

## **Head 242 - Department of Management Services**

### **1. Financial Statements**

#### **1.1 Opinion**

Head 242 - The audit of the financial statements of the Department of Management Services for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance, and cash flow statement for the year then ended including material accounting policy information 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 Management Services was issued to the Accounting Officer on 22 May 2024 in terms of Section 11(1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report pertaining to the Department was issued to the Accounting Officer on 02 August 2024 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.

In my opinion, the financial statements prepared give a true and fair view of the financial position of the Department of Management Services as at 31 December 2023 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 and 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 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.

The Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Department 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 exercised professional judgment and maintain professional skepticism 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal control.
- 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.
- 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.

The Accounting Officer is 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 financial statements are consistent with those of the preceding year.
- (b) The recommendations made by me regarding the financial statements of the preceding year had been implemented.

## 2. Financial Review

### 2.1 Expenditure Management

The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) Without making annual budgeted provision for payment of installments for vehicles procured on operating lease basis, a sum of Rs.3,000,000 has been transferred under F.R. 66 and an expenditure of Rs.2,710,399 out of which had been incurred.	Due to the bad economic situation in the country, the provisions have not been made for the purchase of leased vehicles for the year 2023. Vehicles have been provided by the Ministry of Finance to complete the vehicle requirement of the Department for that year. Subsequently, the provisions have been transferred in terms of F.R.66 as per the instructions given by the Ministry to bear the relevant expenses from this Department.	Annual expenditure estimates should be accurately and realistically prepared in terms of Financial Regulation 50.
(b) It was observed that a provision of Rs. 500,000 had been transferred by F.R.66 for expenditure object 242-1-1-0-1102 and only a sum of Rs. 18,752 of that had been spent and an amount of Rs. 431,248 equal to 86 per cent had been saved.	Although the necessary provisions have been made under F.R. 66, the provision has been saved on the basis that the training opportunities were not approved by the Ministry.	-do-

### **3. Operating Review**

#### **3.1 Performance**

##### **3.1.1 Failure to Perform Tasks**

The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
<p>(a) <b>Running the Data System</b></p> <p>As the first step of the established Department of Management Services, it had been proposed to establish common data sources within the Department of Management Services and to integrate, update and centralize the data scattered among various agencies under the Department of Management Services as per the Circular No. DMS/E/1/99 dated 05 May 1999 of Secretary of Treasury and the Secretary of Finance and Planning and the need to maintain an information system about the public sector and provincial public service employees had been recognized as the main tasks of the Department. Nevertheless, even though about 24 years had passed since the establishment of the Department by the end of the year under review, a data system had not been created.</p>	<p>The basic functions related to the completion of all the data records obtained through the spreadsheets related to the approved and actual functions currently maintained by the Department through the computerized database management system are already being done by Information Technology Management Department.</p>	<p>Actions should be taken in accordance with plans without delays.</p>
<p>(b) <b>Submission of Public Sector Staff Information to the Cabinet of Ministers</b></p> <p>Even though the Department had been instructed to submit the quarterly updated information on public sector staff showing changes in recruitment, resignations, leaving</p>	<p>As it was impractical to submit quarterly reports to the Cabinet of Ministers, actions will be taken from this year to</p>	<p>Arrangements should be made in accordance with the instructions of the Cabinet of</p>

of posts, dismissals, retirements and deaths of officers in all government agencies to the Cabinet of Ministers as per the Decision Cabinet of Ministers dated 15 August 2017, the relevant staff information had not been submitted to the Cabinet of Ministers after the first quarter of 2019.

submit Annual Reports.

Ministers.

(c) **Maintaining Accurate Staff Information**

Even though the Department has been entrusted with the responsibility of maintaining and updating the public sector staff data system, reflecting changes in recruitment, resignations, leaving of posts, dismissals, retirements and deaths of officers in all public institutions as per Decision of Cabinet of Ministers dated 15 August 2017, the Department had not taken actions to include the existing staff details of a total of 84 institutions including 32 State Owned Enterprises and 52 institutions related to Ministries, Departments and Special Expenditure Units in preparing the Annual Report 2022 of the Ministry of Finance, Economic Stabilization and National Policy.

The amount of staff information not included in the preparation of the 2022 Annual Report of the Ministry of Finance, Economic Stabilization and National Policy is a small percentage of 0.6% of the total approved staff and actions are being taken to rectify the situation.

Actions should be taken to submit data for reports completely.

(d) It had stipulated to identify the minimum staff required to maintain the functions of government institutions at an optimal level and to report to the Director General of Management Services and based on that information to determine the optimal staff required for each institution by a Staff Review

As the review of public sector institutional staff is a major task entrusted to this Department, actions are being taken to conduct staff reviews on a continuous basis by identifying the institutions which need to conduct staff reviews.

Actions should be taken to carry out staff reviews as per the given circular and as per the tasks entrusted to the Department.

Committee as per Management Services Circular No. 01/2017 dated 21 January 2017. Nevertheless, even though 5 years had passed since the circular was issued by 31 December 2023, the Department had impossible to obtain staff review reports of 765 institutions out of 1027 government institutions.

### 3.2 Procurements

The following observation is made.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>Even though it had been specified that the electronic procurement system should be used for procurement under shopping method in terms of the Public Finance Circular No. 05/2018 dated 23 October 2018 and No. 08/2019 dated 17 December 2019 regarding the introduction of the state electronic procurement system to government institutions, the Department had procured goods totalling to Rs.798,973 in the year 2023 on 03 occasions without using the electronic procurement system.</p>	<p>Arrangements have been made to use the electronic procurement system from the year 2024.</p>	<p>Actions should be taken in accordance with circular provisions.</p>

### 3.3 Assets Management

The following observation is made.

#### (a) Vehicles

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>Determination of the party responsible for recovering the amount of Rs. 61,959.58 related to the damage caused to the vehicle KE-6438 which was</p>	<p>As the police investigation report related to the accident has not been provided it has not been possible so far to</p>	<p>Actions should be taken in terms of Financial Regulations.</p>

experienced in an accident on 04 March 2022 had not happened even as at 31 December 2023 . recover the relevant amount from the responsible party.

#### 4. Human Resources Management

The following observation is made.

##### (a) Assigned Staff and Actual Staff

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
There were 94 approved posts in the Department and out of which, 19 posts had remained in vacant and it was consisted of 12 senior level positions, 05 secondary level positions and 02 primary level positions.	Due to restriction of recruitment in government service in last few years, it has been difficult to find successors due to the current shortage of staff. However, after further consideration of the need related to certain posts, the posts that need to be revised will be identified and actions will be taken to suppress those posts in the year 2024.	Actions should be taken to fill the essential vacancies for the performance of the Department and to revise the approved staff, if there are no such posts available.