

Head 402 – State Ministry of Rural and School Sports Infrastructure Improvement

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the State Ministry of Rural and School Sports Infrastructure Improvement 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 Rural and School Sports Infrastructure Improvement was issued to the Accounting Officer on 31 May 2022 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Ministry was issued to the Accounting Officer on 30 June 2022 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. 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 financial statements give a true and fair view of the financial position of the State Ministry of Rural and School Sports Infrastructure Improvement as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements is further described in the Auditor's Responsibilities Section. 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 the 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 the determination of the internal control that 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 Ministry is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable the preparation of annual and periodic financial statements.

In terms of 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 exists in the Ministry 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 summary 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 and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry'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 terms of 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 the financial statements of the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Non-compliance of Financial Statements with Circular Provisions

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) According to paragraph 7.2 of Public Accounts Guideline No. 2021/03, it is stated that the revenue collected by the reporting institution on behalf of other revenue accounting officers should not be included in the statement of financial performance and the income should be adjusted in the final comparative figures of the previous year should be indicated accordingly. But even though Rs. 21,159,297 collected by this state ministry on behalf of other income heads was stated in the statement of imprest reconciliation, comparative figures of the last year were not indicated.	Agree with the relevant observation. Arrangements will be made to record relevant corresponding	Financial Statements Should be prepared in accordance with the provisions of the circular.
(b) Deposit Payments According to the statement of financial performance and the statement of financial position, the deposit payment was Rs. 11,783,274 but as per the cash flow statement during the year under review, the sum of deposit payments was Rs. 11,473,437. Accordingly, it was observed that there was a difference	The total amount of deposits payments during the year under review is Rs. 11,473,437 including payments made in cash and cross entries as indicated in the trial balance. The difference of	Financial Statements Should be prepared in accordance with the provisions of the financial statements circulars.

of Rs. 309,837. This difference has been reported as recording an incorrect transaction made by the Ministry of Youth and Sports and although necessary steps were taken to make the relevant corrections in the month of November 2021, these notes were not corrected as per the treasury records SA-30 (Annual Deposit Account Summary Report).

Rs. 309,837.00 mentioned here is consisted with Rs. 197,727.00 and Rs. 112,110 related to the National Center for Leadership Development. Those notes have been corrected by the Ministry of Sports through the Department of Public Accounts in our accounts bearing 6000-0-0-0-13-0-163-0. Accordingly, the value of the trail balance as at 31.12.2021 of 11,473,437.00 (Total of cash and cross entries) is correctly indicated under payments in the cash flow statement.

(c) Advance Payments

The value indicated as advance payments in the Statement of financial performance and the Statement of financial position was Rs. 6,431,231. According to the Cash flow statement, it was Rs. 6,852,198 and accordingly there was a difference of Rs. 420,967 in advance payments.

I agree. The difference is occurred due to an error in accounting through the Cigas system of an officer transferred to the Ministry of Education.

Financial statements should be prepared in accordance with circular provisions.

2. Financial Review

2.1 Expenditure Management

Audit Observation	Comments of the Accounting Officer	Recommendation
As per Public Accounts Guideline No. 2021/03, Expenditure statement in form ACA-2(ii) as per cash book and total expenditure should be presented with	Debits made under other heads as per SA11 are included in the total expenditure (ACA-2(ii) as	Financial Statements Should be prepared in accordance with the circular provisions.

indicating incurred expenses by other ministry/departments (As per treasury printed notes) separately under F.R. 208, but the expenditure of Rs. 574,295,695 in relation to 21 expenditure subjects according to the treasury reports was added to the expenditure of Rs.125,911,575 according to the cash book and total expenditure was stated as Rs. 700,207,270 and it was indicated as no expenditure incurred by other ministries/ departments (As per treasury printed notes) under F.R. 208 in the financial statements.

mentioned here and I kindly inform you that it will be presented separately in future according to F.R. 208.

