

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 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance and cash flow statements 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 Project Management and Monitoring 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 relevant to the Department was issued to the Accounting Officer on 20 August 2024 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 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 (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 Imprest Management

The following observations are made.

Audit Obsewrvation	Comments of the Accounting Officer	Recommendation
Although the department had requested a total of Rs. 105.80 million in the year 2023 to carry out the related tasks as planned, the treasury had given only a total of Rs.78.15 million. Accordingly, it was observed that the total was Rs.27.65 million or 26 percent less than the requested imprest.	Agreed.	Actions should be taken to prepare accurate and reralistic estimates for the tasks required to fulfill the role of the department.

2.2 Expenditure Management

The following observations are made.

Audit Obsewrvation	Comments of the Accounting Officer	Recommendation
It was observed that additional allocations of Rs. 3,000,000 had been made under FR 66 for 02 expenditure subjects without adequate allocation from the initial estimate and it was observed that 200 and 286 percent of the initial estimate allocation of those expenditure subjects.	Due to having to participate in more foreign training programs than the planned foreign training programs by the department and need for provision due to the launch ceremony of Sri Lanka's National Assessment Policy Implementation Framework - 2023 under the department.	Actions should be taken to prepare annual expenditure estimates correctly and accurately in accordance with Financial Regulation 50.

2.3 Public Officers' Advance Account

Audit Obsewrvation	Comments of the Accounting Officer	Recommendation
Although the actions should be taken to recover the loan balance from the officers who vacated the public service in accordance with Sections 4.5 and 4.6 of Chapter XXIV of the Establishments Code, the 8-year-old loan balance of Rs.139,921 due from a retired officer of the department had not been settled even at the end of the year under review.	I kindly inform that further work is being done regarding the retirement of the officer and actions are taken to recover the recievable to the government from the pension gratiuity due to him.	Actions should be taken to recover the outstanding loan balances Promptly.

3. Operational Review

3.1 Performance

3.1.1 Planning

Audit Obsewrvation	Comments of the Accounting Officer	Recommendation
Although the department had prepared an action plan related to the year under review, action plan had not been prepared including the organization structure of the organization updated to the year under review, the approved staff and details about the currently employed staff, imprest requirement plan for annual activities and annual procurement plan as per the format shown in the guidelines mentioned in paragraph 03 of the Public Finance Circular No. 02/2020 dated 28 August 2020.	Accepted. Action plan prepared for the year 2024 has been prepared as per as per the format shown in the guidance mentioned in paragraph 03 of the State Finance Circular No.02/2020 dated 28 August 2020	Actions should be taken to proceed as per the Public Finance Circular.

3.1.2 Performance of the functions

The main objective of this department was to monitor, advise and facilitate all development projects to ensure the generation of the desired development results, as well as to increase the generation of the desired development results within the agreed time frame and cost through the optimal use of resources by providing advice to the organizations implementing the projects and the tasks related to it had been identified accordingly. The following observations are made regarding the performance of those tasks

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) According to the information submitted to the audit, there were 209 large and mega-scale development projects implemented under various line ministries based on domestic and foreign financial studies in the year under review and among these large and mega-scale projects, 91 were funded by local funds and loans and 118 projects had been financed by foreign loans and grants. Among the above projects, out of 107 projects that were to be completed by the end of the year under review, only 23 projects had been able to generate the final project result and 06 mega -scale projects had been suspended by the end of the year due to performance problems. The provisions allocated for large and mega-scale development projects implemented in the year 2023 was approximately Rs. 716 billion and it was disclosed that the amount that was able to be utilized by the end of the year 2023 was Rs. 361 billion or only 50 percent of the allocation. Accordingly, it was observed that the aim of the department to increase the generation of expected development results was not fulfilled as expected.</p>	<p>This department reviews the physical and financial progress of large and mega - scale projects on a monthly basis and informs the Cabinet of Ministers about the progress and issues on a quarterly basis. The decision taken by the Cabinet of Ministers will be informed to the secretaries of the line ministries, and the problems presented by the line ministries identified by the department will be forwarded to the National Operations Room and the relevant facilities will be utilized for the physical and financial management of the projects. The process of achieving financial progress as per the desired targets is the responsibility of the Secretary of the Ministry.</p>	<p>Actions should be taken to utilize the resources optimally and direct as necessary to achieve the desired development results within the agreed time frame and cost.</p>

(b) It was observed that only preliminary discussions had been held to carry out the evaluation work on 02 projects selected in the year 2023 under the evaluation and management of the projects included in the action plan.	Accepted	Actions should be taken to accomplish the desired objectives as planned.
(c) Achieving the objectives of 02 activities included in the action plan was between 50-77 percent.	Accepted	Actions should be taken to achieve the objectives at the maximum level.
(d) Although a provision of Rs.101.76 million had been made for the activities of the department for the year under review, only Rs.82.10 million or 81 percent had been utilised.	Agreed	Actions should be taken to use the provisions made efficiently in order to fulfill the objectives of the department.

