

SAI Performance Report

Auditor General's Department of the Republic of Sri Lanka

Final

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Abbreviations

AAG	Assistant Auditor General
AdAG	Additional Auditor General
AES	Audit Examiner Service
AG	Auditor General
AGDSL	Auditor General's Department of Sri Lanka
ASC	Audit Service Commission
CIGAS	Computerised Integrated Government Accounting System
DAG	Deputy Auditor General
GDP	Gross Domestic Product
HR	Human Resources
IDI	INTOSAI Development Initiative
INTOSAI	International Organization of Supreme Audit Institutions
ISA	International Standards of Auditing
ISSAI	International Standards of Supreme Audit Institutions
IT	Information Technology
MDs	Ministries and Departments
MoF	Ministry of Finance
NAOSL	National Audit Office of Sri Lanka
COPA	Committee on Public Accounts
COPE	Committee on Public Enterprises
PEFA	Public Expenditure and Financial Accountability
PMF	Performance Measurement Framework
QA	Quality Assurance
QC	Quality Control
RoSL	Democratic Socialist Republic of Sri Lanka
SAI	Supreme Audit Institution
SLAS	Sri Lankan Audit Service
SLSAS	Sri Lankan State Audit Service

Foreword

The Auditor General's Department of Sri Lanka (AGDSL) is the Supreme Audit Institution (SAI) of the Democratic Socialist Republic of Sri Lanka (RoSL).

This performance report assesses the performance of the AGDSL against the International Standards for Supreme Audit Institutions (ISSAIs) following the methodology prescribed by the Supreme Audit Institutions' Performance Measurement Framework (SAI-PMF) issued by the International Organisation of Supreme Audit Institutions' (INTOSAI) Working Group on the Values and Benefits of SAIs. The assessment measures the current performance of the AGDSL across 6 domains and provides a performance baseline against a set of pre-determined indicators within those domains. The domains covered are as follows:

- A. Independence and Legal Framework;
- B. Internal Governance and Ethics;
- C. Audit Quality and Reporting;
- D. Financial Management, Assets and Support Services;
- E. Human Resources and Training; and
- F. Communication and Stakeholder Management.

The report has been commissioned by the Auditor General (AG) of the RoSL and has been funded by the European Union (EU). The team that carried out the assessment comprised 3 independent international experts appointed by AECOM International Development: Mr Bill Burnett (Team Leader), Mr Frank Grogan and Mr Bill Fraser. Ms Dafina Dimitrova, from the INTOSAI Development Initiative (IDI), joined the assessment with the agreement of all stakeholders.

The assessment team would like to thank all those individuals both within and outside the AGDSL who gave up their time to assist the team in their efforts and for their openness and cooperation. We would also like to acknowledge the support of Olaf Heidelberg from the EU Delegation in Colombo.

(a) Executive Summary

In 2017, the AG requested an assessment of the performance of the AGDSL using SAI-PMF to gain an actual and objective assessment of its current capability in delivering on its mandate in line with the ISSAIs. Funding for the assessment was provided by the EU.

The specific objectives of the assessment are to:

- Benchmark the performance of AGDSL against the ISSAIs and INTOSAI best practice;
- Establish a baseline of AGDSL's performance against which future improvement can be measured;
- Identify immediate priorities for capacity building and human resource development; and
- Provide the basis for preparing a comprehensive strategic development plan for future capacity building and institutional strengthening.

Summary of Overall Performance

The AGDSL's level of performance recorded in this assessment fluctuates across the full range of the assessment scores available on the SAI-PMF scale from 0 – 4. A summary of the scores achieved by indicator and dimension is shown at Annex A.

It is important for readers to understand that the performance is measured specifically within the context in which the AGDSL operates and as such comparisons with the performance scores of other SAIs are inappropriate.

Key Findings

The AGDSL enjoys a very wide mandate in respect of its right to audit not just ministries and departments but corporations and companies and local government at all levels. AGDSL carries out financial audits in the case of corporations, companies, funds and local government authorities, compliance audits of ministries and departments and performance audits of government activities. This wide mandate inevitably creates pressure on resources and makes it imperative that the AGDSL uses its resources in the most efficient and effective way.

The PFM environment in which the AGDSL operates is well established though subject to ongoing reforms as it moves towards adopting international standards of accounting and budgeting,

Generally the AGDSL is performing between the founding and established levels with scores mainly in the 1-3 range across the indicators. It is unrealistic to expect the AGDSL to have performed at a high level across all SAI-PMF domains as in a number of key areas it is constrained by external factors relating to its independence and mandate - notably a lack of real responsibility and autonomy over financial and human resources where the AGDSL is subject to wider government rules on issues such as recruitment, promotion, remuneration and the level of resources it needs to fulfil its mandate. The system of controls and constraints it is required to operate under does not provide the flexibility and control necessary to allow the AGDSL to become a modern and fully effective SAI. While it is hoped

this will be remedied shortly with the passing of the National Audit Bill there is scope for significant performance improvement without the new Bill coming into effect.

Performance in relation to audit work as measured in Domain C is mixed. There are a number of important areas where the AGDSL has developed manuals, policies and procedures such as "TeamMate" but which have not been fully promulgated across the organisation in a consistent manner. The introduction of improved and more consistent application of quality control and quality assurance processes would quickly contribute to improved quality and performance of the AGDSL. Similarly the provision of professional audit training based on properly identified needs and targeted at the individuals who need it most would also improve quality. Although the AGDSL currently invests heavily in training it is not clear how need is established and what benefits accrue from such training in terms of improving audit quality and impact.

It is not clear what, if any, impact the reports of the AGDSL are having on improving accountability and transparency. The AGDSL needs to engage more with all of its stakeholders and demonstrate that it is a credible organisation with something useful to contribute to improved governance and transparency.

One of the purposes of this report is to look forward and see how performance might be improved. With this in mind the AGDSL should urgently prepare a strategic development plan to identify its development priorities for the next 5 years. This plan will need to consider the impact of the expected changes to the legal framework as well as ensuring that the activities proposed take into account wider developments in the Sri Lankan public sector. The implementation of the plan should also take account of the absorption capacity of the AGDSL given it has to continue to fulfil its mandate while making what would be significant changes to the organisation.

(b) Independent Review Statement

To be inserted on completion of Independent Review by IDI

**SAI Performance Report of the Auditor General's Department of the Republic of Sri Lanka
dated 27 June 2018**

Independent Review Statement

The INTOSAI Development Initiative (IDI), as operational lead on SAI PMF, provides support to SAI PMF assessments where requested. Such support includes conducting independent reviews (IR) of draft assessment reports. A request for such an IR was received from the Auditor General's Department of the Republic of Sri Lanka at the 19th of March 2018.

This SAI Performance Report (SAI-PR) was prepared by three independent international experts appointed by the consultancy AECOM International Development: Mr Bill Burnett (Team Leader), Mr Frank Grogan and Mr Bill Fraser. Ms Dafina Dimitrova, from the INTOSAI Development Initiative (IDI), joined the assessment with the agreement of all stakeholders. The team leader and other team members together are considered to have the appropriate skills and experience to produce a high-quality assessment.

The independent reviewers were selected by the SAI PMF assessment team leader, under delegated authority from the Head of SAI Sri Lanka. The design of the independent review process was included in the assessment Terms of Reference, and approved by the Head of the Auditor General's Department of the Republic of Sri Lanka. The Terms of Reference for the assessment was not independently reviewed by an IDI certified reviewer although this is recommended in the SAI PMF methodology. The assessment was funded by the European Union.

In compliance with recommended SAI PMF methodology, the Head of the Auditor General's Department of the Republic of Sri Lanka received the draft report for review and official comment with the objective of ensuring that the report is factually correct.

The Independent review arranged by IDI was carried out by Ms Yngvild Herje Arnesen, IDI certified SAI PMF independent reviewer, who had no responsibility for preparing the SAI-PR, and is considered to have the appropriate knowledge and experience necessary for this task. The objective of this review was to ensure that the SAI PMF methodology had been adhered to, that the evidence in the SAI-PR was sufficient to justify the indicator scores, that the analysis was consistent with the evidence, and that the executive summary was consistent with the analysis in the rest of the SAI-PR. The review concluded that all objectives have been satisfactorily met in the final report dated 27 June 2018.

Significant matters raised during the independent review process have been addressed in this version of the SAI-PR.

Prepared by: Yngvild Herje Arnesen

Date: 27 June 2018

(c) Observations on the OAG's Performance and Impact

i) Integrated Assessment of AGDSL's Performance

The detailed assessment results set out in chapter 4 of this report shows that the AGDSL has scope for improvement across all domains. Over recent years the AGDSL has taken a range of initiatives intended to introduce improved processes, procedures, manuals and methodologies. But, these have not yet been fully adopted and adhered to consistently across the organisation. This means there are some real opportunities for improvements to take place relatively quickly, particularly with regard to audit planning, quality assurance and improved communications with stakeholders. There is a clear need for AGDSL management to follow through on these initiatives to ensure they become fully embedded and sustainable. Furthermore, if and when the National Audit Bill is enacted, the AGDSL will enjoy greater freedom and control over its resources. Consequently it is important that the AGDSL prepares properly for the major changes that the new law will bring.

The key measure regarding the performance of any SAI relates to the quality and impact of its outputs – the audit reports it prepares and issues. The quality of these reports depends crucially on the quality of staff doing the audits; the training and support they receive and the way in which they are managed and led. It also requires high quality planning arrangements to determine how best to focus the organisation's resources as well as effective processes to ensure high quality professional audits and audit reports.

At the institutional level there are a number of important shortcomings which together impact on the overall performance of the organisation and its ability to make a valuable contribution to stronger governance, greater accountability and improved transparency within the Sri Lankan public sector.

In some respects the legal framework under which the AG and AGDSL operate does not meet the needs of a modern SAI compliant with the basic INTOSAI principles and declarations as supported by UN resolutions. The AGDSL does enjoy a broad mandate and good access to the information it requires to do its work. However, greater independence and in particular the ability to recruit and manage the necessary resources to fulfil its mandate would allow AGDSL to operate more flexibly and make important decisions about its future development more quickly and efficiently than is currently the case. The National Audit Bill goes a long way towards improving the position but it will be important for the AGDSL to be ready to take on its new responsibilities when the time arises. An HR strategy which identifies current needs in terms of staff resources and the ability to deploy and organise its resources as it sees fit are essential requirements for any organisation to operate efficiently and effectively. A new organisation structure will also need to be put in place to support the new responsibilities and ensure they operate efficiently and effectively.

Under the current legal framework there remain some opportunities to improve the technical performance of the AGDSL particularly in relation to: improving the quality of audit work by strengthening audit procedures and methods, and quality assurance processes; and by improving strategic and overall audit planning to give greater consideration of risk and materiality. This would

then ensure that audit coverage was better focused on more important areas. However, any significant improvement in performance is dependent upon the proposed changes in the legal framework represented by the National Audit Bill. Such changes would give the proposed National Audit Office of Sri Lanka (NAOSL) greater clarity about its mandate and improved flexibility and autonomy in determining its resource needs and how they may be used.

At a technical level the AGDSL has the capacity to perform well and in some areas – notably performance audit - is doing so but the inconsistent application of standards, manuals and quality control processes particularly in relation to financial and compliance audit mitigates against better performance in practice. Although individual audit plans are prepared there is no overall audit plan at the organisational level that would ensure the resources of the AGDSL are used where the need is greatest. Such a plan should be risk-based and ensure that those areas identified as high risk receive the necessary resources to undertake an appropriate level of audit. This is particularly important where the number of audit staff in post is running below the approved establishment as is currently the case. At present the AG and AGDSL are vulnerable to criticism should a major scandal emerge because there is no overall assessment risk assessment of government spending taking place to inform the allocation of audit resources.

The total absence of a properly functioning quality assurance process also presents a risk for the AG and AGDSL as there is no meaningful independent review of audit quality. The AGDSL does have a centralised quality assurance section but in practice the work it does is limited to an extended quality control on the audit draft reports prior to submission to the AG for signature. The lack of an effective quality assurance system also means that the AGDSL is failing to capitalise on a valuable opportunity to identify weaknesses in performance and then identifying appropriate remedial action through training or improved guidance is not being taken. At present a surprisingly large number of financial audits result in modified opinions. Although the SAI-PMF could not review this in detail the assessment team believe there may be instances where such opinions are inappropriate as the observations or non-compliance found do not impact materially on the financial statements in question. This kind of situation could be remedied by a properly functioning quality assurance system.

Similarly, AGDSL lacks of a centre of expertise on financial and compliance audit staffed by experienced officers and trainers. This means that audit staff have no access to expert advice when needing help on more complex matters which arise. A centre of expertise together with the output from an effective quality assurance function can assist in determining and meeting training needs by analysing requests for assistance and weaknesses identifies through the quality assurance process.

The performance audit function which is generally performing better benefits from the fact that it is comparatively small and compact and it is therefore easier to ensure quality standards are maintained.

Although officers have necessary skills and experience the absence of a proper structure for professional and management training based on a thorough analysis of needs also impacts on the quality of audit reports and the consistent application of standards and methods. AGDSL is clearly investing in training and this is important but such training should be based on identified needs and officers given the opportunity to implement what they learn if the benefits of such training are to be maximised and the cost of training not wasted. It is evident that notwithstanding that risk and

materiality issues are covered by AGDSL manuals evidence from actual audits suggest that these are not applied consistently and reliably which reflects on quality control processes and training.

With regard to the audit reports themselves they would benefit from improvement in that the root cause of some of the findings should be explored and in particular reasons why the same issues are found each year across a wide range of institutions. The fact that this is happening suggests that AGDSL is having very limited impact in delivering real improvements. A centre of expertise within the AGDSL could assist in the identification of such issues and consider how audit reports might better make recommendations in how they might be dealt with.

The assessment found that while the AGDSL has a working relationship with the COPA and COPE this was not as close as it might be and there is scope for improving the relationship to ensure that those Committees can maximise the benefit of the reports produced by AGDSL. Similarly the AGDSL needs to ensure that it has appropriate follow-up mechanisms in place to ensure that recommendations from the Committees are properly addressed and where appropriate action taken in response to them. The AGDSL should also seek to engage more effectively with the media and civil society if it is to increase its impact. Equally important AGDSL needs to work more closely with the Executive to ensure that government ministries, departments and agencies properly understand the reports produced by the AGDSL and what needs to be done to put things right. The AGDSL should seek to become a "the critical friend" to ensure that it works with those responsible for public spending to maximise the benefits for the citizens of Sri Lanka.

ii) The Value and Benefits of Supreme Audit Institutions – Making a Difference to the Lives of Citizens

ISSAI 12 encompasses three mechanisms by which SAIs can have an impact on society and deliver value and benefits that improve the life of the citizens:

- By strengthening the accountability, transparency and integrity of government and public sector entities;
- By demonstrating ongoing relevance to citizens, Parliaments and other stakeholders;
- By being a model organisation through leading by example.

Overall the AGDSL could do more to demonstrate the values and benefits of SAIs simply by engaging much more proactively with its stakeholders. The assessment team consider the organisation has been too inward looking and passive in engaging with its stakeholders. However, the agreement to undergo the current assessment process illustrates a desire to change which is to be welcomed.

Strengthening the Accountability, Transparency and Integrity of Government and Public Sector Entities

The concept of accountability is at the heart of a democratic system. It describes the relationship between the duties of the state and the entitlements of citizens. In a democracy, elected representatives are empowered to implement the will of people and act on their behalf through legislative and executive bodies. A risk in a democracy is that power and resources can be

mismanaged or misused, leading to an erosion of trust that can undermine the democratic system. An independent, effective and credible AGDSL that scrutinises the use and impact of public resources is an important component of making the government accountable.

The impact of AGDSL's work is dependent on: the quality and credibility of the audit reports, and also how effectively, the AGDSL engages with the entities subject to audit and those institutions in Parliament and elsewhere that uses its reports. The wider public finance environment within which the organisation operates – and in particular whether that environment is conducive to a “culture of accountability” – also has a significant contribution to the quality and impact of audit reports. Included within this wider environment is the legal framework within which the SAI operates and the extent to which it meets the basic principles for public sector auditing defined by INTOSAI and by INTOSAI's declarations and standards as supported by the United Nations.

