

Head 324 - Department of Management Audit

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Department of Management Audit for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and 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 Management Audit was issued to the Accounting Officer on 28 April 2023. In terms of Section 11(2) of the Audit Act, the Annual Detailed Management Audit Report of the Department was issued on 22 June 2023 to the Accounting Officer. This report will be presented in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka 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 Management Audit give a true and fair view of the financial position of the Department as at 31 December 2022, and its financial performance and cash flows 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 Responsibility 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 in terms of 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 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.

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 of the Department exists and carry out periodic reviews to monitor the effectiveness of such system and accordingly make any alterations as required for such systems to be effectively carried out

1.4. Auditor's Responsibility for the 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 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, 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

- 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 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 the 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. Operational Review

2.1 Performance

2.1.1. Progress in Performance Of roles

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) According to Annual Performance report, only 387 or 69 percent of the 558 audit and management meetings that should have been held for the institutions that have appointed treasury representatives were held.	In accordance with the National Audit Act number 19 of 2018 , 04 management committee meetings should be held per year,01 per quarter by circular DMA/01-2019 issued by the Department of Management Audit dated 12.01.2019 to inform all Ministry Secretaries, head of Departments and District Secretaries ,but due to the fuel and economic crisis in the country in the 2022 year, although the calling of officers for meetings is limited, we emphasized the need to hold audit committees through Zoom technology and in this regard, a special discussion program me for chief internal auditors/ internal auditors will be held at the Ministry of Finance on 08.09.2022and it was also stated that the need to conduct Audit and Management Committees properly was emphasized .	Should work according to the Annual plans.

- (b) According to the Performance report, it was observed during the audit that the progress of the training workshop conducted to strengthen the internal Audit units of Local Government and Local Councils is only 66 percent. Trainings workshops were expected to be held to strengthen the internal audit units of Provincial Councils and Local Government agencies, and accordingly, the heads of the internal audit units of the Provincial Councils were made to participate in the training workshops conducted by this department and since the internal audit units with approved staff have not been established in the Local Government institutions, the Provincial Councils and the Ministry of Local Government had initiated action and it was also stated the department had planned to conduct training programs targeting those internal audit officers in the last quarter of 2022 ,but due to the fact that internal audit units were not established in the year 2022, the planned training programs could not be conducted . Should work to achieve a maximum level of performance.
- (c) According to the Performance report, the progress of completed and assigned investigations to contribute to the detection of malpractices in the public sector stood at 77%. Due to the Covid situation in the early part of 2022 and the acute fuel shortage in the latter part of the year, there were many obstacles of the officials of all the government institutions to visit for the institutions and it was pointed out that there were obstacles in the gathering information for investigative activities and despite the crisis situation in the country throughout the year, 77 percent progress in investigative activities had been recorded. Should work to achieve a maximum level of performance.

3. Human Resources Management

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) As the December 31, 2022 out of the 49 approved posts in the department, 10posts were vacant and 6 of those vacancies were senior level posts.	It was stated that the Ministry of Public Administration and Ministry of Finance have been informed to fill the vacancies.	If the presence of staff vacancies adversely affects the performance of the Department, arrangements should be made to fill those vacancies or, if not, to revise the approved number of employees.