

Head 011 – Finance Commission

1. Financial Statements

1.1 Opinion

The audit of the financial statements of Head 011 – Finance Commission 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 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 containing my comments and observations on the financial statements of the Finance Commission was issued to the Chief Accounting Officer on 15 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 Commission was issued to the Chief Accounting Officer on 29 July 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 Finance Commission as at 31 December 2023, and its financial performance and cash flows 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 responsibility for the financial statements is further described in the Auditor’s Responsibilities Section. 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 Chief Accounting Officer are 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 the determination of the internal control that 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 Commission is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable the preparation of annual and periodic financial statements.

In terms of Sub-section 38(1) (c) of the National Audit Act, the Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Commission 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 summary 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 and its materiality depends on the influence on economic decisions taken by users 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 Chief 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 terms of 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 Expenditure Management

Audit Observation

The provisions range from 20 to 78 percent of the net provision as Rs.8,811,623 in 05 recurrent expenditure objects and Rs.175,195 in 03 capital expenditure objects had been remained saved due to the non-preparation of expenditure estimates in accordance with the Financial Regulations 50.

Comments of the Chief Accounting Officer Recommendation

Although the budget for the year 2023 is prepared according to the Government Financial Regulations, Circulars and Guidelines, on the need of limit to the necessary expenses and purchases as per the Public Management Circulars issued by the government from time to time in view of the economic crisis in the country since 2020, it has been mainly led to the remaining provisions in these expenditure objects.

The accurate expenditure estimates should be prepared with the consideration about the economical and efficient as per the Financial Regulations 50.

2.2 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with the provisions in laws, rules and regulations observed during the course of audit test checks are analyzed below.

Reference to Laws, Rules and Regulations	Observation	Comments of the Chief Accounting Officer	Recommendation
Public Accounts Guidelines No.05/2023 dated 30 November 2023			
(i) Section 06	Although there was a Rs.2,216,000 of transfers among the recurrent expenditure objects under F.R.66/69, it had not been shown in the summary of expenditure as per ACA-2 programmes.	Although the provisions were transferred under F.R.66, Column No.03 was left blank due to the net value being zero by adjusting the positive and negative values of the recurrent expenditure objects.	Formats related to financial statements should be prepared by entering data accurately and completely.
(ii) Section 7.7	Although it is stated that it should be prepared using the direct method by considering both cash and cross entries, recovery of advances and advance payments in the year under review had been understated by Rs.814,544 due to cross entries not being taken into account while preparing the 2023 cash flow statement of the Commission.	Recovery of advances and advance payments were understated by Rs.814,544 due to not entering cross entries by omission.	Cash flow statement should be prepared as per Public Accounts Guidelines.

3. Operational Review
3.1 Assets Management

Following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) A stock of 18 toners belonging to 04 types and not in use by the Commission remained idle in the warehouse as at 28 February 2024.	Letters have been sent to various government entities and schools to provide these 18 toners and response has not been received until now. If the entities do not come forward to get these toners, action will be taken to auction them in the future.	Purchase should be done considering the requirement and availability of goods and appropriate action should be taken regarding the idle toner.
(b) 02 construction machines that do not belong to the commission and 08 vehicle tires of vehicles which cast-off in use had been retained in the warehouse as scrap goods without disposal.	A committee was appointed to get recommendations for the disposal of tires and other scrap materials including these 02 motor machines and as soon as the report of the committee is received, action will be taken to dispose those materials in the future.	Appropriate action should be taken regarding these 02 construction machines and 08 tires which cast-off in use.

3.2 Management Weaknesses

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
According to the board of survey report in 2023 of commission, there was a surplus of 60 units in 13 goods items and a shortage of 48 units in 14 goods items.	These surpluses and shortages are in respect of non-technical goods in the year 2023 and these surpluses and shortages have been presented by the report based on the fact that the names of the goods cannot be correctly identified and the goods cannot be correctly identified. Therefore, a committee has been appointed to examine these surpluses and shortages and to give recommendations and, It is informed that these discrepancies can be adjusted correctly as soon as their recommendations are received.	Appropriate action should be taken against these surpluses and shortages.

4. Human Resources Management

Audit Observation

There were 14 vacancies in the commission as 03 senior level vacancies, 07 secondary level vacancies and 04 primary level vacancies as at 31 December of the year under review, and 13 vacancies had not been completed by 31 March 2024.

Comments of the Chief Accounting Officer

The Director, Sri Lanka Planning Service Division and the Ministry of Public Administration have been informed to assign officers for 01 vacancy in senior level. 03 secondary level positions have been filled by now. The Ministry of Public Administration has been informed to complete 03 Management Service Officers and an officer has been obtained from the Provincial Road Development Authority for the post of Technical Officer. Primary level vacancies remain the same.

Arrangements should be made to fill up vacancies in essential positions that adversely affect to the performance.