Currently, AGDSL makes no attempt to measure what impact it is having on the accountability, transparency and integrity of government and public sector entities. It is therefore difficult for the AGDSL to know whether it is contributing to strengthened accountability, transparency and accountability of public sector entities. The assessment team concludes that the fact that the AGDSL exists and is active will itself have some impact but it is likely to be limited.

There has, however, been a recent example where the work of the AGDSL has contributed to improved transparency and accountability. The “Bond Scandal” which has attracted widespread public and parliamentary attention was underpinned by an AG's report to the Committee of Public Enterprises and has led to debates in the Parliament and the establishment by the President of a special commission to collect and examine further evidence with a view to prosecuting those involved.

Demonstrating Ongoing Relevance to Citizens, Parliament and other Stakeholders

SAIs demonstrate ongoing relevance by responding appropriately to the challenges of citizens, the expectations of different stakeholders, and the emerging risks and changing environments in which audits are conducted.

There appear to be real opportunities for enhancing impact by engaging more actively with stakeholders and strengthening audit quality to become a more credible organisation that is respected by stakeholders. Encouraging greater public and media interest in its report would have the benefit of exposing weaknesses in transparency and governance thus generating pressure for improvement in the stewardship of public on funds the part of the Executive. Similarly engaging more actively with Parliament would stimulate interest in the way in which public funds are utilised and by providing greater support to Parliament would encourage Parliamentarians to hold public servants to account for their delivery of public services and spending of public funds.

The AGDSL does not actively seeking feedback on its performance from any of its stakeholders and the lack of a formally approved and implemented communication strategy demonstrates that there is scope for improvement in responding appropriately to the expectations and challenges of different stakeholders. Nor does the AGDSL actively engage with its stakeholders when determining how best to use its resources by ensuring stakeholders have an opportunity to interact with the organisation.

Being a Model Organisation through Leading by Example

The assessment team understand that the AGDSL plan to publish this report which itself sets a positive example on transparency and a willingness to open itself to external scrutiny.

However, there are a number of areas where the AGDSL needs to improve if it is to be seen as an exemplar for others and to demonstrate clearly that it fulfils its functions in an efficient and effective manner. These include: improved stakeholder communication; improved strategic and annual planning processes; the meaningful implementation of the Code of Ethics; finalisation and maintenance of audit manuals; improved and fully effective quality control and quality assurance processes; improved training opportunities and continuing development and implementation of risk-based audit methods. A number of these issues can be addressed quickly whereas other will take a little longer and may require external support as well as the National Audit Bill to be enacted.

iii) Analysis of the AGDSL's Capacity Development Efforts and Prospects for further Improvement

Past and present capacity development projects (see Chapter 5.1 below) resulted from a recognised need for the AGDSL to improve its technical capacity in the core audit areas. Our assessment indicates that the audit manuals prepared with the support of these projects are used and that AGDSL audits broadly comply with the requirements of the ISSAIs although there is scope for further improvement particularly in terms of consistency of application and improved consideration of risk and materiality. It is also evident that efforts to introduce "TeamMate" have been successful although a shortage of laptops and limited staff training has acted as a brake on the universal application of the software package.

The World Bank and EU have indicated that they are willing to support a project aimed at strengthening the capacity of the AGDSL in line with the enhanced mandate and responsibilities arising from the new National Audit Bill when it has been enacted. To maximise the success of capacity development opportunities presented by this proposed project it will be vital that the results of this assessment are used to prepare a comprehensive and realistic strategic development plan with clear objectives, priorities and measurable indicators. The plan should differentiate between objectives and activities which will be necessary following the planned legal reforms and those at the more technical level which can be addressed irrespective of whether the proposed reforms take place.

Assuming that the Bill is enacted and a new fully independent NAOSL is created, the new organisation will need to carry out a number of major reviews aimed at ensuring that it is fit for purpose and able to fulfil the full range of its duties and responsibilities. These reviews will among other things need to encompass the following: an optimal organisation and staffing structure for the new organisation; the competencies required at each level of the hierarchy; and provide a training needs analysis and subsequent training programme to ensure that professional audit staff have the opportunity to attain the competencies necessary to discharge the full range of their responsibilities. In the course of this process, the AGDSL will also need to determine the level of resources it wishes to devote to different audit types such as performance audit.

Success in implementing the development plan will be dependent on the sustained commitment of AGDSL senior management and staff and sustained financial support from the development community. The assessment team are confident that with such support the new organisation can make real progress in the future.

(d) SAI Management and Use of Results

This review was a new experience for the AGDSL as there was no previous experience of facing a performance review. However all the offices were aware of the importance of doing such review and able to get their full support. AGDSL can now benchmark the performance against good practice and the ISSAIs and get an indication of where we are and the areas that need to be improved. We hope that this assessment can also be used as a basis for more detailed ISSAI compliance assessments in the future to demonstrate progress and value and benefits to the people of our country. The final report will be uploaded to the AGDSL official website to show our stakeholders how the AGDSL contributes to strengthening public financial management.

There are areas where we need to be improved specially in the areas of strategic planning, Follow-up of the audit issues raised by the Auditor General, Quality Assurance on both direct audits and outsourced audits, documentation of audit work etc. We have already identified the areas that can be improved within a very short period of time without much effort. Arrangements have already been made to organize a workshop with a view to prepare a strategic plan for the AGDSL with the assistance of experts in that field.

The National Audit Bill has already been approved by the Cabinet of Ministers and will be enacted by the Parliament in due course. The AGDSL will then get more independence and the scope will also be widened enabling to perform wide range of audits such as performance, procurement, environment etc. Financial and administrative independence will also be secured by introducing new provisions to the proposed Act.

We will continue the improvements that need to be urgently done to give better service to our stakeholders. IDA has already agreed to fund the capacity building of the AGDSL. It is expected to have a similar self-assessment by using the same SAI PMF toolkit by one year to see the improvements.

NOTE: TO BE SIGNED AND DATED BY AGDSL

Chapter 1: Introduction

The Auditor General's Department of Sri Lanka (AGDSL) is the Supreme Audit Institution (SAI) of the Republic of Sri Lanka (RoSL). In 2017, the AG requested an assessment of its performance using the SAI-PMF to gain an actual and objective assessment of its current capability in delivering on its mandate in line with ISSAIs. In addition, the World Bank and EU have indicated they may be willing to support capacity development within the AGDSL if and when the proposed National Audit Act comes into law and this report will provide a sound basis for identifying development priorities. Funding for the assessment was provided by the EU.

The specific objectives of the assessment are to:

- Benchmark the performance of AGDSL against the ISSAIs and INTOSAI best practice;
- Establish a baseline of AGDSL's performance against which future improvement can be measured;
- Identify immediate priorities for capacity building and human resource development; and
- Provide the basis for preparing a comprehensive strategic development plan for future capacity building and institutional strengthening.

In line with these objectives, the AGDSL opted for an external assessment by three consultants recruited by AECOM International under a framework contract with the EU – Mr Bill Burnett (KE-1 and Team Leader) Mr Frank Grogan (KE-2) and Mr Bill Fraser (KE-3). All three team members have extensive experience of working both within developed SAIs; in providing capacity development assistance to SAIs around the world; and in using the SAI-PMF methodology. Mr Burnett is an accredited trainer and independent reviewer for the SAI-PMF. Ms Dafina Dimitrova from IDI also joined the assessment team.

The assessment covered all domains set out in the SAI-PMF guidance and all indicators set out in the endorsement version of the SAI-PMF with the exception of SAIs-18-20 which are not applicable to "Westminster-style" SAIs such as the AGDSL. In addition certain dimensions within remaining indicators were also assessed as not applicable for reasons explained in the report. The assessment was based on the AGDSL structure and legal framework that was applicable in January 2018 and on a sample of audit reports issued in 2017.

Chapter 2: Methodology

Once the contract for the assessment had been awarded to AECOM International in November 2017 the assessment team immediately began drawing up the specific ToR for the assessment which was then agreed with the AG in December 2017.

The assessment team implemented the project over 5 phases in line with the SAI-PMF ToR approved by the AG and reviewed by IDI:

- **Phase 1 (December 2017):** Gathered initial basic information about the AGDSL and the environment in which it operates including constitutional and legal framework and mandate, recent annual reports, organisation structure and strategic, corporate and audit plans. Information used to prepare and finalise assessment TOR.
- **Phase 2 (3-5 January 2018):** Team Leader on Mission to Colombo. Briefed AGDSL management and staff on detailed approach to assessment. Ensure audit files were available for review and necessary documentation was available. Began to prepare inception report for EUD.
- **Phase 3 (8-19 January 2018):** Assessment team in Colombo. Finalised Inception report and submit to EUD. Collected evidence in support of the assessment report. Presented the initial key findings from the assessment to the AGDSL and EUD.
- **Phase 4 (22-31 January 2018):** Assessment team prepared the first draft of the assessment report. Submitted to AGDSL at the end of January 2018.
- **Phase 5 (February/June 2018)** Finalise draft SAI-PMF assessment (including quality control independent review by IDI and feedback). Prepared final project report for EUD.

The main sources of information used were structured interviews based on the SAI-PMF criteria with key staff of the AGDSL, a review of relevant AGDSL internal documents, external reports and documents and specific audit files relating to audits finalised in 2017. The audits selected for detailed review were selected judgementally by the assessment team to provide a reasonable representation of the AGDSL's audit activities. These were chosen at random by the assessment team leader to provide a cross-section of the different kind of institutions subject to audit at both central and local level. The specific audits selected were as follows:

Financial Audit: State Pharmaceutical (Manufacturing) Corporation 2016; Postgraduate Institute of Medicine; Insurance Board of Sri Lanka; Southern Provincial Council.

Compliance Audit: Ministry of Education; Department of National Planning.

Performance Audit: Electronic Waste Management in Sri Lanka; Economic Social and Environmental Impacts on Construction of Port of Oluwil; Utilisation of Mineral Sands Deposits.

Initially, responsibility for specific indicators were allocated to individual team members. The team then worked together to conclude on the final scoring and to determine the content of the non-scoring chapters of the SAI-PR. The TL was responsible for quality control of the evidence gathering

process and for finalising the draft report which was sent to the AGDSL at the end of January 2018 for factual review.

It should be noted that most of the AGDSL's detailed audit working papers were in Sinhalese although a number of key documents were in English. Because it was not practical or feasible to arrange to have all these documents translated, we relied on AGDSL audit staff to explain the contents and purpose of individual working papers where necessary.

A list of interviewees and files and documents examined during the course of the assessment can be found at Annex 2. Although the assessment team did seek to interview members of the COPA and COPE unfortunately they were not available during our visit. The assessment team do not believe such interviews would have made any material difference to its findings.

Chapter 3: Country and SAI Background Information

3.1 Sri Lanka Country Context and Governance Arrangements

Country Context

General Economic Development

Sri Lanka is a lower-middle income country with a population of approximately 20.7 million people¹. In 2016, Gross domestic product (GDP) per capita was 3,835 USD². Sri Lanka has maintained its high rank in the UN Human Development Index, and is placed at 73rd place of the 188 countries/territories covered by the index. This rank is the same as in the previous year. In 2016, 4.1 per cent of the Sri Lankan population was living below the absolute poverty rate of Rs. 4,166 (ca. USD 27) per month³. This represents a reduction from the 6.7 per cent reported in 2012. Income inequality remains an issue, with a Gini coefficient of 0.39⁴. Unemployment is 19.2 and 7.6 per cent for age ranges 15-24, and 25-29 respectively.

Sri Lanka is moving from an agriculture-based economy to one based on services and manufacturing. By 2016, the composition of GDP in Sri Lanka was:

- Service sector 60%.
- Industrial sector 30%.
- Agricultural sector 8.5%.⁵

Following a period of macroeconomic stability and average annual GDP growth of 8.8% in the years 2010 to 2015 inclusive, GDP growth has declined to an average of 4.4% GDP growth in the years 2013 to 2016 inclusive.⁶

Sri Lanka is susceptible to climatic extremes that have had negative effects on specifically the agriculture and industry sectors. This in turn led to increased imports and also contributed to a widening of the current account deficit to 2.5 per cent of GDP. Reserve losses are another factor that contributes to the significant vulnerability of Sri Lanka's external position. Inflation rose to 6% in 2017 from 2.2% and 4% for 2015 and 2016 respectively.⁷

Two structural challenges have impacted on fiscal sustainability. First, domestic revenue collection has been low at approximately 11-13 per cent of GDP and thus was not able to deliver the expected

¹ Sri Lanka Department of Census and Statistics (2017), Mid-year Population Estimates by Age Group and Sex, 2012 – 2017, data for 2014.

² Per capita GDP at current prices, provisional figure. Sri Lanka Department of Census and Statistics (2017), economic statistics of Sri Lanka 2017.

³ Sri Lanka Department of Census and Statistics (2017), Poverty Indicators.

⁴ Same as above.

⁵ World Bank (2017) Sri Lanka Country Snapshot.

⁶ IMF (2017), Second Review Under The Extended Arrangement Under The Extended Fund Facility, IMF Country Report Nr. 17/253.

⁷ Same as above.

benefits of positive of economic growth⁸. Second, the country has a relatively high debt-to-GDP ratio, caused in part by exchange and interest rate pressures, and a high primary budget deficit. The debt to GDP ratio rose from 70 per cent in 2014 to 77.6 per cent in 2016⁹.

Fiscal space is further constrained due to inefficiencies in public expenditure management particularly in capital spending and the management and oversight of State-Owned Enterprises (SOEs).

To address these issues, the new government of 2015 started a large-scale fiscal consolidation reform programme. The key reform elements of this programme are:

- Improved domestic revenue mobilisation through significant tax regime changes and efficiencies in tax administration;
- Enhancing SOE transparency and oversight;
- The development of a debt management framework;
- Improvements in the trade and investment arrangements; and,
- Strengthening monetary policy.

This reform process is supported by a 2016 three-year IMF Extended Fund Facility (EFF) and the World Bank and the European Union through the Public-Sector Efficiency Strengthening Programme (PSESP).

Governance arrangements

The then Ceylon became independent in 1948, and in 1971, upon its proclamation as a republic, it was renamed Sri Lanka.

Between 1983 and 2009, a civil war raged between government forces, and the LTTE (Liberation Tigers of Tamil Elam) in the north and east of the island. It is estimated that this conflict resulted in approximately 100,000 casualties. The country is currently undergoing a reconciliation process to minimise the ethnic divisions between the majority Sinhala population and the minority Tamil and Muslim groups.

The 1978 Constitution gives President wide-ranging executive powers as head of state and commander of the armed forces. The President can appoint and dismiss the prime minister, members of the Supreme and Appeals courts, and suspend Parliament. Sri Lanka has a unicameral legislature, with 225 directly elected representatives for 5 year terms. A 2010 constitutional amendment approved unlimited six-year terms of the president, and gave him authority to appoint members of the previously independent commissions, including the Public Service Commission, the Election Commission and the Human Rights Commission¹⁰. The amendment also specified that the

⁸ World Bank (2016), Report No. 106719-LK.

⁹ IMF (2017), Second Review Under The Extended Arrangement Under The Extended Fund Facility, IMF Country Report Nr. 17/253.

¹⁰ Eighteenth Amendment to The Constitution of Sri Lanka, Certified on 09th September, 2010.

President could appoint the Auditor General upon a non-mandatory consultation with a newly constituted Parliamentary Council.

In April 2015, upon the election of President Sirisena, the Constitution was again modified to grant more powers to the Parliament, as well as to establish or revamp independent oversight commissions. These amendments also introduced changes in the provisions for the independence and mandate of the Auditor General (see section 3.3.1 below).

Currently, the governance arrangements in Sri Lanka can be characterised as semi-presidential, with significant executive powers granted to the president, but, the exercise of these powers is subject to stronger procedural requirements. The president must act upon advice of the prime minister and should also seek the approval of the re-instated Constitutional Council for key appointments, including that of the Auditor General¹¹.