3.2 Procurements

The following observations are made.

Audit Obsewrvation	Comments of the Accounting Officer	Recommendation
<p>According to the Public Finance Circular No. 05/2018 dated 23 October 2018 and No. 08/2019 dated 17 December 2019 regarding the introduction of the public e-procurement system to public institutions, All the public institutions should carry out accordingly in respect of registration of public procurement entities, registration of coordination officers, registration of suppliers, submission of annual procurement plan, publication of procurement notices, use of e-procurement system for price comparison, etc. However, one procurement made by the department in the year 2023 without using the e-procurement system had been done by the price comparison method without proceeding according to the above circular.</p>	<p>I kindly inform that in the year 2024, arrangements have been made to purchase the items required by the department under the e-procurement system.</p>	<p>As per the provisions of circular, the procurement works should be done under the e-procurement system.</p>

3.3 Uneconomic transactions

The Department of Project Management and Monitoring called for open bids in 2021 for the establishment of a web-based project monitoring system using the National Development Information System (NDIS), a new technology, to be used as the main means of data collection for progress monitoring. A private company that submitted a bid of Rs.135,720,000 inclusive of taxes was awarded the contract for setting up the system on 25 November 2021 and an advance of Rs.12,169,950 was given on 03 February 2022. Due to poor performance of the contractor, this contract was suspended on 31 August 2022 and the advance security of Rs.12,169,950 which was given to the contractor had been recovered from the department on 20 October 2022.

. The following facts are observed in this regard.

Audit Obsewrvation	Comments of the Accounting Officer	Recommendation
<p>(i) The department had been working to withhold the above advance amount to the contractor for more than 9 months and the department had not been able to set up a</p>	<p>Rs.12,169,950.70 had been given to the contractor as an advance for the preparation of the National Development Information System according to the government's procurement procedures. When 09</p>	<p>Actions should be taken to set up the National Development Information System quickly.</p>

suitable system until now.

months passed after the advance was given, the contractor realized that he could not complete this work on time, so he decided to suspend the contract, thereby preparing a computer software that was not designed as required by the department and could not be completed within the stipulated time. The unnecessary costs that the government may have to bear have been avoided.

(ii) The audit observed that due to the mid-term termination of the NDIS modernization contract, special efforts had to be made to engage relevant parties and resolve issues arising during project review, reporting, coordination and implementation in the year 2023 and the above contract was suspended for 01 years to 31 December 2023. Although 04 months had passed, no further steps had been taken to modernize the information system at the end of the year under review.

After the suspension of this contract, since it was evident that it is not easy to prepare such a complex software and it is a long-term task, the integrated national development information system, which is currently in an inactive state in the department, the health system development project, which is proposed to start in the year 2024, under the assistance of the World Bank. I further note that the (NDIS) software has agreed to support repair under this. However, I would also like to inform you that until the (NDIS) system is developed, the work of the department will be carried out with great effort.

Actions should be taken to set up an appropriate information system promptly.

3.4 Progress towards achieving the Sustainable Development Goals

The following observations are made on the progress of the roles identified by the department in terms of monitoring and indicating the progress of achieving the desired results of the projects and programs implemented by the government to achieve sustainable development goals.

Audit Obsewrvation	Comments of the Accounting Officer	Recommendation
(a) Since the web-based National Development Information System is not operational, no progress has been made in relation to 03 achievement indicators for achieving the sustainable	Accepted.	Actions should be taken to achieve sustainable development goals.

development objectives identified by the department.

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| (b) | The reaching to the objectives of achievement indicators 03 to achieve the sustainable development objectives to be fulfilled and facilitated by the department was less than 49 percent. | Accepted. | -Do- |
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4. Human Resource Management

4.1 Attached Staff and Actual Staff

Audit Obsewrvation	Comments of the Accounting Officer	Recommendation
<p>The approved number of posts in the department was 101, of which 32 posts or 32 percent was vacant. Among those vacancies, there were 12 senior level positions, 03 tertiary level positions, 12 secondary level positions and 05 primary level positions. Accordingly, the department had not taken steps to fill up the vacant posts or revise the approved number of posts.</p>	<p>The Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government has been informed about the available vacancies.</p>	<p>Actions should be taken to to fulfill the role of the department, fill necessary vacancies and if there are non-existent posts, they should be amended in the approved staff.</p>