

Head 280 – Department of Project Management and Monitoring

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Head 280 - Department of Project Management and Monitoring for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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. The summary report containing my comments and observations on the financial statements of the Department of Project Management and Monitoring was issued to the Accounting Officer on 16 May 2023 in terms of Section 11 (1) of the National Audit Act, No. 19 of 2018. The Annual Detailed Management Audit Report relevant to the Department was issued to the Accounting Officer on 30 June 2023 in terms of Section 11 (2) of the Audit Act. 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, the financial statements give a true and fair view of the financial position of the Department of Project Management and Monitoring as at 31 December 2022, 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 (SLAuS). 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 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 such internal control as management determine 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 of Project Management and Monitoring 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 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

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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 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 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) The financial statements are consistent with the preceding year.
- (b) The recommendations made by me on the financial statements for the preceding year had been implemented.

2. Financial Review

2.1 Management of Expenditure

Audit Observation	Comments of the Accounting Officer	Recommendation
Of the total provision of Rs.38,250,000 made for 02 Objects of the Department, a sum totalling Rs.38,147,320 representing a range between 100 per cent and 99.72 per cent had been saved without utilizing.	The relevant projet was discontinued due to weak performance of E.W. Information System Ltd. As such, provision under these Heads had been saved without utilizing.	Estimates of expenditure should be prepared accurately and realistically in terms of Financial Regulation 50.

2.2 Non-compliance with Laws, Rules and Regulations

Audit Observation	Comments of the Accounting Officer	Recommendation
In terms of Format ACA-07 of the Guidelines of the Department of State Accounts No.2022/05 of 13 December 2022, credits to the Advances "B" Account by other Heads and debits to the Advances "B" Account for other Heads by reporting institutions, should be indicated separately. However, it was observed that credits of Rs.2,566,717 to the Advances "B" Account by other Heads and debits of Rs.1,223,786 made by the Department to the Advances "B"	It is agreed with. In the settlement of distress loan, the relevant interest of Rs.192.00 to the loan had been added with the loan and brought to account and it had been accounted twice in rectifying through transfer notes, thus resulting in this difference.	Action should be taken as per Guideline in the preparation of financial statements.

Account for other Heads had not been separately indicated in the Reconciliation Statement for Imprests and that a sum of Rs.3,790,119 had been indicated as a total under credits made to the Advances "B" Account by other Heads instead.

2.3 Advances to Public Officers Account

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) A sum totalling Rs.232,858 was recoverable as distress loans and festival advances from an officer who transferred out. These outstanding loan balances had not been recovered despite having lapsed for 02 years by 31 December 2022.	As provision required for the Department of Industrial Development-North Central Province was unavailable in the year 2022, the Provincial Director has informed through the letter dated 20.09.2022 that action will be taken to settle those loan balances in the year 2023. We have been informed on enquiry through phone that provision has not been received for Advances B loan even by now. Nevertheless, a second reminder has been forwarded on 23.03.2023 in this regard.	Action should be expedited to recover outstanding loan balances.
(b) The loan balance of Rs.139,921 elapsed for 07 years recoverable from an officer who left the service of the Department, had not been recovered even by the end of the year under review.	The personal file of the relevant employee has been forwarded to the Director General of Combined Services on 08.11.2022 to be forwarded to the Public Service Commission for considering reinstatement in the service based on producing immediately, in case of requirement of the originals of the personal file for court proceedings, on the instructions of the Attorney General's Department. A lawsuit is in progress in court for the recovery of loans.	Action should be taken in terms of provisions in the Establishments Code.

3. Operating Review

3.1 Performance

3.1.1 Planning

Audit Observation	Comments of the Accounting Officer	Recommendation
In terms of Public Finance Circular No.01/2014 of 17 February 2014, an Action Plan had been prepared for the year 2022. However, in terms of paragraph 3(a) of the Circular, the approved cadre and the existing cadre, organization structure and the Annual Procurement Plan updated for the year under review had not been included in the said Action Plan.	It is mentioned that even though the updated approved and actual cadre, organization structure along with the the Annual Procurement Plan had not been included in the Action Plan prepared for the year 2022, relevant documents and reports had been prepared separately and that specifically the Procurement Plan 2022 had been approved by the Ministry of Project Management and Monitoring. Action will be taken to include these documents and reports in the Action Plan for the year 2023.	Action should be taken in terms of the Public Finance Circular.

3.1.2 Performance of Functions

Audit Observation	Comments of the Accounting Officer	Recommendation
The main objective of this Department is to monitor, evaluate and facilitate all development initiatives and advocate implementing agencies to ensure delivery of intended development results as well as improved delivery of intended development results within the agreed time and cost through optimum utilization of resources while providing consultancy to institutions which implement these projects and all functions had been identified accordingly. The following observations are made in regard to performance of those functions.		

- (a) No progress whatsoever had been achieved relating to 02 activities included in the Action Plan and the achievement of another 03 objectives had been at a level lower than 51 per cent.
- Difficulty in implementing “Vistas of Prosperity” due to the economic crisis which arose in the country, despite having awarded the contract to a local institution for designing a web based project monitoring programme for efficient performance of functions of the Department, failure in the relevant institution for performing the relevant activity, the ability of reactivating the computer software used in monitoring of projects which was in operation in the Department until the year 2012 and the continuous attempt being made to obtain assistance of a development party therefor.
- Action should be taken to achieve expected objectives as planned.
- (b) The number of large scale and mega scale development projects implemented in the year under review under various Line Ministries on local and foreign financing, were 261 and it included 150 large scale projects and 111 mega scale projects. Only 29 of 109 projects due to be completed by the end of the year under review had succeeded in delivering the final project result and 29 large scale projects had been suspended by the end of the year due to performance issues, project performance was at a weak level. Accordingly, it was observed that intended development results within the agreed time and cost through optimum utilization of resources, had not been delivered.
- Monthly monitoring was carried out relating to 261 development projects implemented in the year 2022 and 04 reports were prepared to be submitted to the Cabinet quarterly. (Report for the first quarter could not be submitted to the Cabinet.) After these progress examinations, observations thereon are forwarded to the Secretaries of relevant Ministries. Moreover, as financing for most foreign loan projects were suspended within the financial management situation which arose after April 2022 and due to the shortage of raw material, fuel shortage and import restrictions etc., the projects could not be proceeded. It is clear that those situations cannot be brought under control through monitoring of projects.
- Action should be taken to achieve intended development results within the agreed time and cost through optimum utilization of resources.