The parliamentary elections in August 2015 produced a coalition government of the two main parties – the United National Party and the Sri Lanka Freedom Party - and other smaller groupings. Both those and the presidential elections of that year were perceived as free, fair and peaceful. The Parliament is responsible for appointing the Speaker and Deputy Speaker. The Parliament has a number of Committees including the Committee on Public Accounts (COPA) made up of 16 members and is responsible for the accounts and financial performance of government institutions based on reports received from the AG. There is also the Committee of Public Enterprises (COPE) which has 31 members and is responsible for ensuring the observance of financial discipline in public corporations and other semi government organisations in which the government has a financial stake.

There is a consensus that the overall democratic climate in the country has significantly improved since the 2015 elections¹². The current government is committed to improving governance, democracy, accountability and human rights.

The approval of the 19th Constitutional Amendment re-instated an independent Anti-Corruption Commission, and a comprehensive Right to Information Act that was enacted in 2017. These changes provide persuasive evidence that Sri Lanka is taking positive steps to address governance issues. The World Bank's Governance Indicators also reveal a small but positive change in rule of law between 2014 and 2016, and a significant improvement around voice and accountability over the same period¹³.

Despite these positive developments, there are still substantial gaps in the governance arrangements.

Corruption in the public sector remains a huge challenge. The 2016 Transparency International perception index ranking shows that Sri Lanka has fallen 12 places to 95th as compared to 83rd in 2015.

¹¹ Welikala, A. (2015), From presidential to parliamentary state? A midterm look at Sri Lanka's Constitutional Reform Process, International IDEA, 31.03.2015

¹² SOAS, University of London (2016), New government, persistent challenges: Human rights, accountability and justice in Sri Lanka, Summary of seminar proceedings 25.04.2016.

¹³ World Bank Governance Indicators Sri Lanka, data available at <http://databank.worldbank.org/data/reports.aspx?source=worldwide-governance-indicators>.

The Anti-Corruption Commission is well-funded, but limited skills and competencies continue to constrain its investigative and oversight functions¹⁴.

There have also been reports of misuse of influence and positions associated with the new government¹⁵.

Recent analyses therefore indicate that although there is clear commitment from the current administration to a good governance agenda, the implementation of such efforts is still in its inception phase.

Education, media and civil society

Sri Lanka's Constitution guarantees the right to free education, and Sri Lanka has a literacy rate of 98.77 per cent. Approximately three quarters of the Sri Lankan population has completed primary education, which is almost twice as high as the South Asian average¹⁶. While secondary school attendance and completion rates are equally impressive, the country's higher educational system is highly competitive and does not have the capacity to meet demand.

Approximately 10 per cent of the students that pass the collegiate level exams and apply for studies in one of the country's 15 public universities are admitted¹⁷. This has resulted in a shortage of skilled labour and professionals in key areas such as construction, IT and services. To address this gap, there is an increasing number of private universities. There are also several specialised authorised training institutes, such as the Institute of Chartered Accountants, and the Sri Lanka Law College. A degree from a recognised higher education institution is a prerequisite for sitting the entry exams for Sri Lanka's cadre of public servants.

Sri Lanka has made good progress in the areas of freedom of speech, right of expression, and right of association¹⁸. During the period of 2005-2015, censorship and suppression of media critical to the Government was rife. However, in recent years, initiatives have been taken to improve the environment for independent and critical media, and to remove censorship and other restrictions on the activities of foreign journalists. Despite these positive developments, a recent assessment reported that the current media landscape in Sri Lanka remains highly polarised along ethnic and political lines, and media independence is not the norm. Professionalism, and public trust in media are perceived as generally low¹⁹.

¹⁴ Transparency International Bangladesh (2017), Strengthening Anti-Corruption Agencies in Asia Pacific, Synthesis report.

¹⁵ Laksiri F (2017), Examining Facets of Corruption in Sri Lanka, available at: <http://groundviews.org/2017/09/02/examining-facets-of-corruption-in-sri-lanka/>

¹⁶ Oxford Business Group (2017), Sri Lanka 2016: Education and Health.

¹⁷ D'Souza, J. and Moore, T. (2017), Sri Lanka Education Profile, WES-WENR Review.

¹⁸ CIVICUS and INFORM (2017), Sri Lanka: Joint submission to the UN Universal Periodic Review, submitted 20.03.2017

¹⁹ Secretariat for media relations (2016), Rebuilding Public Trust. An Assessment of the Media Industry and Profession in Sri Lanka.

Sri Lanka has a strong tradition of civil society organisations (CSOs). Despite historic restrictions on the activities of CSOs, they played an influential role in improving public awareness in the run-up to the 2015 elections²⁰.

Since 2015, the oversight for CSOs has moved from the Ministry of Defence to the Ministry of National Co-Existence, Dialogue and Official Languages. This change has contributed to an improved relationship and stronger consultation and involvement of CSOs in policy development. CSOs participated in drafting amendments to Constitution that limited the powers of the president. They also consulted the parts of the amendment that restored or established independent bodies such as the new Audit Service Commission, which is to resume functioning upon enactment of the new Audit Act²¹.

A limited number of CSOs are active in the areas of public financial management and oversight. The public generally, has a low level of budget literacy. Opportunities for public participation in the budget preparation process continue to be limited and weak²². A key reason for this is the absence of publicly available and timely fiscal and budgetary information²³.

In this regard, the results of the newly released Open Budget Index show low scores both in the overall index of transparency of key fiscal information (44 out of 100) and public participation in the budget (11 out of 100). Nevertheless, Sri Lanka marks an overall improvement in the Open Budget Index ranking of four places, from 39 in 2015 to 44 in 2017. Oversight provided by AGDSL is considered adequate, with a score of 67 out of a 100. Finally, the Open Budget Index concludes an improvement in legislative oversight of the budget, however this is reflected more in better scrutiny of the budget proposal than of the audit reports.

3.2 Sri Lanka's Public Sector Budgetary Environment

Structure of the Public Sector

Sri Lanka's administrative structure has central, provincial and municipal levels. Currently, central government has 51 ministries; 95 departments; and, approximately 400 public corporations/public enterprises falling into the following categories:

- Specified business enterprises;
- Statutory and non-statutory funds;
- Government owned limited liability companies²⁴;
- Regulatory and Monitoring Institutions;
- Universities, research and other training institutions;
- Other development and non-profit oriented institutions.

²⁰ Bertelsmann Transformation Index (2016), Sri Lanka country report.

²¹ Verite Research (2016), CSO Sustainability Index 2015 - Sri Lanka Report.

²² IBP (2018) Open Budget Survey Sri Lanka 2017, Country Summary Report.

²³ USAID (2015), Sri Lanka Public Financial Management Assessment Report.

²⁴ The major SOEs include Airport and Aviation Services Ltd (AASL); Ceylon Electricity Board (CEB); Ceylon Petroleum Corporation (CPC); National Water Supply and Drainage Board (NWSDB); Sri Lanka Ports Authority (SLPA) and Sri Lankan Airlines (SLA). Public corporations also include national level educational institutes and training authorities,

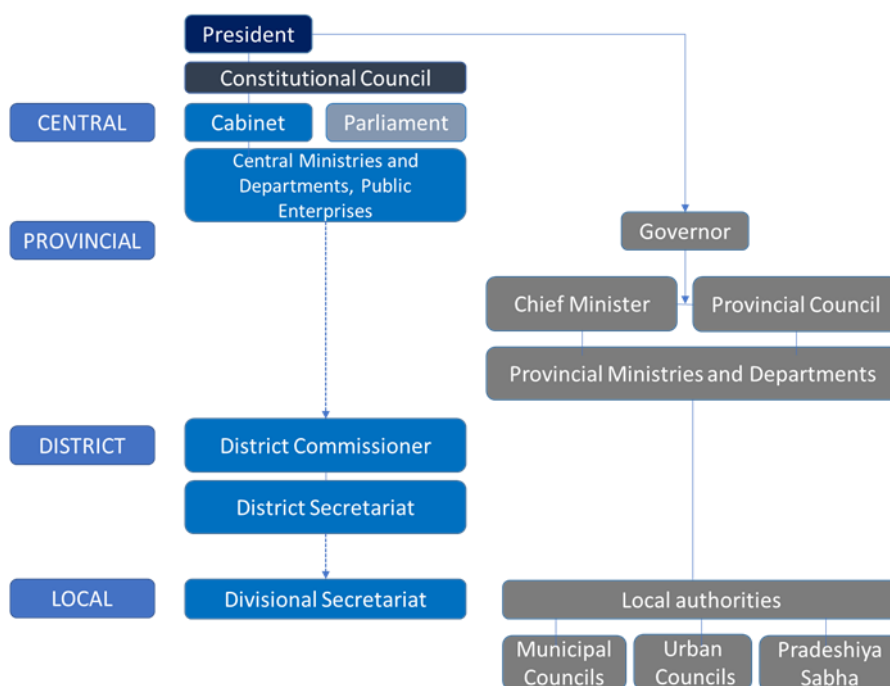
Since 1987, the nine provinces in Sri Lanka have had limited devolved authority, and are governed by directly elected provincial councils. The provinces have responsibilities for the lowest administrative tier (municipal, urban and village levels). For local government, Sri Lanka has a dual administration: a divisional secretariat under central government; and, local authorities under the provisional government. Each province has a governor appointed by the president. The 25 districts are headed by a district commissioner, also appointed centrally.

The division of responsibilities between central and local government is established by the 13th Constitutional amendment. This amendment specifies three-areas of interest:

- Specific devolved competencies, among which health, education and housing;
- Reserved central policy competencies; and,
- Dual policy competencies.

District authorities are responsible for the coordination of national policies and programmes at the subnational level, as well as implementing capital development projects.

Figure 1: Structure of the public sector in Sri Lanka



Despite initiatives to improve decentralised decision-making, central government continues to have a dominant role in policy design and implementation. Subnational funding is approximately 10% of overall public expenditure and, provinces have very limited powers to raise own revenue²⁵.

²⁵ USAID (2006), Sri Lanka Local and Provincial Government Assessment.

Public Sector Budget

Sri Lanka's fiscal year is the calendar year.

A summary of the budget preparation and approval cycle follows:

- The budget process starts in early June of year preceding the budget year with the issuing by the Ministry of Finance (MoF) of a budget circular showing budget ceilings to ministries and departments
- Responses to the budget circular are returned to MoF in July. At this stage, a proposal of the Finance Commission on the budget of the provincial governments is given to the MoF.
- After technical and political consultations, the MoF finalises the budget proposal and in early October presents it to Parliament for the first reading as the Appropriation Bill (the Bill).
- The Bill is then processed through the Parliament with a further two readings.
- In November, the Appropriation Bill is formally presented to Parliament by the Minister of Finance on what is called 'Budget Day'. Within seven days after this presentation, the expenditure and revenue estimates become publicly available.
- The Standing Orders of the Parliament require that within 26-days of 'Budget Day' all Parliamentary processes must be completed and the Appropriation Act adopted.
- The Appropriation Act becomes Law on the 1st of January the following year.

Table 3.1 is a summary of central government economic indicators for the period 2015-2017. Starting in 2015, the government embarked on a fiscal consolidation programme. This has reduced the fiscal deficit in the following year, despite continuing increases in the public-sector wage bill.

Table 1: Sri Lanka Government Budget 2015-2017

	Percentage of GDP		
	2015	2016 (est.)	2017 (proj.)
Total revenue	13.3	14.3	14.5
Own revenue	13.3	14.2	14.4
Grants	0.1	0.1	0.1
Total expenditure	20.4	19.7	19.7
Current expenditure	15.5	14.8	14.8
Capital expenditure and net lending	4.8	4.9	4.9
Aggregate deficit (incl. grants)	-7.0	-5.4	-5.2
Net financing	77.6	79.3	79.6
External	42.0	42.5	40.9
Domestic	35.7	36.5	38.8
<i>Sources: IMF (2017)</i>			

As regards spending priorities, in the years 2015-2016 Sri Lanka spent about 40 per cent of its budget on the social sectors, followed by economic services (23-26 per cent), and defence and security (13 per cent).

Table 2: Sri Lanka Government Expenditure by Function

	<i>Percentage of total budget</i>		
	2015	2016	2017
General Public Services	6,7 %	6,6 %	N/A
Defence and Security	13,4 %	12,9 %	
Education	9,8 %	10,1 %	
Health	7,7 %	7,9 %	
Social Security and Welfare	10,0 %	10,7 %	
Housing and Community Amenities	2,4 %	2,3 %	
Economic Services	26,0 %	23,5 %	
Other	23,9 %	26,1 %	
Source: MoF Annual Report 2016.			

Public Financial Management System (PFM)

Since 2004, Sri Lanka has been moving towards IPSAS accrual based financial reporting in the public sector.

Beginning in 2005 the government adopted a revised format for the financial statements of Corporations, which closely mirrors the four financial statements required by IPSAS 1 (Statements of Financial Performance, Financial Position, Cash Flows, and Changes in Net Assets). A Statement of Budgetary Performance is also provided in the notes to the accounts to maintain alignment between budget and outturn data. All statements are presented on a modified cash basis with valuation at historic cost. The Statement of Financial Position shows financial assets and liabilities other than cash; on-lending; the capital contribution in SOE; and, external borrowing. Currently, the notes to the financial statements include a schedule of movable assets acquired since 2004.

The Sri Lanka Public Sector Accounting Standards (SLPSAS), based on IPSAS, were introduced in volumes in the years 2009-2012. So far, 10 accrual-based SLPSAS have been issued, starting with SLPS-1 that requires financial statements to include following elements:

- Statement of Financial Performance
- Statement of changes in net assets/equity
- Cash flow statement
- Budget comparison (When the entity makes available publicly its approved budget)
- Accounting policies and notes.

In 2013 all ministries and central government departments were asked to prepare their financial statements both on modified cash and accrual basis. This was to be in addition to the required statements of expenditure etc. However, this initiative was not very successful, and most entities still use modified cash-basis accounting as a basis for their financial reports. As a result, currently, financial statements are prepared by following government entities, which are thus subject to financial audit:

- Nonrevenue-earning statutory bodies
- Public enterprises and corporations
- Provincial councils

The large majority of ministries, departments and agencies continue preparing cash-based statements of revenue and expenditure against their budget appropriation. The same applies for the consolidated government account (Island account). Under the SLPSAS, each government entity should issue its audited financial statements within six months of the reporting date. The complexity of an entity's operations is specifically noted as being an insufficient reason for failing to report on time.

The Association of Public Finance Accountants of Sri Lanka is the public-sector wing of the Institute of Chartered Accountants of Sri Lanka, and, has been actively involved in training financial management staff into the SLPSAS.

The migration to accrual accounting is complemented by the development of a new computerised integrated government accounting system (CIGAS). This initiative started in 2014. Currently, CIGAS is functionally limited to recording transactions after they have occurred. CIGAS will eventually be replaced by a new and functionally comprehensive integrated treasury management information system (ITMIS) under the auspices of the Ministry of Finance.

Audit arrangements

When compared to the audit types in ISSAI 200-400, the AGDSL does the following categories of audit:

- **Financial Audit:** Public enterprises, SOEs, public corporations, Universities, research and training institutions, as well as local government (provincial councils, and urban, municipal and village level authorities) and foreign funded projects are subjected to a financial audit that leads to a standard audit opinion.
- **Compliance Audit:** Central government ministries and departments are audited for compliance with the Financial Regulations²⁶, as well as with the Procurement Guidelines²⁷.
- **Performance Audit:** AGDSL does a wide range of performance audits.
- **Special Audits:** AGDSL may do this type of audit on specific topics. In 2016, these included audit of issuance of treasury bonds and audits of several companies that focussed on procurement and the 3Es.

The Internal audit function in the Sri Lankan public administration is regulated by instruction/guidelines from the Ministry of Finance Department of Management Audit dated 9th June 2009. This instruction covers:

- Independence of Internal Audit.
- Objectives of Internal Audit.
- The establishment of an Internal Audit Division.
- Scope of Internal Audit.
- Audit Committees.
- Membership of Audit Committees.
- Internal Audit Programmes.

