

## **Head - 245 Department of Public Finance**

### **1. Financial Statements**

#### **1.1 Opinion**

The audit of the financial statements of the Head 245 – Department of Public Finance for the year ended 31 December 2023 comprising the statement of financial position, statement of financial performance and cash flow statement for the year then ended, and notes to the financial 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 including my comments and observations on the financial statements of the Department of Public Finance was issued to the Accounting Officer on 28 May 2024 in terms of Section 11 (1) of the National Audit Act, No. 19 of 2018. The Annual Detailed Management Audit Report relating to the Department in terms of Section 11 (2) of the National Audit Act was issued to the Accounting Officer on 09 August 2024. This report is presented in Parliament in pursuance of provisions in Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 10 of the National Audit Act, No. 19 of 2018.

The financial statements give a true and fair view of the financial position of the Department of Public Finance 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 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 Sub-section 16(1) of the National Audit Act No. 19 of 2018, the Department of public Finance 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 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 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 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 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 on 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>
Although the total imprest amount to be requested amounted to Rs. 100.29 million as per the imprest requests plan of the year 2023, only Rs. 97.172 million imprest amount had been obtained following request of the imprest amounting to Rs.117.54 million.	A sum amounting to Rs. 253,287,166.67 under the item number 102-01-02-024-2509 of expenditure that had not been transferred to this Department even when the imprest plan was being prepared, had been transferred to this Department on 25 January 2023. However, since the Department of Treasury Operations obtained imprest for incurring expences for the period from February to September 2023, a difference amounting to Rs.17.25 million had occurred between planned imprest and actual imprest.	The imprest request should be properly planned and implemented.

### 2.2 Expenditure Management

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a) Since estimated provision was not sufficient of 02 items of expenditure it had been increased by a sum totalling to Rs. 1,150,000 in a range from 50 to 567 per cent by transferring under financial regulation 66/69.	Additional provision surpassing estimated provision limits beyond the control of the Department, had to be transferred under F.R.66.	Preparation of estimates should be done accurately and realistically as per the financial regulation.
(b) Since the estimated initial provision for the item of expenditure No 245-1-1-0-1002 was not utilized, provision had been reduced by transferring under financial regulation 66/69 a sum amounting to Rs. 1,175,000 or 11 per cent of the estimated initial provision.	The provision saved was transferred under F.R. 66 with the approval from the Department of National Budget to cover the expenditure that had to be incurred accidentally beyond the control of the Department.	-Do-

- (c) A sum amounting to Rs. 76,454,182 had been saved without being utilized out of the net provision amounting to Rs. 106,525,000 allocated in the year 2023 for carrying out planned activities under 11 items of expenditure. It ranged from 16 to 85 per cent of the total net provision of those items of expenditure.
- A sum amounting to Rs. 68.36 million had been saved out of the provision allocated for the item of expenditure 245-1-1-2-2509(11) amongst the 11 items of expenditure, amounting to Rs.80 million in supplementary estimate and provision amounting to Rs. 8.09 million had been saved of the remaining 10 items of expenditure.
- A sum amounting to Rs. 68.36 million had been saved out of the provision amounting to Rs.80 million in supplementary estimate and provision amounting to Rs. 8.09 million of the remaining 10 items of expenditure had been saved.
- Action should be taken for efficient and optimal utilization of provision.

### 3. Operational Review

#### 3.1 Performance

##### 3.1.1 Performing of functions

Audit Observations	Comments of the Accounting Officer	Recommendation
As per the public finance Circular No 02/2018 dated 18 August 2018, although it had been recommended to wind up 13 Funds, it was observed that activities related to 3 Funds had not been completed even by the end of the year under review.	Although letters have been received from time to time requesting to reestablish the National Botanical Garden Fund as an independent institution, Informing to act upon the Circular instructions issued following a decision reached by the Cabinet of Ministers, presenting recommendations suitable for the uninterrupted continuation of the Vehicular Emmission Test Trust Fund, and it has been reinforced to take action to wind up the Self Employment Revolving Fund.	Preparation and implementation of proper plans on performing the main punctions of the Department.

### 3.1.2 Procurements

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>As per the Circular No 05/2018 dated 23 October 2018 and Circular No 08/2019 dated 17 December 2019 on the introduction of National Electronic Public Procurement System, it had been stated that activities such as registration of public procurement entities, registration of co-ordination officers, registration of suppliers, presentation of annual procurement plan, publicization of procurement notices and use of electronic procurement system, should be carried out by the Government institutions.</p> <p>However, Department without acting upon the above circular, had made arrangements to get the procurement items worth Rs. 1,376,086 supplied under shopping method in 10 instances in 2023 without using the electronic procurement system.</p>	<p>Although National Electronic Public Procurement System was introduced in 2018, arrangements have been made by the Department to purchase through this system from the start of the year 2024 since the instructions on the relevant training and the implementation thereof were given towards last half of the year 2023.</p>	<p>Action should be taken as per the relevant circular.</p>

### 4. Human Resources Management

Audit Observation	Comments of the Accounting Officer	Recommendations
<p>The approved cadre for the Department stood at 80, and out of that number 19 posts had been vacant including 11 posts at senior level, 06 posts at secondary level and 02 posts at primary level. vacancies</p>	<p>Observations presented in this regard are correct.</p>	<p>Action should be taken to fill up the vacancies or suitably revise the cadre.</p>