

## **Head 419 – State Ministry of Regional Co-operation**

-----

### **1. Financial Statements**

-----

#### **1.1 Opinion**

-----

The audit of the financial statements of the State Ministry of Regional Co-operation for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 the financial statements of the State Ministry of Regional Cooperation was issued to the Accounting Officer on 01 April 2022 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the State Ministry was issued to the Chief Accounting Officer on 09 May 2022 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

The financial statements prepared give a true and fair view of the financial position of the State Ministry of Regional Cooperation as at 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

#### **1.2 Basis for 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 on Financial Statements**

-----

Preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018 is the responsibility of the Accounting Officer.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the State Ministry 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.

The Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the State Ministry in terms of Sub-section 38 (1) (c) of the National Audit Act and it

should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

#### **1.4 Auditor's Responsibility on Audit of 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 skepticism throughout the audit. I also furthermore;

- Appropriate audit procedures were designed and implemented to identify and assess the risk of possibility of quantitative misrepresentations occurred in financial statements due to fraud or errors in providing a basis for the expressed audit opinion. More than the impact of quantitative misrepresentations due to misrepresentation, the effect of fraud is strong because of malpractice, forgery, intentional evasion, misrepresentation, or evasion of internal controls can lead to fraud.
- Although it is not intended to express an opinion on the effectiveness of internal control and obtained an understanding of internal control in order to plan appropriate audit procedures occasionally.
- Evaluate that the underlying transactions and events are appropriately and fairly included in the financial statements for the structure and content of the financial statements that include disclosures.
- Evaluated whether the transactions and events underlying the structure and content of the financial statements are appropriately and fairly consisted in and presentation of financial statements including disclosures as a whole.

The Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

#### **1.5 Report on Other Legal Requirements**

-----

I declare the following matters in terms of Section 6 (1) (d) of the National Audit Act No. 19 of 2018 .

- (a) The recommendations which I had made with regard to the financial statements of the preceding year had been implemented.
- (b) The financial statements are not consistent with the preceding year due to differences in the following objects.

**2. Financial Review**

-----

**2.1 Certifications to be made by the Accounting Officer**

-----

Even though it was required to certify the following matters by the Accounting Officer as per the provisions of Section 38 of the National Audit Act No. 19 of 2018, actions had not been taken accordingly.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
-----	-----	-----
The Accounting Officer should ensure that an effective internal control system is set up and maintained for the financial control of the State Ministry and necessary changes should be made to ensure that the system runs efficiently by carrying out reviews on the effectiveness of that system and although those reviews should be made in writing and a copy submitted to the Auditor General, statements that such reviews were carried out, had not been submitted to the audit.	It is noted to provide a copy of the reviewed and prepared evaluation report to you as required.	It should act in accordance with the provisions .

## 2.2 Non-compliance with Laws, Rules and Regulations

The following observations are made.

<b>Audit Observation</b>		<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
<b>Reference to the Laws, Rules, Regulations etc.</b>	<b>Non-compliance</b>		
(a) Guidelines 4.2.1 and 4.2.2 of Government Procurement Guidelines 2006	The Master Procurement Plan and the Procurement Time Table had not been prepared.	It has been noted to act according to the Guidelines 4.2.1 and 4.2.2 of the Procurement Guidelines from the year 2022 .	A Master Procurement Plan and a Procurement Time Table should be prepared.
(b) Financial Regulations 565 (5)	Although a monthly deposit summary statement prepared for each month should be sent to the Auditor General before the end of the following month, actions had not been so taken.	It has been noted to send a monthly deposit summary statement to the Auditor General from the year 2022 in terms of Finance Regulation 565(5).	Actions should be taken in accordance with Financial Regulations.

## 2.3 Expenditure Management

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
Although it was the responsibility of the Accounting Officer to prepare the estimates as completely and accurately as possible in accordance with Financial Regulations 50 (II), as a result of failure to do so, the	Expenditure on recurrent expenses has saved since the office works were not carried out as expected due to the Corona epidemic in the country, as the State Ministry has	The estimates should be prepared as completely and accurately as possible.

provisions totaling to Rs. 58,882,817 had been underutilized ranging in between 50 per cent and 100 per cent of the provisions made for 24 recurrent expenditure objects.

been established in the building of the Ministry of Foreign Affairs, and also the Ministry of Foreign Affairs provides the necessary transport facilities for the State Ministry.