²⁶ Financial Regulations Of The Government Of The Democratic Socialist Republic Of Sri Lanka from 1992.

²⁷ Democratic Socialist Republic of Sri Lanka, National Procurement Agency (2006), Procurement Guidelines Goods & Works.

- Internal Audit Plan.
- Terms of Reference for the Audit Committee.

This guidance appears to be broadly consistent with the standards and other principles established by the Institute of Internal Auditors which is the international professional body for internal audit. Internal Audit Units under the Department of Management Audit are established in a large number of the central government entities. At the provincial level, Provincial Councils have a central internal audit unit. Annual internal audit plans are approved by DMA, and internal audit reports are to be sent to AGDSL. According to the 2013 PEFA assessment, as well as more recent analyses of the PFM system in Sri Lanka, the quality of the internal audit function is sub-optimal, with checks focusing mostly on compliance, and not on systemic issues

3.3 The AGDSL's Legal and Institutional Framework, Organisational Structure and Resources

Legal Framework

The OAG is based on the Westminster model for SAIs separating the AG, from the Executive. The main constitutional and legal provisions relating to the AG and his Office are as follows:

Constitutional and Legal provisions

The status and authority for the Auditor General to audit the accounts of Public Sector Institutions is primarily derived from Articles 153 and 154 of the Constitution. There is no specific law regarding the establishment of AGDSL which dates back to the times of British colonial rule.

Article 153 of the Constitution covers the appointment, salary, retirement and removal of the Auditor General. The Auditor General shall be a qualified Auditor. The appointment is approved/recommended by the Constitutional Council to the President who then, makes the formal appointment.

Article 154 of the Constitution establishes the mandate for the Auditor General to audit public sector institutions. The Auditor General shall audit the accounts of all departments of the Government, and:

- The Offices of the Secretary to the President and to the Prime Minister;
- Offices of the Cabinet of Ministers;
- Judicial Services Commission;
- the Constitutional Council;
- The Election Commission;
- The Public Service Commission;
- The National Police Commission;
- The Human Rights Commission;
- The Commission to Investigate Allegations of Bribery or Corruption;
- The Finance Commission;
- The Delimitation Commission;
- The National Procurement Commission;

- The Parliamentary Commissioner for Administration and the Secretary-General of Parliament;
- Local authorities, public corporations, business and other undertakings vested in the Government.

The Nineteenth Amendment to the Constitution extended the authority of the Auditor General to cover companies incorporated under the Companies Act in which the Government or a Public Corporation or Local Authority holds at least 50 per cent of the shares of that company.

The mandate of the Auditor General is supplemented by the following Statutes.

- Part II of the Finance Act, No. 38 of 1971 which provides for audit of Public Corporations.
- Section 23 of the Provincial Councils Act, No. 42 of 1987 - which provides for Audit of Provincial Councils.
- Section 219 of the Municipal Councils Ordinance (Cap. 252) which provides for Audit of Municipal Councils.
- Section 181 of the Urban Councils Ordinance - (Cap. 255) which provides for Audit of Urban Councils.
- Section 172 of the Pradesiya Sabhas Act, No. 15 of 1987 - which provides for Audit of Pradesiya Sabhas.
- Section 58 of the Agrarian Development Act, No. 46 of 2000 - which provides for Audit of Agrarian Development Councils.
- Section 9 of the Sports Act, No. 47 of 1993 - which provides for Audit of Sports Associations.

The Auditor General also has the Constitutional authority to engage the services of qualified auditors to assist him in his work. He also has the power to obtain the assistance of specialists in the examination of any technical, professional or scientific problem relevant to the audit. According to Article 154(5) of the Constitution, the Auditor General is entitled to have access to all books, records, returns and other documents, stores and other property and to be furnished with such information and explanation as may be necessary for the performance and discharge of his duties and functions.

National Audit Bill

As part of a process which reviewed the Constitution to which the AGDSL contributed, the 19th amendment to the Constitution in 2015 introduced new Articles 153A-153H affecting the legal framework of the AG and AGDSL which is not yet fully in force. As a result of these Articles a National Audit Bill has been prepared which, if enacted, will create the new National Audit Office of Sri Lanka (NAOSL) to replace the AGDSL. The NAOSL will be made up of a new Sri Lankan State Audit Service (SLSAS) which will result from the merging of the current Sri Lankan Audit Service (SLAS) and Audit Examiner Service (AES), and non-audit support personnel.

These new articles also provided for the establishment of a new Audit Service Commission (ASC) chaired by the. The ASC has already been established but the SLAS and NAOSL will only be established if and when the National Audit Bill comes into law.

Under the new law, the ASC will become responsible for all matters relating to the appointment, promotion, transfer, disciplinary control and dismissal of SLSAS members and non-audit staff of the NAOSL. The ASC will also prepare the annual estimates for the NAOSL once it has been established by

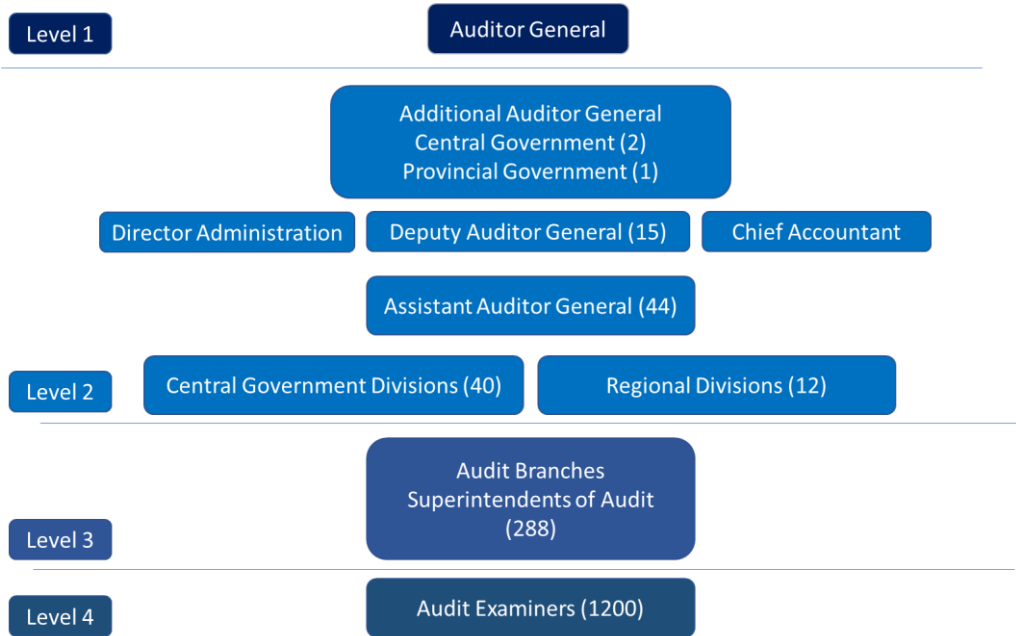
law and its own costs and expenses will be a charge on the Consolidated Fund. The salaries, other allowance and benefits of those staff recruited by the ASC will be charged directly to the Consolidated Fund after consulting with the National Salaries and Cadres Commission.

The Bill also clarifies the nature of the audits which the new NAOSL and AG may undertake and specifically refers to performance auditing. The NAOSL will enjoy significantly enhanced independence and control over its own resources as well as enhanced legal protection for the AG and his staff when carrying out their duties and functions.

Organisational Structure

AGDSL’s organisational structure currently comprises four hierarchical levels. The Auditor General is the Head of the Department, and forms the first and highest level. The second level is formed by three Additional Auditors General and by the 52 Deputy or Assistant Auditors General each heading a division. Divisions have responsibility for auditing specific institutions and clients within a certain sector. Among those are also nine divisions at provincial level²⁸ The third level is comprised by the audit branches, headed by Superintendents of Audit. The first three levels together form the Sri Lankan Audit Service (SLAS). The fourth level comprises the Auditor Examiners’ Service (AES), which is attached to the various branches, and is tasked with carrying out the respective audits. Together, the SLAS and the AES form the AGDSL. Non-audit staff are part of the wider public administration service.

Figure 2: Organizational structure of the AGDSL



AGDSL Resources

Budgetary

²⁸ Western, Southern, Uva, Sabaragamuwa, Northern, Eastern, North Central, North Western and Central Regional Offices.

AGDSL's budget process follows the standard process used by all government institutions in Sri Lanka and is based on Articles 148-150 of the Constitution and supporting legislation and regulations. The Department of National Budget in the Ministry of Finance provides guidance and a timetable which they all must follow. Following completion of this process the total budget is submitted to the parliament for approval.

AGDSL's budget is presented in Table 3. Figures for 2015 and 2016 include approved budget and actual spending. For 2017 and 2018, a revised estimated and approved allocation is shown.

Until 2017, AGDSL's budget has consumed between 0.035-0.038 per cent of the public budget. For 2018, this has increased to an estimated 0.0465 per cent.

In real terms the recurrent budget has increased by approximately 250% between 2015 and 2018; the capital budget has increased by almost 700% in the same period; and the overall budget by approximately 250%.

The significant budget increase anticipated in 2018 may be in anticipation of the new legal framework being approved which could trigger organisational, institutional and operational reforms.

Table 3: AGDSL's budget 2015-2018, in 000'. Rupees (LKR)

	2015		2016		2017	2018
	Approved	Actual	Approved	Actual	Revised estimate	Approved
Recurrent	739,450	1,138,328	1,240,350	1,147,433	1,378,991	1,805,900
Capital	18,399	19,826	185,280	182,609	106,800	122,500
Total	757,849	1,158,154	1,425,630	1,330,042	1,485,791	1,928,400
% of total gov't budget	0,0223%	0,0361%	0,0385%	0,0359%	0,0388%	0,0465%

Sources: MoF, Annual Estimates 2015-2018 and MoF Annual reports 2015-2016.

Staffing

The staff of AGDSL are "public officers" and as such issues such as recruitment, discipline, promotion and dismissal are covered by Article 55(3) of the Constitution which vests responsibility in the Public Services Commission (PSC). The PSC is responsible for issuing rules and regulations on such matters which the AGDSL must follow.

Recruitment into the AGDSL's two audit cadres (the Sri Lankan Audit Service and the Sri Lankan Audit Examiners Service) is exam based and dealt with by the Sri Lankan Public Service Commission. The AGDSL identifies the vacancies within its complement that it wishes to fill. The Director of Administration (who is not an AGDSL employee) notifies the Public Service Commission and arranges for the preparation of the appropriate examinations with the Department of Examinations. The successful candidates are allocated to the AGDSL which then decides where these individuals will be based within the Department.

For senior appointments, an interview panel decides who is the successful candidate. In these cases, the Public Service Commission prepares the list of candidates and convenes the interview panel. The interview panel usually comprises a representative from the AGDSL, a representative from the President's Secretariat Office, and a representative from the Ministry of Public Administration.

The AGDSL currently has no control over the recruitment of non-audit staff. This handled by the Public Service Commission and staff are allocated to the AGDSL.

The table below shows that over the last three years, the number of people employed in the AGDSL has increased by approximately 40%. These increases are mainly in the Superintendent of Audit and Audit Examiner cadres. There has also been a 10 per cent increase in non-audit staff. For personnel matters, the AGDSL follows the prescribed processes of the Public Service Commission which is responsible for the implementation of personnel policy across the public administration.

Table 4: Staff of AGDSL 2015-2017, actuals

	2015	2016	2017
Audit staff			
Additional Auditor Generals	2	2	1
Deputy Auditor Generals	9	6	3
Assistant Auditor Generals	21	29	28
Superintendents of audit	116	160	229
Audit examiners	791	922	1,082
Total audit staff	939	1,119	1,343
Non audit staff			
Director Administration	1	1	1
Chief Accountant	1	1	0
Other officers	2	2	3
Public management assistants and allied grades	147	153	155
Junior Employees	149	143	175
Total non-audit staff	300	300	334
TOTAL Audit and non-audit staff	1,239	1,419	1,677

Source: AGDSL Annual Reports 2015 and 2016. 2017 figures as of June 2017.

Chapter 4: Assessment of the SAI’s Performance

4.1 Domain A: Independence and Legal Framework

Domain A covers the legal mandate of the AGDSL and its independence. Domain A comprises two indicators. The following table provides an overview of the dimension and indicator scores. Section 4.1.1 and 4.1.2 provide further details.

Domain A: Independence and legal framework		Dimensions				Overall score
Indicator	Name	i	ii	iii	iv	
SAI-1	Independence of the SAI	1	1	2	2	1
SAI-2	Mandate of the SAI	2	3	3		3

4.1.1 SAI-1: Independence of the SAI - Score 1

Narrative

SAI-1 measures the degree of independence enjoyed by the SAI, by assessing the key aspects of independence as set out in the Lima Declaration (ISSAI 1) and the Mexico Declaration (ISSAI 10).

The indicator is separated in four dimensions:

- (i) **Appropriate and Effective Constitutional Framework.**
- (ii) **Financial Independence / Autonomy.**
- (iii) **Organisational Independence / Autonomy.**
- (iv) **Independence of the Head of SAI and its Officials.**

There are important shortcomings in the current constitutional framework governing the AG and the AGDSL. The main areas with scope for improvement concern independence and financial and organisational autonomy regarding financial and human resources and the need for greater precision concerning the nature of audits the AG may undertake. The National Audit Bill addresses these and other shortcomings, and, if enacted, will significantly strengthen the independence of the AG and, when established, the new Sri Lankan State Audit Service.

Dimension i: Appropriate and Effective Constitutional Framework

Article 153 of the the Constitution states that:

“1) There shall be an Auditor-General who shall be a qualified Auditor, and subject to the approval of the Constitutional Council, be appointed by the President and shall hold office during good behaviour.

2) The salary of the Auditor-General shall be determined by Parliament, shall be charged on the Consolidated Fund and shall not be diminished during his term of office.

3) The office of the Auditor-General shall become vacant –

- (a) upon his death;
- (b) on his resignation in writing addressed to the President;

© on his attaining the age of sixty years;

(d) on his removal by the President upon account of ill health or physical or mental infirmity;
or

(e) on his removal by the President upon an address of Parliament.

4) Whenever the Auditor-General is unable to discharge functions of his office, the President may, subject to the approval of the Constitutional Council, appoint a person to act in the place of the Auditor-General."

At present the Constitution is silent on the subject of the AGDSL and its role in supporting the Auditor General to fulfil his duties and functions under the Constitution, although Article 154 (4) does provide for the AG "to engage the services of a qualified auditor or auditors who shall act under his direction and control." Also, there is currently no separate Act or law in place providing for the establishment of the SAI.

Currently the AGDSL has limited independence as there is no explicit provision in the Constitution or law providing for such independence and the AGDSL is subject to a range of civil service wide rules and regulations governing human resources, financing and procurement.

Article 153 explicitly includes arrangements for the appointment, tenure and removal of the Auditor General.

Currently the Constitution does not provide adequate legal protection concerning the AGDSL's independence but Article 153D and E of the Constitution and the new Audit Act will provide such protection for the future.

In his 2016 Annual Report (October 2017), the AG has reported on the limitations to his administrative and financial independence and the potential impact of such limitations for his work. He also expressed concern that his dependence on the Executive for financial and manpower resources risks the independence of the work that he performs for Parliament and that the requirement that he and his staff must comply with all administrative regulations of the Government further infringes his independence.

The AGDSL has and continues to work hard to improve and maintain the constitutional and legal framework as is evidenced by the Constitutional changes which took place in 2015 and the new National Audit Bill which, if enacted, will significantly strengthen the independence of the AG and his staff.

