

Head 334 – Department of Multipurpose Development Task Force

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Head 334 – Department of Multipurpose Development Task Force 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 and notes to financial statements including a summary of significant accounting policies, 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. My comments and observations which I consider should be presented in Parliament appear in this report. The summary report including my comments and observations on the financial statements of the Department of Multipurpose Development Task Force was issued to the Accounting Officer on 31 May 2024 in terms of Section 11 (1) of the National Audit Act, No. 19 and the Detailed Annual Management Audit Report relating to the Department in terms of Sub-section 11 (2) of the National Audit Act, No. 19 of 2018 was issued to the Accounting Officer on 20 June 2024. This report will be presented in Parliament in pursuance of provisions in Article 154 (6) of the Constitution 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 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 determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. As per Sub-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.

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, 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 Responsibilities 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 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 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 internal control of the Department.
- 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 and Regulatory 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 in regard of the financial statements of the preceding year, had not been implemented.

1.6 Comments on Financial Statements

1.6.1 Non-compliance of Financial Statements with Provisions of Circulars

The financial statements should have been prepared in accordance with State Accounts Guidelines No. 05/2023 dated 30 December 2023, but given below is an instance in which such requirements had been deviated.

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|--|---|--|
| A value of Rs. 137,000 had been written off as per Financial Regulation 109 from books relating to 02 instances of losses and damages in the statement of write-off and recoveries (Annexure ii) given with the financial statements of the year under review. Nevertheless, the nature of those 02 incidents of loss had not been mentioned in the Annexure (ii) to the financial statements. | Nature of the loss has not been mentioned in the statement of write-off from books as per Financial Regulation 109, and it was informed that the loss had been caused due to misplacements. | Annual financial statements should be prepared in accordance with State Accounts Guidelines. |

1.6.2 Accounting Deficiencies

a) Non-maintenance of Books and Registers

It was observed in audit test checks that the following register had not been maintained by the Department.

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|---|--|--|
| Register of Liabilities A register of liabilities had not been maintained in accordance with Financial Regulation 214. | It has been informed that a register of liabilities had not been maintained in terms of Financial Regulation 214, but an Excel Spreadsheet had been maintained in that connection. | A register of liabilities should be maintained in terms of Financial Regulation 214 in a manner that the register can be examined. |

2. Financial Review

2.1 Management of Expenditure

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|--|--|--|
| a) Provision amounting to Rs. 64,160,000 had been transferred to 04 Objects under Financial Regulation 66/69 in the year under review, but by the end of the year, saving under those 04 Objects ranged between 23-49 per cent. | It was informed that saving of provision in Objects under Financial Regulation 66/69 had occurred due to reasons such as, only training allowances had been paid as no permanent appointments had been made, scheduled expenses were not incurred as it was decided to discontinue the Department as at 2023/12/31, and a considerable number of Development Officers had been transferred to other Departments during December 2023. | Provision should be utilized at maximum efficiency. |
| b) Provision under a recurrent Object valued at Rs. 75,000 and 02 capital Objects valued at Rs. 3,000,000 had saved in full. Of the provision totalling Rs. 93,585,000 under 05 recurrent and capital Objects, a sum of Rs. 45,401,364 or 48 per cent had saved. | Estimates had been prepared for capital expenses under assumption that the going concern would not be disrupted. However, it was decided to continue the Department until 2023/12/31 after being liquidated on 2023/08/31. As such, provision under 02 capital Objects had not been utilized, and it was informed that surpluses had occurred in local travel expenses, overtime and Objects as a considerable number of Development Officers had been transferred to other Ministries and Departments in the final quarter and expenses had been managed as per Budget Circular No. 01/2023 dated 2023/01/27. | Annual provision should be utilized at maximum efficiency. |

2.2 Responsibilities of the Chief Accounting Officer/Accounting Officer

The Chief Accounting Officer/ Accounting Officer should have been responsible for the following matter in terms of Section 38 of the National Audit Act, No. 19 of 2018.

