

## **Head 324 - Department of Management Audit**

### **1. Financial Statements**

#### **1.1 Opinion**

Head 324 - The audit of the financial statements of the Department of Management Audit 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 Audit was issued to the Accounting Officer on 10 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 31 July 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 Audit 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 Imprest Management

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) Even though it had planned to request an advance of Rs.65,429,000 for the year 2023, the Treasury had issued an imprest of Rs.56,562,000 to the Department. Only 86 per cent out of imprest amount planned by the Department had been issued to the Department by the Treasury.	Although the imprest plan of Rs. 65,429,000 was prepared considering the actual expenses of the year 2022 and the budget allocations of the year 2023, the expected imprest amount was not required due to curtailment of annual provisions and expenditure control.	Imprests should be planned after identifying the needs.

### 2.2 Expenditure Management

#### 2.2.1 Transferring of Provisions

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) Out of 06 recurrent and capital expenditure objects with a total provision of Rs.16,600,000 in the year under review, provision reductions ranging from 4 to 46	Due to the rise in prices of goods and services, occurring maintenance requirements and receiving foreign training	Budget allocations should be planned identifying the needs.

per cent and provision increases ranging from 34 to 97 per cent to the total allocation of Rs.1,800,000 in 05 expenditure objects had been made through F.R. 66 transfers.

opportunities for more officers, as it was difficult to manage expenses in the initial budget estimate, the related expenses were managed by transferring of provisions under F.R. 66 .

### 2.3 Non-compliance with Laws, Rules and Regulations

Audit Reference to Laws, Rules and Regulations	Observation Non-compliance	Comments of the Accounting Officer	Recommendation
(a) Financial Regulations of Democratic Socialist Republic of Sri Lanka	(i) F.R. 315 The drivers of the Department had not kept security deposits.	After deciding the security deposit amount for the drivers' security deposits, arrangements are being made to quickly keep the security deposits.	Actions should be taken as per the provisions of the Financial Regulations.
(ii) F.R. 756	The Board of Survey Report of the year under review had not been submitted to the Auditor General before 31 March of the following year.	Since the whole disposals were not completed, it has been impossible to submit the Board of Survey Report to the Auditor General before 31 March 2024	-do-

according to the relevant format. It is kindly informed you that the report will be submitted to the audit as soon as the disposal is completed.

<p>(b) State Accounts Guidelines No. 05/2023 dated 30 November 2023 Paragraph 7.6</p>	<p>Although the figure after F.R. 66 transfer adjustment and supplementary allocations to budget provisions should be applied to the revised budget provision column of the Statement Financial Performance, actions had not been taken accordingly.</p>	<p>The original budget estimate value was entered by a mistake and necessary measures have been taken to prevent such defects from occurring in the future.</p>	<p>Actions should be taken as per the instructions of the circular.</p>
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### 3. Human Resources Management

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) The approved number of posts in the Department was 50 and out of which 09 posts had remained in vacant. Four out of the vacancies were at senior level posts.</p>	<p>Nine posts are already in vacant out of approved staff for the Department. In particular, the lack of senior level officers has become a critical factor for the performance of the organization. The Ministry and the relevant service boards have been constantly informed in order to complete this deficit.</p>	<p>Actions should be taken to fill up vacancies or to revise the approved cadre.</p>