Dimension ii: Financial Independence/Autonomy

The Constitution currently provides no financial independence/autonomy for the AG. Similarly there are no other laws in place which provide such independence/autonomy. The AGDSL has very limited financial independence/autonomy as budgetary approval is subject to the same rules as any other government ministry or department which derive from Articles 148-150 of the Constitution, the Fiscal (Responsibility) Act of 2003 and related circulars and guidance. The MoF issues guidelines against which the AGDSL prepares its budget and submits it to the MoF for approval. Since 2016, the MoF has set a budget ceiling that AGDSL must adhere to when preparing its budget proposal. The MoF can seek to amend the budget in discussion with the AGDSL before including it in the National Budget sent to the Parliament for approval. The AGDSL has no right of direct appeal to the Parliament in the event they are unhappy with the budget approved by the MoF.

Dimension iii: Organisational Independence/Autonomy

The AGDSL is not specifically mentioned in the Constitution and therefore the relationship with the Executive is not explicitly addressed. In practice the AGDSL is part of the Executive although independent of any individual Ministry. However, the AGDSL enjoys limited organisational and

management independence in that within the broader administrative rules and regulations that apply to Sri Lankan public bodies it is free to organise itself as it sees fit and develop its own rules and procedures and may also recruit and call on external technical support in its work. But, this situation falls short of the degree of independence required by the ISSAIs as it has no control over human resource issues such as recruitment, terms and conditions of service and promotion. The AGDSL is made up of two professional cadres – the Sri Lankan Audit Service (SLAS) and the Audit Examiner Service (AES). The complement of the two services is set by the Department of Management Services of the MoF and the AGDSL is not permitted to exceed these complements. Recruitment to the AES is managed by the PSC and based on written examinations set and administered by a separate Department of Examinations. Recruitment and promotion to the SLAS is also examination based but supplemented by interview. Similarly, promotions processes are subject to PSC control.

Dimension iv: Independence of the Head of the AGDSL and its members

Article 153(1) of the Constitution sets out a clear process for the appointment and removal of the AG. The appointment is made by the President subject to the approval of the Constitutional Council which is chaired by the Speaker of Parliament and includes the Prime Minister, the Leader of the Opposition, and representatives from minority parties in Parliament. The President puts forward a number of candidates to the Constitutional Council for its consideration. There is no fixed term although he is required to retire on reaching the age of 60. He may be removed by the President due to ill health or physical or mental infirmity or as a result of an address of Parliament. The AG's salary is met directly from the Consolidated Fund. However, there are risks to independence represented by the lack of immunity from prosecution for the AG and his staff when fulfilling their mandated duties and the absence of any provisions in the legal framework to ensure that he and his staff are not influenced or dependent in any way upon the organisations they audit. In 2014-2015 the AG post was filled by an acting AG who remained in post for 13 months.

Assessment Scores by Dimension

<i>Dimension</i>	<i>Score</i>
(i) Appropriate and Effective Constitutional and Legal Framework	1
(ii) Financial Independence/Autonomy	1
(iii) Organisational Independence/Autonomy	2
(iv) Independence of the Head of the SAI and its Officials	2
Overall Score	1

Assessment Findings and Observations

Dimension	Findings	Score
(i) Appropriate and effective Constitutional and Legal Framework	<p>Criteria f and g have been met.</p> <ul style="list-style-type: none"> In his 2016 Annual report the AG reported on the question of financial and administrative independence that may affect their ability to perform their work in accordance with their mandates and/or the legislative framework. The AG and AGDSL have made efforts to promote, secure and maintain an appropriate and effective constitutional, statutory or legal framework by lobbying stakeholders in Parliament and submitting concrete proposals for change. This has led to a strengthened Constitution and a new Audit Bill expected to be passed by Parliament shortly which will 	<p>1</p> <p>At least one criterion is in place</p>

	<p>significantly enhance the legal framework under which the AG and AGDSL function.</p> <p>Criteria a, b, c, d and e are not been met.</p> <ul style="list-style-type: none"> • The Constitution does not mention the establishment of the AGDSL although it does give the AG powers to appoint a qualified auditor or auditors to assist him in his work. • There are no constitutional or legislative provisions that serve to protect the independence of the AGDSL. • The independence of the AGDSL provided under the Constitution and law does not guarantee a very high degree of initiative and autonomy. • Although the appointment, term and cessation of functions of the AG are laid down in Article 153 of the Constitution, no mention is made of the independence of decision-making powers. • There is currently no adequate legal protection against interference with the AGDSL's independence. 	
<p>(ii) Financial Independence/Autonomy</p>	<p>Criteria b, d and g are met.</p> <ul style="list-style-type: none"> • Following incorporation into the national budget by the Ministry of Finance the budget is approved by the Parliament. • Following approval of the budget the AGDSL has freedom to use the funds as it sees fit within the applicable government accounting rules. • There are occasional delays in receiving funds from the Treasury although these are not considered to be cases of "undue interference" <p>Criteria a, c, e, and f are not met.</p> <ul style="list-style-type: none"> • The Constitution does not currently provide any explicit or implicit financial independence for the AGDSL apart from the salary of the AG which, under Article 153(2) of the Constitution is charged directly to the Consolidated Fund. The AGDSL follows the standard budget approval process of submission to the Ministry of Finance before it is incorporated into the full budget for parliamentary approval. • The AGDSL does not have the power to submit its budget direct to the Parliament. • The AGDSL does not have free access to its budget as it must apply monthly to the Treasury for funds to be released. 	<p>1</p> <p>At least one criterion is in place</p>
<p>(iii) Organisational Independence/Autonomy</p>	<p>Criteria b, c, and g are met.</p> <ul style="list-style-type: none"> • Mr Wickramaratne, Additional Auditor General, stated that in practice there is no interference by the Legislature or Executive in the organisation and management of the Department. • The AGDSL is subject to wider rules and regulations governing public bodies – for example in relation to procurement - within Sri Lanka but within these rules it is free to determine its own rules and procedures. • Under Article 154(4) of the Constitution the AG may call 	<p>2</p> <p>At least 3 criteria are in place</p>

	<p>on and pay for a wide range of professional and technical expertise he considers necessary to perform and discharge his duties.</p> <p>Criteria a, d, e and f are not met.</p> <ul style="list-style-type: none"> • The Constitution is silent on the subject of the AGDSL's organisational independence and its relationship with the Legislature and Executive. • The AG has is not free to decide on all HR matters. Recruitment, promotion and discipline etc of ADSL staff is the responsibility of the Sri Lankan Public Services Commission. • No details are provided in the legal framework regarding the nature of the relationship between the AGDSL and the Executive. In practice the AGDSL is a part of the Executive. Article 154 of the Constitution requires the AG to audit the various offices, Ministries and Commissions of the Government and any such duties and functions prescribed by the Parliament. • The legal framework is silent on the accountability of the AGDSL other than a requirement under Article 154(1) which in practice requires the AG to audit his own department 	
<p>(iv) Independence of the Head of the SAI and its Officials</p>	<p>Criteria a, b, e, f are met.</p> <ul style="list-style-type: none"> • Article 153 of the Constitution sets out clearly the arrangements for the appointment and removal of the AG. Formally the appointment is made by the President of Sri Lanka subject to the approval of the Constitutional Council. • There is no limitation on the term of office for the AG other than he must vacate the position on reaching the age of 60. • The current AG was appointed in November 2015 in line with the provisions of Article 153 of the Constitution and no cases where the AG has been removed unlawfully. <p>Criteria c, d and g are not met.</p> <ul style="list-style-type: none"> • The Constitution currently contains no protection/immunity from prosecution for the AG or the staff of the AGDSL when carrying out their mandated functions and duties. • Prior to the appointment of the current AG in November 2015 an acting AG was in post for a period of 13 months. • There is nothing in the current legal framework which ensures that AGDSL staff are not influenced by or dependent upon the audited organisations 	<p>2 Criterion a and at least 2 others are in place</p>

4.1.2 SAI-2: Mandate of the SAI - Score 3

Narrative

SAI-2 aims to assess the breadth of the SAI's mandate in terms of the scope and nature of the duties and responsibilities of the AG and SAI as well as the SAI's ability to access all information it requires to fulfil its functions and its right and obligation to report. The indicator has three dimensions:

- (i) **Sufficiently Broad Mandate.**
- (ii) **Access to Information.**
- (iii) **Right and Obligation to Report.**

The AG and AGDSL benefit from a broad mandate in terms of the range of public entities they are entitled to audit and their access to information. However, in relation to central government ministries and departments, the nature of the audit that may be carried out is vague. The AG's rights to report to Parliament are robust but the legal framework is silent on the subject of the publication of his reports although in practice the reports are placed on the AGDSL website after they have been tabled in Parliament. The new National Audit Bill seeks to address these various shortcomings.

Dimension i: Sufficiently Broad Mandate

Article 154 of the Constitution establishes the mandate for the Auditor General to audit public sector institutions. The Article requires the Auditor General to audit the accounts of all departments of the Government, as well as: The Offices of the Secretary to the President and to the Prime Minister; Offices of the Cabinet of Ministers; Judicial Services Commission; the Constitutional Council; Election Commission; Public Service Commission; National Police Commission; Human Rights Commission; Commission to Investigate Allegations of Bribery or Corruption; Finance Commission; Delimitation Commission; National Procurement Commission; The Parliamentary Commissioner for Administration and the Secretary-General of Parliament; Local authorities, public corporations, business and other undertakings vested in the Government.

Under the Nineteenth Amendment to the Constitution the authority has been further refined to cover companies incorporated under the Companies Act in which the Government or a Public Corporation or Local Authority holds at least 50 per cent of the shares of that company.

The above mandate is further expanded by the following Statutes: Part II of the Finance Act, No. 38 of 1971 which provides for audit of Public Corporations; Section 23 of the Provincial Councils Act, No. 42 of 1987 - which provides for Audit of Provincial Councils; Section 219 of the Municipal Councils Ordinance (Cap. 252) which provides for Audit of Municipal Councils; Section 181 of the Urban Councils Ordinance - (Cap. 255) which provides for Audit of Urban Councils; Section 172 of the Pradesiya Sabhas Act, No. 15 of 1987 - which provides for Audit of Pradesiya Sabhas; Section 58 of the Agrarian Development Act, No. 46 of 2000 - which provides for Audit of Agrarian Development Councils.

Public enterprises, SOEs, public corporations, Universities, research and training institutions, as well as local government (provincial councils, and urban, municipal and village level authorities) and foreign funded projects prepare financial statements based on IPSAS and are therefore subject to a financial audit that leads to a standard audit opinion.

Central government ministries and departments do not prepare IPSAS compliant financial statements and are audited for compliance with the Financial Regulations²⁹, as well as with the Procurement Guidelines³⁰.

Currently the Constitution does not ensure that the AGDSL is free from interference but the new National Audit Bill provides for any such interference to be an offence.

Regarding the nature of the audit Article 154 is rather vague providing only for the AG to "audit" with no further definition. In practice the AGDSL interpret this widely to include financial, compliance and performance audits and thus to include "legality and regularity of Government or public entities' accounts, the quality of financial management and reporting and the economy, efficiency and effectiveness of government or public entities' operations". The lack of clarity does occasionally lead to challenge although there have been no serious legal challenges and the new National Audit Bill provides for the position to be clarified so that the AG can carry out "audits of all descriptions".

With regard to Public Corporations audited under section 13 of the Finance Act, 1971 the AG has very wide discretion concerning the nature of the audits he may undertake:

"(1) The Auditor-General shall be the auditor for every public corporation.....

(3) The Auditor-General shall inspect the accounts, the finances, the management of the finances and the property of a public corporation. The Auditor-General shall, as far as possible, and as far as necessary, examine -

- a) Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the corporation, and whether such systems, procedures, books, records and other documents are in effective operation;
- b) Whether the conduct of the corporation has been in accordance with the laws, rules and regulations relevant to the corporation and whether there has been fairness in the administration of the corporation;
- c) Whether there has been economy and efficiency in the commitment of funds and utilization of such funds;
- d) Whether systems of keeping moneys and the safeguarding of property are satisfactory;
- e) Whether the accounts audited have been so designed as to present a true and fair view of the affairs of the corporation in respect of the period under consideration with due regard being given to principles of accountancy, financing and valuations; and
- f) Any such other matters as the Auditor General may deem necessary.

(4) The Auditor-General shall at his discretion determine the nature and extent of the audit that shall be carried out in any particular period in respect of any particular corporation, and may at his discretion dispense with any particular aspect or aspects relevant to a particular corporation in the period under review."

Thus the scope of the audit does provide for the AG to examine the legality and regularity of the public accounts, the quality of financial management and reporting and the economy, efficiency and effectiveness of the operations of public corporations.

²⁹ Financial Regulations Of The Government Of The Democratic Socialist Republic Of Sri Lanka from 1992.

³⁰ Democratic Socialist Republic of Sri Lanka, National Procurement Agency (2006), Procurement Guidelines Goods & Works.

Dimension ii: Access to Information

The AG and his representatives have significant rights of access to information.

Article 154(5) of the Constitution provides a high level of access to information for audit purposes:

“ (a) The Auditor-General or any person authorised by him shall in the performance and discharge of his duties and functions be entitled -

- i. to have access to all books, records, returns and other documents;
- ii. to have access to stores and other property; and
- iii. to be furnished with such information and explanations as may be necessary for the performance of such duties and functions.

(b) Every qualified auditor appointed to audit the accounts of any public corporation, business or other undertaking or a company referred to in [Article 154(1)], or any person authorised by such auditor shall be entitled to like access, information and explanations in relation to such public corporation, or business or other undertaking.”

Additionally, under Section 13(4) of the Finance Act, 1971 the Auditor-General shall have -

- a) the right of access to any books, records, documents and any type of information which is directly or indirectly related to the activities of the public corporation under audit as he deems necessary;
- b) the right to call for such information, documents, explanations, reports or other material at any time as in his opinion is necessary for the purposes of the audit; the right to summon any person for examination, and for the production of any such documents where such examination or production is considered necessary for the purposes of the audit.

Under Section 13(6) of the Finance Act any corporation or person is required to comply with any such requests.

Currently neither the Constitution nor the Finance Act provide a mechanism for resolving any restriction or denial of information but the but the new National Audit Bill provides for any such restriction or denial to be an offence.

Dimension iii: Right and Obligation to Report

The Constitution requires the AG to report annually to Parliament and also gives him the right to report whenever he wishes on the results of his work under the Constitution. Article 154(6) of the Constitution states that the AG “shall within 10 months after the close of each financial year and as and when he deems it necessary report to Parliament on the performance and discharge of his duties and functions under the Constitution.

There is no restriction concerning the content and timing of the AG's reports and there have been no external interference regarding the content of such reports. The Constitution and legal framework are silent regarding the publication of the AG's annual reports. In practice the annual report and other reports are published on the AGDSL website after they have been tabled in Parliament.