- (c) Even though it had been indicated in the Performance Report that an operating committee had been appointed to prepare the National Evaluation Policy with the intervention of public officers in the top level who represented various institutions and a National Evaluation Policy has been prepared with the guidance and assistance of the said Committee in the year 2019, it was observed that the said National Evaluation Policy had not been implemented even by the end of the year under review.
- Even though the National Evaluation Policy had been prepared during the year 2019, relevant officers of all Government institutions should be briefed and trained thereon for the implementation of the said Policy. Moreover, several pilot programmes should be completed for evaluation of projects in collaboration with selected officers. However, the said National Evaluation Policy could not be implemented due to unfavourable condition and lack of financial provision therefor in the years 2021 and 2022. Nevertheless, action is being taken to implement the National Evaluation Policy with the financial assistance of the United States Agency for International Development.
- Action should be taken to implement the National Evaluation Policy for achieving the intended objectives.
- (d) Even though provision of Rs.127.5 million had been made for carrying out the relevant activities with the intention of achievement of objectives of the Department during the year under review, only Rs.82.78 million or 65 per cent of that, had been utilized during the year under review.
- Management of Expenditure was made as per Expenditure Control Circular issued by the Ministry of Finance and the Expenditure Management Circular submitted by the Presidential Secretariat. Moreover, suspension of the project on creating the database on project supervision for which more provision had been made, due to weak performance, had been attributed to the savings of this provision.
- Provision made for the achievement of objectives of the Department should be utilized efficiently.

3.2 Assets Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Two motor vehicles had been utilized for the purposes of the Department without transferring formally from the Ministry of Finance, Economic Stabilization and National Policies.	As official vehicles suitable for allocating to two officers who are entitled to official vehicles, were not available with the Department, the said vehicles have been obtained from the Ministry of Finance, Economic Stabilization and National Policies.	Action should be taken to transfer those vehicles duly or to return them again to those institutions.
(b) Documents and information relating to 02 motor vehicles owned by the Department which had been decided to be handed over to the Ministry of Finance, Economic Stabilization and National Policies and removed from being use, had been submitted to the Ministry in the year 2020. However, transfer activities had not been carried out formally even by the end of the year under review.	All documents relating to the transfer of the said 02 motor vehicles of the Department, which were removed from being use have been forwarded to the Ministry of Finance, Economic Stabilization and National Policies.	Action should be taken to transfer them formally.
(c) According to the report on Board of Survey conducted as at the end of the year 2022, it was observed that there was a shortage of a Laptop with a bag included in the inventory of the Department and no proper code numbers had been indicated therein for identification of items physically, included in the inventory. Even though it had been indicated by the Note (i) submitted along with the financial statements that the bag with the Laptop valued at Rs.244,432 indicated as shortages, had been stolen in the year under review, action had not been taken even by the end of the year under review to recover the	It is accepted. Shortage has been revealed. It has been stolen after office hours while he was taking it with him on his way home with the permission of the Department and a complaint thereon has been made to the Police and the Department as well has been informed thereon. Preliminary inquiry thereon has been conducted as per F.R. 104. The officer has been informed by the Police that if the said item could be found, it will be informed. As such, recovery of money from the said	Action should be taken to identify the responsible parties and to recover the relevant value. Moreover, code numbers for identifying assets should be used.

relevant values by identifying responsible parties.

officer was delayed. However, action is being taken to recover the loss from the said officer by now.

3.3 Progress on Achievement of Sustainable Development Goals

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>The following observations are made on the progress of functions identified by the Department regarding the supervision and the evaluation of progress on achievement of intended outcome of projects and programmes implemented by the Government for achieving sustainable development goals.</p>		
<p>(a) As the creating of the National Development Database is in the process, no progress whatsoever had been obtained on 03 targeted indicators of achievement of sustainable development goals identified by the Department</p>	<p>It is accepted. This poor progress had resulted in due to failure in creating the development database.</p>	<p>Action should be taken to achieve the sustainable development goals.</p>
<p>(b) Achievement of goals in 03 targeted indicators of achievement of sustainable development goals to be performed and facilitated by the Department, was at a level less than 49 per cent.</p>	<p>It is accepted. Failure in preparing the framework for the implementation of the evaluation policy has been attributed to the said shortcoming.</p>	<p>Action should be taken to achieve the sustainable development goals.</p>

4. Human Resource Management

Audit Observation	Comments of the Accounting Officer	Recommendation
The approved cadre of the Department stood at 102 and of that, 30 posts were vacant. The said vacancies comprised of 08 posts in the senior level, 04 in the tertiary level or 100 per cent of the approved cadre and 13 posts in the secondary level.	The Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government has been briefed on these vacancies through the software system. Attachment of officers to these vacancies is a process deviating from the functions of the Department and action has been taken to perform functions of the Department, duly obtaining services efficiently from the staff.	Action should be taken to fill vacancies essential for performing the functions of the Department and in case of unnecessary posts, action should be taken to revise them in the approved cadre.