## 2.4 Entering into Liabilities and Commitments

-----

### Audit Observation

-----

The value of liabilities in the statement of liabilities and commitments as at 31 December 2021 has been stated as Rs. 160,849 and the value of liabilities was Rs. 304,219 in the SA – 92 liability statement . Accordingly, a difference of Rs.143,370 was observed.

### Comments of the Accounting Officer

-----

The liability shown as Rs.178,370 to BOC Travels in the SA 92 report is an error in that report. The Department of State Accounts was informed through an email also on 02 February 2022 in this regard.

Because of the requests were made regarding the voucher valued at Rs. 35,000 after uploading the liabilities to the Web interface, it could not be included in the SA 92 report.

### Recommendation

-----

The relevant records should be maintained in the same manner.

## 2.5 Operating Bank Accounts

-----

The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
-----	-----	-----
(a) Actions had not been taken in respect of 15 cheques which had been issued but not presented for payment as at 31 December 2021 valued at Rs. 262,003 in terms of Financial Regulation 396 (d) .	It was noted to inform the relevant payees and to credit the unclaimed cheques to the government revenue .	Arrangements should be made in accordance with the provisions.
(b) Actions had not been taken to identify the person who had deposited the balance of Rs. 48,258 which was debited by the bank in October 2021 .	This is a note to be made from the bank to another institution's account. Although the bank was verbally informed several times to rectify this, it was not rectified.	Actions should be taken to identify the balances.

## 3. Operating Review

-----

### 3.1 Action Plan

-----

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
-----	-----	-----
The Annual Activity Plan which should be prepared during the relevant year on the basis of priorities with the consideration on Annual Budget had not been prepared in terms of Public Finance Circular No. 01/2014 dated 17 February 2014 . As a result, even though a total	It has been noted to prepare an Action Plan based on priorities considering the Annual Budget in the next year.	An Action Plan should be prepared in terms of the Circular .

expenditure of Rs. 75,810,700 had been made by the Ministry during the year under review for the functions such as carrying out the functions of coordinating trade promotion, foreign direct investment promotion, tourism promotion, foreign employment promotion and regional cooperation promotion, it was impossible to assess the progress achieved.

### 3.2 Annual Performance Report

-----

<b>Audit Observation</b> -----	<b>Comments of the Accounting Officer</b> -----	<b>Recommendation</b> -----
Annual Performance Report had not been prepared as per the Format mentioned in Guideline No. 14 issued by the Department of Public Finance in terms of Paragraph 10.2 of Public Finance Circular No. 2/2020 dated 28 August 2020 .	It has been noted to submit the Annual Performance Report along with the Annual Accounts from the year 2022 .	Actions should be taken in terms of the Circular.

### 4. Good Governance

-----

<b>Audit Observation</b> -----	<b>Comments of the Accounting Officer</b> -----	<b>Recommendation</b> -----
Although the Accounting Officer should appoint a suitable auditor to carry out the internal audit of the State Ministry , in accordance with the Section 40 (1) and Section 40 (2)(1) of the National Audit Act No. 19 of 2018 it had not been so done.	Requests have been made to the Department of Management Services of the Ministry of Finance to obtain the approval for the staff including the Internal Auditor and the reply has not been given so far.	Actions should be taken in terms of the provisions in the Act.

**5. Human Resources Management**

-----

**Audit Observation**

-----

Although the approved number of employees in the State Ministry was 23 during the year under review, the number of vacancies was 07 because of the actual number of employees was 16 .

**Comments of the Accounting Officer**

-----

It is kindly informed that the actions are being taken to fill the existing vacancies at Executive Level by now and the Development Officer in Secondary Level vacancies have already been completed by now.

**Recommendation**

-----

Actions should be taken to fill the available vacancies considering the requirements.