Assessment Scores by Dimension

Dimension	Score
(i) Sufficiently Broad Mandate	3
(ii) Access to Information	3
(iii) Right and Obligation to Report	3
Overall Score	3

Assessment Findings and Observations

Dimension	Findings	Score
(i) Sufficiently Broad Mandate	<p>Criteria a, c, e, f, g, h and i are met. Criterion b is not applicable.</p> <ul style="list-style-type: none"> The scope of the audit of the AG is very wide covering central government institutions, public corporations, companies, funds and local government institutions. In the past 3 years the AGDSL has not taken on any tasks which influence the independence of its mandate nor have there been any cases of interference in its selection of audit clients over the same period. With regard to the nature of the audits to be undertaken by the AGDSL under Article 154, the Constitution does not specify the scope simply stating that the AG "shall audit ...". The Constitution does not explicitly provide for audits to include "legality and regularity of Government or public entities' accounts, the quality of financial management and reporting and the economy, efficiency and effectiveness of government or public entities' operations". With regard to Public Corporations audited under section 13 of the Finance Act the AG has significant freedom regarding the scope of the audit and as such does provide for the AG to examine legality and regularity the public entities' accounts, the quality of financial management and reporting and the economy, efficiency and effectiveness of government or public entities' operations. <p>Criterion d, is not met.</p> <ul style="list-style-type: none"> The Constitution does not currently ensure that the AGDSL is free from direction and external interference in planning, conducting, reporting and following up its work. 	<p>3</p> <p>Criterion c and at least 6 others are in place</p>
(ii) Access to Information	<p>Criteria a, b and e are met. Criterion d is not applicable (applies only to jurisdictional controls).</p> <ul style="list-style-type: none"> Article 154 of the Constitution provides for the AG and his authorised officers, including those with whom he contracts out audits, to have unrestricted rights of access to records and documents and information, and access to stores and property 	<p>3</p> <p>Criterion a and at least 2 of the remaining</p>

	<p>they consider necessary for the performance of their duties and functions. Additionally, Section 13 of the Finance Act, 1971 provides for a high degree of access to information the AG may require in respect of his audit of public corporations.</p> <p>Criterion c is not met.</p> <ul style="list-style-type: none"> • There is no mechanism for resolving any issues regarding access to information in the law. 	<p>criteria are in place</p>
<p>(iii) Right and Obligation to Report</p>	<p>Criteria a, c, d, e, f and g are met.</p> <ul style="list-style-type: none"> • Under Article 154(6) of the Constitution, the AG is required to report to Parliament annually within 10 months of the end of the financial year and, as and when he chooses, on the performance and discharge of his duties and functions under the Constitution. • There is no restriction on the timing or content of his reports and there have been no examples of interference regarding the content of the reports. Similarly, although there is no requirement or authority to publish the reports they are placed on the AGDSL website after they have been tabled in Parliament and the AGDSL has received no interference in this regard in the last 3 years. <p>Criterion b is not met.</p> <ul style="list-style-type: none"> • The Constitution and legal framework does not give the AG the right to publish his annual reports but he does place them on the AGDSL The Constitution and legal framework does not give the AG the right to publish his annual reports but he does place them on the AGDSL after they have been tabled in Parliament. 	<p>3 Criterion a and at least 4 of the remaining criteria are in place</p>

4.2 Domain B: Internal Governance and Ethics

Domain B seeks to assess whether the AGDSL is managing its own affairs effectively and through good governance setting an appropriate example to others. Domain B has five indicators. The following table provides an overview of the dimension and indicator scores. Section 4.2.1 to 4.2.5 provide further details.

Domain B: Internal Governance and Ethics		Dimensions				Overall score
Indicator	Name	i	ii	iii	iv	
SAI-3	Strategic Planning Cycle	0	0	0	0	0
SAI-4	Organisational Control Environment	0	1	2	0	1
SAI-5	Outsourced Audits	2	3	0		2
SAI-6	Leadership and Internal Communication	3	3			3
SAI-7	Overall Audit Planning	0	0			0

4.2.1 SAI-3: Strategic Planning Cycle - Score 0

Narrative

Strategic planning is a vital component of any SAI as a way of ensuring that the organisation has a clear direction and vision and a properly thought out plan to deliver it. SAI 3 and the IDI Handbook on Strategic Planning for SAI stresses the importance to an SAI of having a Strategic Planning process to ensure that vision can be transformed into reality in a coherent and logical manner. Strategic Plans need to be supplemented with Annual Operational Plans that will transform Strategic visions and aspirations into operational and institutional reality.

This indicator has four-dimensions:

- (i) **Content of the Strategic Plan.**
- (ii) **Content of the Annual/Operational Plan.**
- (iii) **Organisational Planning Process (Development of Strategic Plan and Annual/Operational Plan).**
- (iv) **Monitoring and Performance Reporting.**

The AGDSL has a vision and mission statements and a set of core values. At the time of this review, the AGDSL had no Strategic or Annual/Operational Plans which translate its vision and values into a clear and coherent plan of action. Such plans should be available for scrutiny by stakeholders and progress towards achievement should be carefully monitored.

AGDSL published a Corporate Plan for the period 2014-15. This plan did contain some of the core elements of good practices for strategic planning. However, it was deficient in many essential components of Strategic Planning and has not been updated. Baselines, institutional and organisational reforms/initiatives needed to support operational and technical development did not form part of the Corporate Plan.

The AGDSL recognises that, as a priority, it needs to establish robust and sustainable processes for planning at both the Strategic and Operational levels. To this end, the AGDSL has requested that any future technical assistance project to the AGDSL has an activity to help the AGDSL produce a comprehensive Strategic Plan within the first twelve-months of the technical assistance project.

Dimension i: Content of the Strategic Plan

This dimension has 7 criteria that, for evaluation purposes, are dependent on the availability of a current Strategic Plan or similar document in the SAI.

In the absence of a Strategic Plan, all criteria for this this dimension were evaluated as 'not met' thus yielding a score of 0 for this dimension. The assessment team noted that the AGDSL expects to develop a new strategic plan based on the results of this assessment.

Dimension ii: Content of Annual/Operational Plan

This dimension has 7 criteria that focus on the expected content of an Annual/Operational Plan designed to facilitate and monitor progress on a yearly basis in meeting the higher-level objectives in the Strategic Plan.

In the absence of Annual/Operational Plans, all criteria for this this dimension were evaluated as 'not met' thus yielding a score of 0 for this dimension.

Dimension iii: Organisational Planning Process (Development of Strategic Plan and Annual/Operational Plan)

This dimension has 9 criteria that seek to establish the status of institutional processes and actions needed when developing plans at both Strategic and Annual levels.

As no Strategic or Annual Operational plans are currently available, it was impossible to meaningfully evaluate any of the nine-criteria and thus all were rated as 'not met' producing a 0 score for this dimension.

Dimension iv: Monitoring and Performance Reporting

This dimension has 7 criteria. Five of these criteria seek to find evidence of regular monitoring and reporting on progress toward the attainment of pre-determined SMART objectives that cover all areas of the SAI. Two of the criteria are an evaluation of the SAI publishing the results of peer or independent reviews of the SAI performance; and, whether the SAI makes its core methodologies and standards it applies to the range of audit types it delivers.

All bar one criteria were evaluated as 'not met' even though the AGDSL produces an Annual Report. The Annual Report does not report on all areas of the AGDSL operations and as there is no strategic plan with measurable performance indicators it does not review its own performance effectively. The Annual Reports currently restricts itself to providing background information on the AGDSL; other non-performance related information; and, summaries of audit work done in the year of reporting.

The AGDSL has no meaningful performance indicators against which the performance of the institution is regularly assessed.

Although the AGDSL does make public its standards and manuals for financial and performance audit no such information is publicly available for compliance audit.

Assessment Scores by Dimension

<i>Dimension</i>	<i>Score</i>
(i) Content of the Strategic Plan	0
(ii) Content of the Annual/Operational Plan	0
(iii) Organisational Planning Process (Development of Strategic Plan and Annual/Operational Plan)	0
(iv) Monitoring and Performance Reporting	0
Overall Score	0

Assessment Findings and Observations

Dimension	Findings	Score
(i) Content of the Strategic Plan	<p>All criteria were not met.</p> <ul style="list-style-type: none"> The AGDSL does not have a Strategic Plan or a similar document that identifies the strategic objectives and the activities needed to achieve these objectives. 	0
(ii) Content of the Annual/Operational Plan	<p>All criteria were not met.</p> <ul style="list-style-type: none"> The AGDSL does not have an Annual/Operational Plan 	0
(iii) Organisational Planning Process (Development of Strategic Plan and Annual/Operational Plan.	<p>All criteria were not met.</p> <ul style="list-style-type: none"> There is no process in place for organisational planning 	0
(iv) Monitoring and Performance Reporting	<p>All Criteria were not met.</p> <ul style="list-style-type: none"> Apart from an Annual Report, no other publications measuring performance against established objectives are produced by the AGDSL. Internal performance is measured solely on the basis of operational and financial targets (audits done, and budget applied). The AGDSL does not actively seek external feedback on its performance The AGDSL has not previously published the results of any peer reviews or external assessments although we understand that the AG intends to publish this assessment Audit standards and methodologies (manuals) for performance, financial and procurement audits are publicly available. However, no standards or methodologies for compliance audit have been formally documented. 	0

4.2.2 SAI-4: Organisational Control Environment - Score 1**Narrative**

SAI 4 provides the principles and expectations for an SAI in terms of: ethical behaviour and standards; internal control within the SAI; quality control throughout the audit cycle,; and quality assurance on selected completed audits to assess compliance with the auditing standards and audit manuals.

Well-developed arrangements for establishing, maintaining and developing these competencies are essential for an SAI to operate within an environment that results in audit outputs that can be relied upon by end-users.

This indicator has four-dimensions:

- (i) **Internal Control Environment – Ethics, Integrity and Organisational Structure.**
- (ii) **System of Internal Control.**
- (iii) **Quality Control System.**
- (iv) **Quality Assurance System.**

AGDSL has a code of ethics that is compliant with ISSAI requirements but there is no formal process or system in place to monitor its application or ensure staff are complying with its contents. AGDSL has a fairly rigid hierarchical structure that ensures staff understand the organisation structure but job descriptions are not competency based or specifically designed to meet AGDSL requirements.

The fundamentals required for a robust and resilient internal control framework that is consistent with the principles of standard risk assessment and risk management such as those recommended by the COSO ERM Integrated Framework or ISO 31000 – Principles and Guidelines on Implementation and ISO 31010: – Risk Management – Risk Assessment Techniques are currently missing. Internal audit is functioning in the AGDSL and is operating within prescribed public administration standards for independence, reporting and cooperation with the AGDSL audit committee.

No formal written guidance or procedures for Quality Control and Quality Assurance are in place although quality control of audit work is applied. Quality Assurance is not being done to test, on a random sample basis, that the required audit standards are being applied at all stages of the audit cycle.

Most of the criteria for the four-dimensions of this indicator have not been met and this has resulted in an overall score of zero.

Dimension i: Internal Control Environment – Ethics, Integrity and Organisational Structure

AGDSL had a Code of Conduct of Ethics for Public Sector Auditors - issued 2nd October 2017. This replaced an earlier version issued in July 2012. Both versions are consistent with the INTOSAI principles on Ethics.

No evidence was provided of a formal process to manage the implementation of the Code and the procedures to be followed where allegations of breaches of the Code are made.

Job Descriptions are currently generic (by grade) and based on standard tasks, line of reporting requirements and are neither competency or based on the specific responsibilities of the personnel.

The AGDSL has a formal and rigid hierarchical organisation structure. Employees of the AGDSL are familiar and comfortable with this type of arrangement. Audit teams respect tasks assigned and the established reporting lines.

This dimension has 12 criteria of which 6 were evaluated as being 'met.' However, the failure to *"implement an ethics control system to identify and analyse ethical risks, to mitigate them, to support ethical behaviour, and to address any breach of ethical values, including protection of those who report suspected wrongdoing"* results in an overall score for this dimension of 0.

Dimension ii: System of Internal Control

A Strategic Plan and Annual Operational Plans are critical to any organisation's internal control and in the absence of such plans within the AGDSL it was impossible to isolate specific strategic (long-term)

and operational (short-term) objectives against which risks to the achievement of these could be identified and evaluated for impact and probability.

The review team found no evidence of policies for an internal control framework that was linked to mitigating or preventing risks emerging that would negatively impact on the achievement of operational, institutional, organisational and other objectives. Internal control is viewed in the narrow sense of compliance with a wide-range of financial and non-financial rules and regulations.

The AGDSL Annual Reports do not have a statement of internal control signed by the AG or any other delegated person. The review team could find no other source of evidence that would show that this type of statement was being produced.

The internal audit function has been clearly assigned as a unit in the Division of Finance and Banking of the AGDSL.

The mandate of the internal audit section; the role of the functioning AGDSL Audit Committee; and, the Audit Committee's role in monitoring the implementation of recommendations, follow the requirements established in the Guidelines for IA issued in June 2009 by the Ministry of Finance Department of Management Audit.

The two IA are audit examiners who were appointed on the basis that they have the appropriate skills and experience to carry out IA assignments.

This dimension has 10 criteria of which 6 were evaluated as 'not met' and 4 as being 'met.' Internal control in its modern context is not well understood in the AGDSL. The current internal control arrangements are largely based on compliance with the financial and non-financial rules and regulations of the public administration.

The score assigned for this dimension was 1.

Dimension III: Quality Control System

Quality control has 3 key attributes: first, a definition of what it is; second, who is responsible for this and when; and, third, how the results of this activity are documented and reported. These quality control attributes need to be documented and issued as a standard across the SAI.

AGDSL's quality control processes are a high-level review to ensure that audit outputs have no significant errors or omissions. However, the purpose and objectives of Quality Control and Quality Assurance are not clearly understood, and this is leading to extensive quality control processes, that should be done during the audit, taking place at a high-level in the AGDSL.

If the criteria for this dimension has been assessed in the literal sense, to cover all audit and non-audit activities, then it would have scored zero. However, as the AGDSL has limited responsibilities for non-audit activities, the review team agreed to restrict the assessment of the criteria to audit activities and those non-audit activities over which it has responsibility to ensure government wide rules and regulations are applied such as those regarding procurement and financial management. Applying this rationale resulted in a score of 2 being given to this dimension as quality control over audit work and such non-audit work does exist.

Dimension IV: Quality Assurance System

AGDSL has established a Quality Assurance function, however, in practice the activities of this function are an extension of quality control. Quality assurance is a post-audit activity that should be

done on a sample basis by an independent reviewer who will assess compliance with the standards applied by the SAI at all stages of the audit cycle.

This dimension has eight-criteria. None of the criteria were evaluated as being 'met.' Consistent with the reporting on dimension (iii), the AGDSL does not have documented standards and processes for quality assurance and therefore, this dimension was assigned a 0 score.

Assessment Scores by Dimension

Dimension	Score
(i) Internal Control Environment – Ethics, Integrity and Organisational Structure	0
(ii) System of Internal Control	1
(iii) Quality Control System	2
(iv) Quality Assurance System	0
Overall Score	1

Assessment Findings and Observations

Dimension	Findings	Score
(i) Internal Control Environment – Ethics, Integrity and Organisational Structure	<p>Criteria a, b, c, d, h and j were evaluated as met.</p> <ul style="list-style-type: none"> There is a Code of Ethics in place which sets out policies and practices in line with ISSAI 30 and requires staff to behave in accordance with the principles contained within it. The Code has been revised recently. The AGDSL has a formal hierarchical structure where responsibility for work is clearly assigned and reporting lines are well established. <p>Criteria e, f, g, i, k and l, were evaluated as not met.</p> <ul style="list-style-type: none"> There is no formal requirement for contracted staff to commit to the AGDSL's ethical requirements. The Code of Ethics is not publicly available. No formal processes for managing and enforcing the Code of Ethics separately from wider public service disciplinary requirements. The AGDSL has job descriptions but these are not competency based and are in need of updating to reflect better the roles of staff within the AGDSL. The assessment team found no evidence that any assessment of the AGDSL's vulnerability to integrity violations had taken place in the past 5 years. 	<p>0</p> <p>Six criteria were met but criterion g was not met.</p>
(ii) System of Internal Control	<p>Criteria f, g, h, and, j were evaluated as met.</p> <ul style="list-style-type: none"> AGDSL has appointed an internal auditor with the appropriate skills, mandate and degree of independence necessary. The Internal Auditor reports to the AG without interference and there is a system for ensuring implementation of internal audit recommendations. AGDSL has a job rotation policy in place which provides for staff 	<p>1</p> <p>Two criteria were met but not criterion</p>

	<p>to be rotated every 4-5 years.</p> <p>Criteria a, b, c, d, e, and, i were evaluated as not met.</p> <ul style="list-style-type: none"> • There are no processes or systems documentation for the identification, assessment and management of risks to objectives of the AGDSL. • The AGDSL has not undertaken a review of its internal control system in the past 5 years and the AG does not sign a statement of internal control annually as part of his annual report. • There is no “whistleblowing” procedure in place for employees to use to report suspected violations of ethical or internal control processes. 	a.
(iii) Quality Control System	<p>Criteria a, b, and c, were met.</p> <ul style="list-style-type: none"> • There are guidelines and clearly defined processes in place for quality control of audit and non-audit such as the application of government rules on procurement and financial management. The role of supervisors and managers in reviewing work is well understood. • The AG retains overall responsibility for ensuring quality of audit work but on a day to day basis this is delegated to managers at various levels. <p>Criteria d, and e were evaluated as not met.</p> <ul style="list-style-type: none"> • There is no formal system in place for assessing the overall quality of work done by the AGDSL. • The AGDSL does not have an overall process which considers its work plan and ensures appropriate resources are in place and applied to ensure quality. 	2 Three criteria were met.
(iv) Quality Assurance System	<p>Criteria a, b, c, d, e, f, g, and h, were evaluated as not met.</p> <ul style="list-style-type: none"> • No documented processes and procedures are in place to ensure that quality assurance is being done in compliance with the requirements of ISSAI 40 and the recommendations of the SAI PMF Task Team. • The AGDSL has a team designated as quality assurance however, the assessment concluded that the work done by the team does not meet the requirements of a quality assurance process and is really an extension of quality control. 	0 All criteria were not met.