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|--|---|---|
| It is the responsibility of the Chief Accounting Officer and the Accounting Officer to ensure that an effective internal control | According to provisions of Section 38 of the National Audit Act, No. 19 of 2018, the Chief Accounting Officer and the | Action should be taken in accordance with Section 38 of the National Audit Act, No. |

system for the financial control exists in the Department 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. Those reviews should be done in writing and a copy thereof should be furnished to the Auditor General. Nevertheless, no statements had been made to the Audit that such reviews had been done.

Accounting Officer had ensured that an effective internal control system for the financial control existed in the Department and carried out periodic reviews to monitor the effectiveness of such systems and accordingly made any alterations. However, it was informed that such reviews had not been done in writing.

19 of 2018.

3. Operating Review

3.1 Failure to Achieve the Expected Outcome

The following observations are made

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|--|--|--|
| <p>a) A total of 34,727 trainees comprising 31,463 in the first stage and 3,264 in the second stage, had received final training. A sum totalling Rs. 114,008,194 had been paid in that connection, but only 23,024 multipurpose assistants had been given appointments by 31 December 2023.</p> | <p>The Public Service Recruitment Review Committee chaired by the Prime Minister's Secretary made the recruitments for the primary grade vacancies in the institutions based on the amount of provision of each institution, ability to pay salaries etc. As such, it was informed that the percentage of appointments given as at 2023.12.31 was 80 per cent.</p> | <p>Permanent appointments should be given to the multipurpose assistants.</p> |
| <p>b) Although a period of 04 years had lapsed since the implementation of the programme to generate 100,000 employment</p> | <p>Despite being forwarded to be appointed by the Government institutions as at 2023.12.31, it was informed that the said number remained so due to reasons such as, differences in the recruitment procedures of various institutions, conducting interviews was</p> | <p>Permanent appointments should be given to those in the interviewing stage and those to whom appointments/nominations should be given.</p> |

opportunities in the year 2020, there were 3,178 assistants in the interviewing stage without being appointed whereas there were 3,207 assistants waiting to be appointed/nominated.

- c) There were 41 multipurpose assistants as at 31 December 2023 who had not received permanent appointments and NVQ certificates. Due to reasons such as, failure in obtaining the National Vocational Qualifications (NVQ3), non-participation in the examinations on the specified date, and differences of personal information registered for the examination, it was informed that certificates for NVQ3 had not been received. Reasons for not receiving NVQ3 certificates should be found from those who had not received such certificates, and corrective measures should be taken.
- d) A number of 8,841 trainees appointed had left the training on miscellaneous grounds, and that number represented 23 per cent of the total number of trainees. Due to reasons such as, misconduct, being found guilty by court cases, unnoticed absence from duty, proceeding abroad, and death, it was informed that 8841 trainees had been removed from the Department as at 2023.12.31. Reasons for removal of trainees should be looked into and remedial action should be taken.

3.2 Management Inefficiencies

The following observation is made.

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|--|--|--|
| Following reasons such as, death of officers and vacation of service, there existed an outstanding loan balance of Rs. 346,480 continued to exist over one year in the Advances to Public Officers Account "B" due | It was informed that action would be taken to recover the loan balance of Rs. 220,000 through the loan insurance out of the loan of Rs. 250,000 given to the deceased officer whilst the loan balance of Rs. 126,480 pertaining to the | Action should be taken for prompt recovery of loan balances. |

from officers not in service as at 31 December 2023. Development Officer who had vacated the post would be recovered from the guarantor.

4. Human Resource Management

Following observation is made

| Audit Observation | Comments of the Accounting Officer | Recommendation |
|---|--|---|
| There were 6,385 multipurpose assistants as at 31 December 2023 who had temporarily been attached to the Department without being permanently appointed to the service. | Nominations had been sent for recruiting to the Government service as at 2023.12.31. However, it was informed that granting permanent appointments had delayed due to reasons such as delay in conducting interviews by the relevant institutions, and delay in releasing results. | Action should be taken to expeditiously grant appointments to the multipurpose assistants who have not yet received permanent appointments. |

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