

Head 240 – Department of National Budget

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Head-240, Department of National Budget for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023, statement of financial performance and cash flow statement for the year then ended and notes relevant to the financial statements, including the information relevant to the material 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. The summary report including my comments and observations on the financial statements of the Department of National Budget was issued to the Accounting Officer on 29 May 2024 in terms of Sub-section 11 (1) of the National Audit Act, No. 19 of 2018. The Annual Detailed Management Audit Report relating to the Department of National Budget was issued to the Accounting Officer on 19 July 2024 in terms of Section 11(2) of the Audit Act. This report will be presented in Parliament in pursuance of the 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 Department of National Budget as at 31 December 2023, and of 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 are 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 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 in terms of Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Accounting Officer determines 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 Department is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements.

In terms of Sub-section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department and carry out periodic reviews to monitor the effectiveness of such system 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 judgement 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 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 the 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 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 relating to the financial statements of the preceding year, had been implemented.

2. Financial Review

2.1 Revenue Management

Audit Observation	Comment of the Accounting Officer	Recommendation
The initial payment for the motorcycles which was made related to the programme for providing motorcycles to the field officers as per a budget proposal in the year 2015 had been accounted by the Department under the Revenue Code No. 2003.04.00 as an non-taxable income, and all the motorcycles thus provided should have been transferred to the personal possession of the respective officer by the end of the year 2020. However, the department had failed to confirm the exact amount to be fully recovered even as at 31 December 2023, and a net income of Rs.490,386 had been received in the year 2023.	Investigations are further in progress separately relating to Heads of Institutions/ District Secretariats for expeditious settlement of this issue. Also, actions have been taken to inform the Chief Accounting Officers to speed up the process of taking possession of these motorcycles.	Action should be taken to recover the arrears of revenue, while giving formal instructions and guidelines.

2.2. Expenditure Management

Audit Observation	Comment of the Accounting Officer	Recommendation
Due to making overprovision for 8 recurrent objects and 02 capital objects during the year under review, there were savings ranging from 21	Mainly in the unfavorable and unexpected economic condition prevailed in the country, prioritization of planned	Estimates should be realistically prepared for the objects in terms of

per cent to 89 per cent of the net provision after the utilization of that provision.

activities in accordance with Circular No. 03/2022 and 01/2023 issued by the Department of National Budget in accordance with the policy decisions taken by the Cabinet of Ministers for public financial management and strict control over expenditure, due to internal instructions to strict control over expenditure through measures such as suspension of all purchases except essential purchases, postponement of certain expenditure, these provision had been saved.

Financial Regulation 50.

3. Operating Review

3.1 Providing assistance for the individuals who lost their jobs due to taking part in 1980 July general strike

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>By the budget proposals, approval had been granted from the year 2013 to disburse an allowance to provide relief to the individuals attained 65 years of age who are lack of a permanent livelihood due to losing their jobs as a result of taking part in the 1980 July general strike. Accordingly, the budget proposals had been implemented to disburse such allowance at Rs.5,000 from the year 2013 to 31 December 2014, at Rs.6,000 from 01 January to 31 December 2015 and Rs.250,000 as a lump sum after 31 December 2015. Even though the audit had continuously pointed out this, the department had not taken proper actions to specifically identify the beneficiaries for this purpose and implement the proposals in the</p>	<p>The basis of this budget proposal for the year 2013 has been made up with the information revealed at the discussions conducted by the then Ministry of Finance and the Ministry of Labour with the trade unions and accordingly, it has been reported that there are about 10,000 persons without a permanent livelihood due to the loss of employments in consequent to the 1980 July strike. In the disbursement of payments under this programme, it is the normal procedure to make such payments according to the recommendations of the Ministries in charge of the subjects such as the Ministry of Labour, Transport, Industry and Homes based on the</p>	<p>Proper plans should be prepared and implemented for the achievement of the expected objectives of the budget proposals.</p>

desired manner, and a payment of Rs.1,673,000 had been made for 4 beneficiaries in the year 2023.

recommendations given by the Divisional Secretaries for the requests of the individuals who lost their employments due to participating in the 1980 July strike.

3.2 Budgetary Support Services and Contingent Liabilities

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>Without making a provision in the Annual Estimates for the year 2023, a sum of Rs. 1,050,339,626 was paid as compensation for 41 members of the Parliament due to damage caused to the personal property of the Members of Parliament due to the crisis situation in the country during the period from 31 March 2022 to 22 July 2022 by utilizing the supplementary budget estimate allocations provided from the Supplementary support services and emergency liability expenditure referred in Section 6(1) of the Appropriation Act No. 43 of 2022 under the Head 130, the Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government in the year under review.</p>	<p>According to the decision of the Cabinet of Ministers No.CMP 23/0732/601/010-III dated 24 April 2023, supplementary No. 186 and the letter dated 09 May 2023, Rs.714 million were issued. Further, according to the decision of the Cabinet of Ministers, CMP 23/1683/605/035- I dated 11.09.2023, Secretary to the Treasury has been ordered to provide additional allocation of Rs.700 million to settle the compensation of the members of the Parliament in future. Accordingly, based on the actual necessity an additional provision of Rs.300 million had been provided by the letter number 341 dated 04 October 2023. In addition to that, a sum of Rs.42 million for the expenditure object 130-01-12-002-1508 and Rs.24 million under FR 66 had been transferred on 12 December 2023 and 28 December 2023 respectively. Accordingly, a provision of Rs.1,080 million had been made to meet this expenditure, out of which Rs. 1,056 million had been incurred. It had been duly reported to the Parliament as per provisions of 6 (i) of the Appropriation Act for the year 2023 regarding the provision of</p>	<p>Assessed compensation should be recognized in advance and provision should be made through annual estimates.</p>

supplementary provisions.

4. Human Resource Management

Audit Observation	Comment of the Accounting Officer	Recommendation
Total 31 vacancies were existed as at 31 December 2024, including 08 senior level positions, 14 secondary level positions, and 09 primary level positions, and so far, no actions had been taken to fill the senior and secondary level vacancies.	Strict control of expenditure and various instructions issued on recruitment/filling of vacancies had attributed to this situation. As at date, out of the primary level vacancies, drivers vacancies and 03 office assistant vacancies had been completed. Accordingly, there are 04 more vacancies at the primary level, for which vacancy letters have been issued to assign employees. Letters had also been issued to assign officers for senior level vacancies.	Action should be taken to fill the vacancies or carry out a cadre revision.