4.2.3 SAI-5: Outsourced Audits - Score 2

Narrative

SAI 5 provides the principles and expectations for an SAI in respect of outsourced audits: the basic requirements for the selection of those contracted to do audits on behalf of the AG; the quality control needed; and, the quality assurance standards to be applied.

Similar to most Auditor General's the head of the AGDSL has the mandate to outsource audits. However, the Auditor General retains the ultimate responsibility for the opinion resulting from outsourced audit activities.

Therefore, it is crucial that before signing off on outsourced audit opinions that the Auditor General has a high-level of assurance of reliability and veracity of the audit opinion.

This indicator has three-dimensions:

- (i) **Process for Selection of Contracted Auditor.**
- (ii) **Quality Control of Outsourced Audits.**
- (iii) **Quality Assurance of Outsourced Audits.**

Generally, the process for the selection of contracted out audits was done well and appropriately documented. However there is scope for improving quality control arrangements and introducing quality assurance processes to ensure the selected audit firms are meeting the required auditing standards and have appropriate quality control processes in place and implemented.

Dimension i: Process for Selection of Contracted Auditor.

AGDSL outsources an average of 30-40 audits of limited liability commercial publicly owned companies to the private sector each year.

The processes for awarding these contracts and regulating these audits are contained in the Auditor General document 'Request for Proposals (RFP) AUDIT OF THE FINANCIAL STATEMENTS OF THE LIMITED LIABILITY COMPANIES FOR THE YEAR ENDED 31 DECEMBER 2016 OR 31 MARCH 2017.' All bids received are evaluated by a special Technical Evaluation Committee appointed by the AG. The RFP includes a specific clause which renders any bidding company ineligible for consideration if there is a conflict of interest and any subsequent conflicts of interest must be avoided through staff rotation and other means but any which may arise must be disclosed.

The guidance provided in this document sets out: the professional and ethical standards required of prospective bidders; the bidding and evaluation processes to be applied; the terms of contracts and the documentation required. However, the process does not ensure that bidders have an understanding of the public sector environment. Nor does the AGDSL ensure that prospective bidders are made aware of the standards and quality control processes that successful bidders will be required to follow. AGDSL relies on the companies' own quality control procedures and do assess them at the bid evaluation stage. However, AGDSL does not evaluate them regularly.

The assessment team confirmed that these processes are being applied by a check on the audit file of the financial statements of the Bank of Ceylon for the year ended 31st December.

A score of 2 was awarded to this dimension.

Dimension ii: Quality Control of Outsourced Audits.

This dimension has 4 criteria. Three criteria were 'met', 1 was not met.

Quality control of contracted out audits is exercised by the relevant AGDSL directorate although this is not based on an assessment of risk. In addition to the RFP document, a thorough review of the audit file for the outsourced audit of the Bank of Ceylon financial statements for the year ended 31st December 2016 confirmed that quality control had been exercised at all stages of this audit.

Documentation relating to the contracted out audits remains the property of AGDSL and all audit reports resulting from contracted out audits are subject to standard quality control and report approval processes of the AGDSL prior to signature by the AG.

The overall score given for this dimension was 3.

Dimension iii: Quality Assurance of Outsourced Audits.

This dimension has 7 criteria none of which were evaluated as 'met.'

The responsibility for quality assurance of the compliance with appropriate standards for all components of the audit cycle is assigned to the outsourced audit contractors. The quality assurance function is part of the requirements for contractors and so the SAI places reliance on them. This obligation is contained in the contractual conditions imposed on the contractor.

However, as ultimately, the AG signs the audit report AGDSL should apply its own quality assurance processes to contracted out audits to ensure that the required standards are being met.

Given the above situation, this dimension received an overall 0 score.

Assessment Scores by Dimension

Dimension	Score
(i) Process for Selection of Contracted Auditor	2
(ii) Quality Control of Outsourced Audits	3
(iii) Quality Assurance of Outsourced Audits	0
Overall Score	2

Assessment Findings and Observations

Dimension	Findings	Score
(i) Process for Selection of Contracted Auditor	<p>Criteria a, b, d, and e are met.</p> <ul style="list-style-type: none"> The process for selection of contracted auditors is described in the source document. It covers all aspects of contracting outsourced audits, including: The criteria for eligibility to bid; the professional, ethical and conflict of interest requirements of bidders; the documents to be completed by bidders; the evaluation and selection procedures for tenders; and, the content of the contracts. <p>Criterion c, f and g were not met.</p> <ul style="list-style-type: none"> There is no system in place to ensure that contracted auditors have an appropriate understanding of the public sector environment. AGDSL does not communicate its audit standards and quality control procedures to contracted out auditors. The AGDSL does not evaluate the quality control systems of bidding firms although such processes are assessed as part of the bid evaluation process. 	<p>2</p> <p>Criterion a and at least 3 other criteria are met</p>
(ii) Quality Control of Outsourced Audits	<p>Criteria a, c and d are met.</p> <ul style="list-style-type: none"> Similar to dimension (i), the RFP document had sound requirements for quality control during the audit and by the contractor. Quality control was also exercised by the relevant AGDSL directorate. In addition to the RFP document, a thorough review of the audit file for the outsourced audit of the 	<p>3</p> <p>Criterion d and at least 2 other criteria</p>

	<p>Bank of Ceylon financial statements for the year ended 31st December 2016 confirmed that quality control had been exercised at all stages of this audit.</p> <ul style="list-style-type: none"> All audit reports are subject to quality control and authorised for issue by the AG. <p>Criterion b was not met.</p> <ul style="list-style-type: none"> The quality control system for outsourced audits is not based on an assessment of risk to quality. 	are met
(iii) Quality Assurance of Outsourced Audits	<p>All seven criteria for this dimension were evaluated as not met.</p> <ul style="list-style-type: none"> The onus and, reliance by the Auditor General is on the outsourced audit contractor to meet the requirements of this dimension rather than providing an independent source of assurance from within the AGDSL. 	0

4.2.4 SAI-6: Leadership and Internal Communication - Score 3

Narrative

SAI 6 seeks information on the leadership style of the AGDSL and how it communicates its decisions and requirements internally.

Leadership style is important in all organisations to ensure that senior management establish the **'tone at the top'** through setting personal standards of behaviour in, for example, ethical, personal, integrity and objectivity attributes.

All SAI personnel must be kept up to date on all developments affecting the SAI and these can be technical and non-technical information and guidance. In the absence of an effective communication strategy and SAI will run the risk of important messages being missed by intended receivers with the result that expected actions or decisions are not delivered.

This indicator has two-dimensions:

- (i) **Leadership.**
- (ii) **Internal Communications.**

Leadership competencies and processes are well established and operating at a satisfactory level in the AGDSL. Internal communications are well developed and operating within an established and understood framework.

Dimension i: Leadership

This dimension has 8 criteria of which 7 were met.

Based on the evidence gathered, this dimension was awarded a rating of 3.

Monthly meetings at senior management level (AG, AAG and DAG) discuss progress towards completion of audits and issues being encountered. These meetings also deliberate on other technical and non-technical issues relevant to the AGDSL. Agendas and minutes from these meetings are available to all staff and include updates and issues that need to be resolved and decisions taken. DAGs have meetings with division branches where messages from the 'top' are relayed. Key

decisions are communicated in writing by the DAG to the division and then to branch. General directives are issued by the AG.

The SAI values are explained at the launch of every audit and are reemphasised in the AGDSL annual report.

Leadership of the AGDSL appears to be reasonably well developed and working in terms of communication, ethics, delegation and the expected professional culture of the AGDSL.

The AGDSL also has a scheme of financial incentives to reward good individual performance. This scheme is regulated by an available and documented incentive scheme. In theory, the financial incentive can be a maximum of an additional 9 month's salary in a year. In reality, the average payment is 4.5 m incentive payment annually. In practice, all AGDSL staff receive an annual incentive payment.

Based on the evidence gathered, this dimension was awarded a rating of 3.

Dimension ii: Internal Communications

This dimension has 6 criteria of which 5 were met.

There are no formally laid down communications principles when it comes to how AGDSL shares information internally. Nevertheless, the routines for managing internal communications are well-known and are rated as effective within the AGDSL. Every six months, the AGDSL publishes the State Audit Bulletin. This is provided to all AGDSL staff and contains information, advice and other useful messages. Technical audit matters are communicated as required through circulars to staff.

There are regular management and team meetings to discuss the progress of audit work and other issues of importance.

AGDSL has a website and electronic communication system which allows staff to share information.

An assessment of the evidence for the criteria for this dimension yielded a score of 3.

Assessment Scores by Dimension

<i>Dimension</i>	<i>Score</i>
(i) Leadership	3
(ii) Internal Communication	3
Overall Score	3

Assessment Findings and Observations

Dimension	Findings	Score
(i) Leadership	<p>Criteria a, b, c, d, e, g, and, h was met.</p> <ul style="list-style-type: none"> Monthly meetings are held. Decisions taken are documented and communicated to staff AGDSL values are promoted in the AG's annual report and on its website. The hierarchical structure of the AGDSL ensures responsibility is delegated and staff are held accountable. 	<p>3</p> <p>At least 6 of the criteria are in place</p>

	<ul style="list-style-type: none"> • Staff are incentivised to improve performance. • Sound leadership principles are established and working in the AGDSL. • The leadership has introduced a culture aimed at ensuring ethical behaviour and high standards of professionalism and quality. <p>Criterion f was not met.</p> <ul style="list-style-type: none"> • The assessment team found no initiatives aimed at strengthening internal accountability and control. 	
(ii) Internal Communication	<p>Criteria b, c, d, e, and f, were met.</p> <ul style="list-style-type: none"> • AGDSL promotes its mandate, vision and values internally through various circulars, the 6 monthly bulletin and its reporting processes. • There are regular management and team meetings to discuss the progress of audit work and other issues of importance. • AGDSL has a website and electronic communication system which allows staff to share information <p>Criterion a was not met.</p> <ul style="list-style-type: none"> • AGDSL has not laid down principles for communication. 	3 At least 5 of the criteria are in place

4.2.5 SAI-7: Overall Audit Planning. Score: 0

Narrative

SAI 7 seeks information on the processes leading to the production of an overall audit plan for AGDSL and, what should be in the plan.

These annual plans are additional to individual audit plans as they provide a comprehensive picture of the SAI activities without the need to refer to the numerous sub-plans created by the various divisions/departments of a typical SAI.

This indicator has two-dimensions:

- (i) **Overall Audit/Control Planning Process.**
- (ii) **Overall Audit/Control Plan Content.**

The AGDSL does not have an overall plan/control. However, it does have audit plans for individual audits and divisions. In the absence of an overall plan/control for the AGDSL the overall score given for this indicator is 0.

Dimension i: Overall Audit/Control Planning Process

This dimension has 7 criteria, related to the process for developing and approving an overall audit plan for the SAI. Criteria probe aspects such as responsibilities for planning, monitoring and implementing the plan; the extent to which the plan's preparation considers available financial and human resources, and crucially, the application of a risk-based methodology for the overall audit planning process and the consideration of risk. None of these were met due to the lack of a consolidated overall annual plan/control document in the AGDSL.

Each department within the AGDSL does create plans which provide a summary of all the audits to be done by the department concerned in the coming year. However, these are not consolidated into an

overall audit plan for AGDSL which would ensure proper account is taken of risk and materiality at the institutional level. More detailed planning is done at the individual audit level.

Dimension ii: Overall Audit/Control Plan Content

This dimension has 6 criteria, which look into the content of the actual overall audit plan. Criteria include the need for the plan to clearly set out objectives and responsibilities, to include an implementation schedule for all audits, and to specify the allocated human and financial resources. The overall audit plan should contain an assessment of risks and delivery constraints. None of these were met due to the lack of a consolidated overall annual plan/control document in the AGDSL.

Assessment Scores by Dimension

<i>Dimension</i>	<i>Score</i>
(i) Overall Audit/Control Planning Process	0
(ii) Overall Audit/Control Plan Content	0
Overall Score	0

Assessment Findings and Observations

Dimension	Findings	Score
(i) Overall Audit/Control Planning Process	No criteria met because the output expected by this dimension, an overall audit plan/control, was not in place.	0
(ii) Overall Audit/Control Plan Content	No criteria met because the output expected by this dimension, an overall audit plan/control, was not in place.	0

4.3 Domain C: Audit Quality and Reporting

Domain C aims to assess the quality as well as the outputs of the audit/control work that represents the core function of any SAI. Domain C comprises 13 indicators but indicators 18-20 have not been applied as they are only applicable for Court style SAIs. The following table provides an overview of the dimension and indicator scores. Section 4.3.1 to 4.3.11 provide further details.

Domain C: Audit Quality and Reporting		Dimensions				Overall score
Indicator	Name	i	ii	iii	iv	
SAI-8	Audit Coverage	1	2	1	N/A	1
SAI-9	Financial Audit Standards and Quality Management	4	2	3		3
SAI-10	Financial Audit Process	2	1	3		2
SAI-11	Financial Audit Results	4	2	3		3
SAI-12	Performance Audit Standards and Quality Management	4	1	3		3
SAI-13	Performance Audit Process	3	3	3		3
SAI-14	Performance Audit Results	2	3	0		2
SAI-15	Compliance Audit Standards and Quality Management	3	3	4		3
SAI-16	Compliance Audit Process	2	3	2		2
SAI-17	Compliance Audit Results	3	2	2		2
SAI-18	Jurisdictional Control Audit Standards and Quality Management	N/A	N/A	N/A		N/A
SAI-19	Jurisdictional Control Audit Process	N/A	N/A	N/A		N/A
SAI-20	Results of Jurisdictional Controls	N/A	N/A	N/A		N/A

4.3.1 SAI-8: Audit coverage - Score 1

Narrative

This indicator measures the audit coverage achieved by the AGDSL across the three main audit disciplines – financial, performance and compliance. This indicator has 4 dimensions although dimension (iv) is not applicable for AGDSL:

- (i) Financial Audit Coverage.
- (ii) Coverage, Selection and Objective of Performance Audit.
- (iii) Coverage, Selection and Objective of Compliance Audit.
- (iv) Coverage of Jurisdictional Control.

AGDSL does not maintain a central record of its actual audit coverage compared with its audit universe. However with the help of AGDSL staff it was possible to obtain this information to enable the assessment team to conclude on this indicator. The failure of the AGDSL to report on financial statements not submitted to them by the appropriate date and the lack of risk assessment for compliance audit reduced the scores in these two domains.

The AGDSL has given increasing prominence to performance audit in recent years and such reports form a significant part of the AG's annual report. There is scope for improving the selection process for performance audits by assessing risks to value for money across all areas of government spending and by consulting more with external stakeholders in particular COPE and COPA.

The AGDSL aims to complete 100% coverage of compliance audit in respect of the appropriation accounts and financial statements it receives in respect of ministries and departments. As such considerations of risk and materiality are not applied and there is no overall audit plan for compliance audit.

Dimension (i) Financial Audit Coverage

In order to assess this dimension, the review team required data on the total number of institutions, corporations, local government bodies and other entities, which should be audited according to the legal framework (the audit universe). This information, as well as details on the date of receipt of financial statements; of finalisation of the audit report through sign off by the Auditor General; of submission to Parliament; as well as of publication, was not readily available. However, AGDSL staff could produce the needed information within a few days. Some small errors, omissions and inconsistencies were noted for this data, but they were limited and did not influence the assessment of audit coverage significantly.