2.2 Incurring Liabilities and Commitments

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>Although the obligations and liabilities of the reporting institution should be disclosed as at 31 December 2021 in accordance with paragraph 3.3 of Public Accounts Guidelines No. 2021/03 dated 26 November 2021, the liabilities of Rs. 2,517,356 which could not be paid by the State ministry in relation to the receiving of goods and services in the year 2021 were paid in the year 2022, but that were not included as liabilities in the financial statements of the year under review.</p>	<p>I agree. Due to an error in entering the liabilities for the year 2022 in January to the Cigas system, the relevant liabilities were not recorded.</p>	<p>According to the provisions of the circular, all the liabilities related to the financial year should be paid and settled within the same financial year without being carried over to the next year.</p>

2.3 Non-compliance with Laws, Rules and Regulations

The following observations are made.

Reference to the Laws, Rules and Regulations	Amount (Rs.)	Non-compliance	Comments of the Accounting Officer	Recommendation
Financial Regulations 377 of the Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka and Public Finance Circular No. 3/2015 dated 14 July 2015.	Rs. 868,060	Although the received advances were to be settled immediately after the completion of the work, it was taken 7 days to 4 months for settle the advances of Rs. 868,060 given to 18 officials.	I acknowledge that there have been delays in settlement of 18 received advances from March to October 2021 according to the circulars. But, 05 advances included in it were settled in less than 07 days from the received date. The delays of the advance payments have occurred due to that public transport facilities have been at a minimum level due to the situation of the Covid epidemic which has escalated since April and the attendance of officials at the office also been at a minimum level. However, it is kindly informed that all departments of the ministry will be informed through an internal letter that the respective advance should be settled as soon as the relevant work which is received the advance is completed.	Should be act in accordance with Financial Regulations.

3. Operational Review

3.1 Performance

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Under the sports school development programme, an allocation of Rs. 210.87 million had been made based on the support of the Education Ministry in the year 2021 for the development of 16 schools out of 30 sports schools established with the Ministry of Education to identify talented children from childhood and take care of them with proper nutrition. The number of schools where the project has been started in the year 2021 is 11. (5 in 2020). Rs. 158.72 million had been spent as at 31 December 2021 and work had been completed in only 03 schools.	It is taken some time for the forces to review the estimates prepared by the three forces and send them to the ministry and reconsider the constructions that non-compliance to the scope and send the revised estimates back to the ministry. Several cases of project delays were reported due to the revision of estimates as the identifications of previously unidentified additional works while carrying out the development works and the military components being infected with Covid while carrying out the related development works.	Projects should be planned according to the prescribed standards and construction activities should be managed and regulated according to that the desired performance can be achieved.
(b) The ministry had released an allocation of Rs. 60.825 million to develop 43 playgrounds in 09 district secretariats under the playground development program in extremely difficult areas and Rs. 14.254 million had been spent. Although work on 38 playground had been completed by 31 December 2021, there were 02 projects where contracts had been signed but construction work had not started and 03 projects had not been completed.	Due to the nature of this project, all projects cannot be started at the beginning of the year and allocations were made for the projects in order to which the proposals were received. There were delays in the implementation of projects due to the Covid epidemic situation in the early part of the year, intermittent heavy rains throughout the year and increase in the price of raw materials.	The time frame for the construction should be planned correctly and the construction work should be supervised and regulated to complete the planned tasks.

4. Human Resources Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
There were 03 senior level vacancies, 03 tertiary level vacancies and 34 secondary level vacancies in the approved staff of the State Ministry as at 31 December 2021.	Necessary arrangements are being made to fill the relevant vacancies as at 31 December 2021 and requests were made to the Ministry of Public Services, Provincial Councils and Local Government to make certain recruitments at senior, secondary and tertiary levels.	Action should be taken to fill the vacancies that directly affect the performance of the department in accordance with existing government administrative circulars.