

Head- 329 Department of Information Technology Management

1. Financial Statement

1.1 Opinion

The audit of the financial statements of the Head 329 - Department of Information Technology Management 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 Excise Department 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 Information Technology Management 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 the 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 Excise 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 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 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 and Regulatory Requirements

I express the following matters in accordance with Section 6 (1) (d) of the National Audit Act, No. 19 of 2018. 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

Audit Observation	Comments of the Accounting Officer	Recommendation
A higher value imprest than the planned imprest, had been requested for the year 2023 and the amount received had been equivalent to half of the planned amount.	Your recommendation is accepted and action will be taken to correct it.	The imprest plan should be properly made and implemented.

2.2 Expenditure Management

The following observations are made.

Audit observation	Comments of the Accounting Officer	Recommendation
(a) Since the provision for 06 items of expenditure in the primary estimate that stood at Rs. 2,964,000 was not sufficient, provision had been increased under F.R 66 by a sum amounting to Rs. 9,122,300 and this increase in provision ranged from 5 to 720 per cent of provision in the primary estimate.	Provision had to be transferred under F.R. 66 since annual provision was not sufficient.	Action should be taken to correctly prepare the estimates as per the financial regulation 50.
(b) Provision amounting to Rs. 10,768,300 had been reduced and transferred to some other item of expenditure from the provision for 03 items of expenditure in the primary estimate amounting to Rs. 983,705,000.	Additional provision surpassing the estimated provision limits had to be transferred under F.R. 66.	-DO-
(c) Provision amounting to Rs. 388,451,690 had been saved without utilization out of the net provision allocated for 11 items of expenditure amounting to Rs. 824,905,000. It represented a considerable range of 13 to 67 per cent of the total net provision of those items of expenditure.	This observation is accepted. The estimated provision was saved due to timely non-submission of bills.	-Do-

2.3 Incurring Liabilities and Commitments

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>An outstanding sum amounting to Rs. 102,228,904 that was owing to be paid in respect of operational and maintenance activities of 5 quarters of 3 years of the ITMIS project, had been paid on 15 February 2024. However, those values had not been mentioned as liabilities in the statement of liabilities and commitments included in the financial statement related to 2023.</p>	<p>Payments for the operational and maintenance expenses of the ITMIS project are made quarterly subject to the recommendation and approval of the Financial Management Efficiency Project. The sum amounting to Rs. 102,228,903.55 invoiced for 05 quarters of 03 years had been suspended due to non-recommendation thereof by the Financial Management Efficiency Project.</p>	<p>Liabilities related to the year under review should be shown in the statement of liabilities of financial statements.</p>

2.4 Government Officers Advance Account

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>When the loans are granted to officers under Advance account B, although irrevocable agreement given in respect of pension mentioned in the appendix 23, should be obtained as per section 14:11 of chapter xxiv of the Establishment Code of the Democratic Socialist republic of Sri Lanka, it was observed that the said agreement had not been obtained when granting distress loan totaling to Rs. 626,888 to 11 officers in the year under review.</p>	<p>Observations are accepted. Action was taken to correct that mistake from the year 2024.</p>	<p>Action should be taken as per the relevant sections in the Establishment Code.</p>

3. Operational Review

3.1 Performance

3.1.2 Procurement

Audit Observation	Comments of the Accounting Officer	Recommendation
As per the Public Finance Circular 05/2018 dated 23 October 2018 and 08/2019 dated 17 December 2019 on the introduction of Electronic Government Procurement System to Government institutions, although it has been mentioned that the Electronic Government Procurement System should be used when the Government Procuring Entities carrying out procurements under shopping method, the Department in violation of the above circulars, had used the shopping method to purchase procurement items totaling to Rs. 8,636,897 in 15 instances.	Arrangements have been made by the Department from the year 2024 to purchase items through this system. .	Action should be taken as per the relevant Circular.

4. Human Resources management

Audit observation	Comments of the Accounting Officer	Recommendation
The approved cadre had been increased by 16 posts in the year under review with 03 posts at senior level, 04 posts at tertiary level and 09 post at secondary level. Accordingly, the approved cadre of the Department stood at 73 and out of that number, 21 posts including 03 posts at senior level, 06 posts at tertiary level, 11 posts at secondary level and 1post at primary level, had fallen vacant.	The observations made in this regard are correct.	Proper action should be taken to fill up the vacancies or revise the approved cadre.