bill value of **Enable** Institution and the reduction in the amount to be paid included in the **ITMIS** computer programme.

## 2.2 Expenditure Management

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Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) Provision amounting to Rs. 2,250,000 of 02 Recurrent Objects during the year 2020 had been reduced from 6 per cent to 46 per cent under FR 66 and the provision for 03 Objects totalling Rs.820,000 has been increased from 19 per cent to 59 per cent.	I agree with the observations.	The need to take necessary steps to prepare the annual estimates realistically and effectively.
(b) Hundred (100) per cent decrease and 217 per cent increase had been made from the estimated allocation for 02 Capital Objects under FR 66.	The estimated expenditure on staff training (Outbound Training Programme) under Object 329-1-1-2401 had not been incurred due to the Covid-19 pandemic. Arrangements have been made to transfer under FR 66 due to insufficiency of funds estimated under Object 329-1-1-2103 to purchase a laptop computer to meet the exigencies of service at the Office of the Secretary of the Ministry of Finance and computer assessories required by the Department and to purchase equipment related to the welfare of the officers to face the pandemic situation.	The need of taking necessary steps to prepare the annual estimates realistically and effectively.
(c) As over-provision amounting to Rs.421,269,000 had been made for 07 Objects during the year under review, provision amounting to Rs.56,087,784 had been saved after utilizing the provision. The saving of provision was in the range	Since the functions of the Department were not carried out as planned in the last quarter of the year <b>2020</b> due to the <b>Covid - 19</b> pandemic and as the overall expenditure had been reduced as a result of the reduction in the maintenance cost by about 30% in each quarter of the year <b>2020</b> over the amount estimated for the Company, which had been selected for the maintenance activities of the <b>ITMIS</b>	The need for controlling over-provision through annual estimates.

of 12 per cent to 68 per cent of the net provision made.

system. There was a saving in provision allocated for Objects as it was not possible to accomplish the plan of rolling out the **ITMIS** project to the external institutions as scheduled due to Covid - 19 pandemic and it was not possible to make purchases as planned due to non-availability of furniture and equipment in the market due to the market constraints.

### 2.3 Incurring Liabilities

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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According to the Treasury books of the Department for the year 2020, an unsettled balance of liabilities amounting to Rs.18,771,838 had been indicated and this balance had not been included in the statement of commitments and liabilities in the financial statement.	The liabilities incurred in the year 2019 were stated as observations and those liabilities have been settled in the year 2020. This liability was omitted at the occasion of entering data to the Cigas computer programme and action has been taken to rectify it. Therefore, it is an item that does not apply to accounts for the fiscal year, 2020.	Liabilities should be duly presented in the financial statements.

## 2.4 Noncompliance with Laws, Rules and Regulations

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<b>Reference to Laws, Rules and Regulations</b>	<b>Audit Observation  Noncompliance</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) FR 392 (b) (ii)	Although an amount of Rs.11,900 had been paid again by the cheque bearing No. 584926 as per a request made by a Public Listed Company that 02 cheques totalling Rs. 11,900 paid to the Company had been misplaced, it was observed that the relevant 03 cheques had been realized on 07 and 30 July 2020.	It had not been possible to make all the officers reporting for duty due to the Covid-19 pandemic and various officers have performed each and every day to day duty for the continuation of the office activities with lack of subject knowledge and as a result, such issues have arisen.	Action should be taken in accordance with the Circulars.
(b) FR 880	The officers, who should give securities, had not given securities.	The officers have been informed to look into the legal background relevant to giving of securities and to get proper instructions and to take action to make officers giving securities in the future.	Providing necessary guidance to function in accordance with the Financial Regulations.



- (c) FR 756 and paragraph 11.1 of the Public Finance Circular No. 01/2020 dated 28 August 2020
- Although appropriate action should be taken before 15 March of the next financial year on the goods mentioned in the General 47 Report related to the report of the Verification of Goods, the relevant action had not been fulfilled even by 6 May 2021, the date of audit in relation to the recommendations issued and proposals made in the report of the Verification of Goods for the year 2020.
- A Committee of Disposal has been appointed on 17.03.2021 and it was not possible to complete the work as officers were called for duties intermittently due to the Covid-19 situation.
- The relevant officers have been instructed to complete the work expeditiously.
- Action should be taken in accordance with the Circulars.

### 3. Operational Review

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#### 3.1 Progress in the performance of Roles

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Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) The e-payroll system had been introduced with the aim of expanding the salary payment system, and that target had been achieved only up to 70 per cent by the eight departments initially identified and the remaining six departments.	The activities of the eight departments that were initially identified to establish the e-Payroll system had been completed by 85% as at 31 December 2020, and the remaining six departments had achieved a success of 70%. Live run could not be executed as further time was required to provide new requirements and to resolve issues identified during the implementation of the system and difficulties in getting the users of the system participate owing to the Covid-19 pandemic prevailed in the country.	The need for completing the roles within a certain specified time period.
(b) Development work of the Department of Animal Production and Health (DAPH) has been completed up to 70 per cent in connection with the execution of the single	Development activities of the software system for the Department of Animal Production and Health (DAPH) have been completed up to 70%. Action has been taken to proceed the Single Window programme spearheaded by the Department of Customs generally	-Do-

window software executed with the objective of digitizing the import / export process. involved in the import-export process and this Programme is being monitored by a Committee headed by the Secretary to the General Treasury.

- (c) The system for online submission of applications by the government officers for importing duty free vehicles has not yet been developed and implemented. In addition to the requirements initially identified in the system for online submission of applications for the importation of vehicles, the TIPD has provided us with new requirements and the system is being developed accordingly. -Do-
- (d) The Website of the Department should be updated by uploading the Action Plan for the year 2020 and the Performance Report, it was observed that the Action Plan for the year 2019 had only been uploaded to the Website even by 10 May 2021. Action is being taken to update the website by entering relevant information. The need for duly updating the website.

#### 4. Human Resource Management

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The senior level post of Deputy / Assistant Director General had remained vacant since 2019 and this post had not been filled on regular basis even by 05 May 2021, the date of audit although the Ministry of Public Services, Provincial Councils and Local Government had been notified of this matter.	Even though 02 posts of Deputy / Assistant Director, Class I, Grade II / III of the Information and Communication Technology Service of Sri Lanka had remained vacant, an officer has already transferred to fill one of the vacancies. It has been informed to select and to transfer an officer to fill the other vacancy.	Taking action to duly maintain the approved cadre of the Department considering the exigencies of the service.

- (b) The tertiary level post of Information and Communication Technology Officer had remained vacant since October 2020. As the post of Information and Communication Technology Officer also belongs to the Information and Communication Technology Service of Sri Lanka, a request has been made to the Ministry of Public Services, Provincial Councils and Local Government to fill the vacancy. -Do-