According to the data received, for 2016, AGDSL's audit universe covered 282 public corporations, funds and provincial councils³¹. Central government agencies do not prepare financial statements, and are therefore not part of the audit universe for financial audit. The audit of the central government consolidated fund is also performed as a compliance, and not a financial audit. Of the 282 entities subjected to financial audit, financial statements were received for 258 entities, of which up to the date of drafting this report, 205 were audited. This corresponds to 79.4 per cent of all entities that submitted their financial statements. However, the AGDSL does not yet report publicly on delays or non-submission of financial statements, which is a requirement in order to meet the criteria for a score of 3 or 4. In several interviews it was stated that this situation is about to change as of 2018. Furthermore, AGDSL does not apply a risk-based selection approach for financial audit.

(ii) Coverage, Selection and Objective of Performance Audit

The prominence given to performance audit in the Auditor General's Annual Report demonstrates that the AGDSL attaches equal importance to this work when compared to its financial audit and compliance audit. This is particularly striking given the relative small resource that the AGDSL devotes to its performance audit. The Performance Audit Division is headed by a Deputy Auditor General (Ms Sepalika Yakandawala) with eight Audit Examiners reporting to a Superintendent of Audit (Mrs R.C. Tennakoon) and to an Assistant Auditor General (Mr S.T.B. Ratnayake).

The Auditor General's Report for 2016 (page 22) summarises the AGDSL's approach to developing its programme of performance audits and identifying specific subjects for performance audits:

"Performance Audit deals in the evaluation of the economy, efficiency, effectiveness and the environmental impact of the performance of the of the activities of selected areas of the Public Sector and issue report containing the recommendation on the improvements needed to be made based on the observations made by the Audit.

³¹ The data does not include information on municipal and village level. However, as the audits of provincial councils are in fact audits of the consolidated fund, and as such based on results of the audits of all local government entities, they implicitly cover all subnational accounts.

The performance audits are carried out on the basis of proposals made by AGDSL's Audit Branches of different Public Sector Institutions and also the Special Sectors with Economic, Social and Environmental impacts selected by the Performance and Environmental Audit Division."

In discussion, the senior Performance Audit Division staff commented that they selected individual topics for performance audit as a group. Their key criteria for selection were influenced by economic, social and environmental factors. They took account of considerations of risk and materiality in the broad context of the social and environmental impact of public sector activities and programmes. They stressed that a particular concern for them was the relevance of the potential topic to Sri Lanka as a nation as well as its relevance to, and impact on, citizens of Sri Lanka. They also stressed that they assessed risk in within this broad context of social impact and national implications. Our review of the performance audits selected for examination as part of the SAI-PMF assessment confirmed that in undertaking these performance audits the AGDSL did focus on issues concerned with the economy, efficiency and effectiveness with which audited entities have used their resources.

They confirmed that, in undertaking this process of identifying potential performance audits, they apply a modified version of the guidance contained in the AGDSL's Performance Audit Manual. The Manual identifies a total of fifteen suggested selection criteria. Of these, the AGDSL use the five that they consider to be the most relevant to them. These are materiality; possible impact; legislative or public interest; risk to good management; and auditability.

In identifying and selecting potential performance audits, the AGDSL does not consult external stakeholders. Where, for example, COPA or COPE requests that the Auditor General examines a specific topic, the AGDSL responds to these on an ad hoc basis by carrying out examinations that it classifies as special investigations or special reports.

The AGDSL formulates its programme of planned performance audits independently of the Department's other planning processes. The key factor that determines the number of performance audits that it includes in its programme is the size of its Performance Audit Division. Consequently, the performance audit planning process does not provide a clear linkage to the audit capacity of the AGDSL. The AGDSL does have some limited capacity to obtain external expertise to supplement the knowledge and experience of its performance audit staff though AGDSL does this in the course of individual performance audits rather than at the programme planning stage.

During the five year period between 2012 and 2017 the AGDSL issued 18 performance audit reports that between them covered six of the ten sectors / topics listed at criterion (h) for dimension (ii) of SAI-8, as follows:

Defence – Nil; Education – Nil; Environment – 4; Health – 4; Infrastructure – 2; National Economic Development – 5; Revenue Collection – Nil; Significant Public Sector Reform Programme - Nil ; Public Finance and Public Administration – 3; Social Security and Labour Market – 2

Note: Some AGDSL performance audits covered more than one of these sectors / topics.

Overall, although AGDSL met criterion (h) for SAI-8 dimension (ii), there were some notable gaps in its performance audit coverage. For example, it had not covered any subjects relevant to defence or revenue collection. This in turn reflects a process for developing its programme of performance audits that does not identify potential subjects or topics for performance audit systematically on the basis of relative risk and materiality across the whole of its audit universe.

Dimension (iii) Compliance Audit Coverage

AGDSL audits all entities every year. Thereby, there is no risk and materiality-based selection of entities to be audited. Compliance audits cover subjects such as procurement, payroll and revenue collection.

In 2016, there were a total of 191 government entities-ministries and government departments-subject to a compliance audit. Of those 191 audit clients, 154 were audited, which corresponds to 80.6 per cent of the entire compliance audit universe. However, not all entities were actually audited in the year of the review, and there is no plan that makes a conscious selection of which entities the SAI should audit.

Assessment Scores by Dimension

Dimension	Score
(i) Financial Audit Coverage	1
(ii) Coverage, Selection and Objective of Performance Audit	2
(iii) Coverage, Selection and Objective of Compliance Audit	1
(iv) Coverage of Jurisdictional Control	N/A
Overall Score	1

Assessment Findings and Observations

Dimension	Findings	Score
(i) Financial Audit Coverage	<ul style="list-style-type: none"> In 2016 79.4 per cent of the entities, for which financial statements were obtained, were audited. AGDSL does not report publicly on the entities that failed to submit their financial statements. There is no application of a risk-based approach for selection of entities to be subjected to financial audit. 	1
(ii) Coverage, Selection and Objective of Performance Audit	<p>Criteria a, b, e, f, and h are met.</p> <ul style="list-style-type: none"> AGDSL gives equal importance and significance to its performance audit when compared with its financial and compliance audit activities; AGDSL's performance audit focuses on economy, efficiency and effectiveness. It also concerned with wider social and environmental impact. The planning process takes account of auditability and ensuring topics fall within AGDSL's mandate. During the five year period between 2012 and 2017 the AGDSL issued 18 performance audit reports that between them covered six of the ten sectors / topics listed at criterion (h). <p>Criteria c, d, and g are not met.</p> <ul style="list-style-type: none"> AGDSL does not currently have an overall corporate / operational planning processes. The planning of the performance audit programme is done independently of the AGDSL's other planning processes. AGDSL does not consult stakeholders in formulating its programme of performance audits. While AGDSL is concerned with the impact of its proposed performance audits, there is no linkage with the Department's wider audit capacity. 	2 At least four of the criteria are in place

(iii) Coverage, Selection and Objective of Compliance Audit	<p>Criteria a and d, are met.</p> <ul style="list-style-type: none"> AGDSL approach is to audit compliance with the financial regulations by all ministries and departments annually. Therefore criteria a and d are met. <p>Criterion b and c are not met.</p> <ul style="list-style-type: none"> The selection of entities to be audited is not based on a systematic and documented assessment of risk and materiality, and took into account the SAI’s available resources. There is no selection process for compliance audit. All entities are audited annually. In the year under review, the SAI did not complete all planned audits 	<p>1</p> <p>Criterion b is not in place</p>
(iv) Coverage, of Jurisdictional Control		<p>N/A</p>

4.3.2 SAI-9: Financial Audit Standards and Quality Management - Score 3

Narrative

This indicator assesses the AGDSL’s approach to financial auditing in terms of its overall standards and guidance, team management and skills and quality control. The indicator has 3 dimensions:

- (i) **Financial Audit Standards and Policies.**
- (ii) **Financial Audit Team Management and Skills.**
- (iii) **Quality Control in Financial Audit.**

AGDSL performs well under this indicator although there is scope for improvement through greater consistency in the application of the manuals, standards and quality control across the organisation and improved training and support available to audit staff.

Dimension i: Financial Audit Standards and Policies

The AGDSL has adopted the Sri Lankan Auditing Standards which are closely aligned to the International Standards on Auditing (ISA) and the INTOSAI Standards for Supreme Audit Institutions (ISSAIs) to govern their financial audit work. The standards have been used as the basis for the AGDSL financial audit manual which sets out the policies and procedures for the AGDSL’s financial audit work. The latest version of the manual is dated May 2017. The previous Audit Manual was based on ISA’s and available to staff in “E-book” form.

The AGDSL has an office-wide licence to use the “TeamMate” package for planning, monitoring and recording its individual audits. Where “TeamMate” is used the software ensures that audit staff complete required processes and procedures and that supervisors sign-off on such work before the auditors can proceed to the next stage. However, not all financial audit teams are trained in the use of the software and the package is not fully utilised.

Dimension ii: Financial Audit Team Management and Skills

The AGDSL has processes which seek to ensure that financial audit teams have the appropriate skills, knowledge and information to enable them to do their work. Teams are established by divisional heads during the planning phase and are subject to review by senior staff. This process includes ensuring that the team has the necessary competencies to carry out the audit work. Although team members are rotated every 4 years, steps are taken to ensure that audit teams retain some expertise and knowledge of the audit entity at all times and there are extensive permanent files retained to support the teams. The financial audit manual is comprehensive and available to staff. Some audit teams are able to use the “TeamMate” software package which has built in controls to ensure quality control processes and audit standards are adhered to but this is not available to all staff and is not always used. Audit teams do understand the importance of quality control at all stages of the financial audit process and there is ample of evidence from our review of sampled audit files that quality control is applied. The AG is aware that the AGDSL lacks detailed technical expertise in certain areas and on occasions – as is permitted under the Constitution – hires additional support but there is scope for bringing in more permanent expertise in support of different types of audit. The financial audit manual sets out requirements for developing the audit plan and identifies and allocates audit procedures to be implemented but again the degree to which the manual is followed is variable. Financial audit training is provided but this did not appear to be structured and based on identified needs.

Dimension iii: Quality Control in Financial Audit

Although there are no formal quality controls and procedures in place for AGDSL as a whole (see SAI-4(iii) above) the work of individual audit teams is subject to quality control and review by more experienced and senior officers - initially by audit superintendents in charge of audit teams and subsequently by AAGs and DAGs. Evidence from our sampled audits suggests that these are rigorously applied as there is ample evidence on audit files of issues raised at all stages of the audit as a result of the review process. However, there is no overview of issues raised conducted by AGDSL which could be used as a means of identifying training needs and weaknesses in audit procedures. Quality control trigger points are also included within the “TeamMate” system but this is not universally applied as the software is not used on all financial audits. The finance manual sets out the requirements for a quality control system which meets the required criteria.

Assessment Scores by Dimension

<i>Dimension</i>	<i>Score</i>
(i) Financial Audit Standards and Policies	4
(ii) Financial Audit Team Management and Skills	2
(iii) Quality Control in Financial Audit	3
Overall Score	3

Assessment Findings and Observations

Dimension	Findings	Score
(i) Financial Audit Standards and Policies	<p>All criteria are met apart from v which is not met and r which is not applicable.</p> <p>The AGDSL has adopted the Sri Lankan Auditing Standards</p>	<p>4</p> <p>Criteria b, c, p, q and at least 16</p>

	(SLAuS) to guide them in their financial audit work on Corporations, Funds and State Owned Companies and which leads to a formal opinion on the financial statements. The following table identifies whether and where in the SLAuS the individual criteria are met.		other criteria have been met
	Criteria	Met or Not Met	Reference to SLAuS (2014 edition)
	a) The auditor should assess whether the preconditions for an audit of financial statements have been met.	Met	SLAuS 210 "Agreeing the Terms of Audit Engagements"
	b) The auditor should reduce audit risk to an acceptably low level in the circumstances of the engagement to obtain reasonable assurance as the basis for a positive form of expression of the auditor's opinion.	Met	SLAuS 315 "Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment"
	c) The auditor should apply the concept of materiality appropriately when planning and performing the audit.	Met	SLAuS 320 "Materiality in Planning and Performing an Audit"
	d) The auditor should prepare audit documentation that is sufficient to enable an experienced auditor, with no previous connection with the audit, to understand the nature, timing and extent of the audit procedures performed, the results and the audit evidence obtained.	Met	SLAuS 230 "Audit Documentation"
	e) The auditor should, after determining the appropriate person(s) within the audited entities governance structure communicate with those persons regarding the planned scope and timing of the audit and significant findings from the audit."	Met	SLAuS 210 "Agreeing the Terms of Audit Engagements"
	f) The auditor should agree the terms of the audit engagement with management or those charged with governance, as appropriate.	Met	SLAuS 260 "Communication with those charged with Governance"
	g) The auditor should develop an overall audit strategy that includes the scope, timing and direction of the audit, and an audit plan which directs the audit.	Met	SLAuS 300 "Planning an Audit of Financial Statements"
	h) The auditor should properly plan the audit to ensure that it is conducted in an effective and efficient manner.	Met	SLAuS 300 "Planning an Audit of Financial Statements"
	i) The auditor should have an understanding of the audited entity and its environment, including internal control procedures that are relevant to the audit.	Met	SLAuS 315, paras 12-14 "Identifying and Assessing the Risks of Material Misstatement"

			through Understanding the Entity and its Environment”
	j) The auditor should assess the risks of material misstatement at the financial statement level and at the assertion level for classes of transactions, account balances, and disclosures to provide a basis for performing further audit procedures.	Met	SLAuS 315, para 25 “Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment”.
	k) The auditor should respond appropriately to address the assessed risks of material misstatement in the financial statements.” ISSAI 200:97 (I.e. design audit tests such as tests of controls and substantive procedures including tests of detail and substantive analytical procedures, considering the assessed inherent and control risks related to material misstatement at the assertion level.	Met	SLAuS 330 “The Auditor’s response to Assessed Risks”.
	l) The auditor should design and perform substantive procedures for each material class of transactions, account balance, and disclosure, irrespective of the assessed risks of material misstatement.	Met	SLAuS 330 “The Auditor’s response to Assessed Risks”.
	m) The auditor should identify and assess the risks (...) due to fraud and obtain sufficient appropriate audit evidence regarding the assessed risks (...) due to fraud, and respond appropriately to fraud or suspected fraud identified during the audit.	Met	SLAuS 240 “The Auditor’s Responsibilities relating to Fraud in an Audit of Financial Statements”.
	n) The auditor should identify the risks (...) due to direct and material non-compliance with laws and regulations [and] obtain sufficient appropriate audit evidence regarding compliance with those laws and regulations.	Met	SLAuS 315, para A21 “Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment”.
	o) The auditor should perform audit procedures in such a way as to enable the auditor to obtain sufficient appropriate audit evidence to be able to draw conclusions on which to base the auditor’s opinion.	Met	SLAuS, para 6 “Audit Evidence”
	p) The auditor should accumulate misstatements identified during the audit, and communicate with management and those charged with governance as appropriate on a timely basis all misstatements accumulated during the course of the audit.” (I.e. The auditor needs to determine whether the uncorrected misstatements are material, individually or in aggregate).	Met	SLAuS 450 “Evaluation of Misstatements identified during the Audit”.
	q) The auditor should form an opinion	Met	SLAuS 700

	based on an evaluation of the conclusions drawn from the audit evidence obtained, whether the financial statements as a whole are prepared in accordance with the applicable financial reporting framework. The opinion should be expressed clearly through a written report that also describes the basis for that opinion."		"Forming and opinion and reporting on Financial Statements".
	r) Where relevant: "Auditors engaged to audit group financial statements should obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the whole of government financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.	N/A	There are no whole of government financial statements prepared although consolidate accounts are prepared at the provincial level of subordinate local authority institutions. In such cases AGDS do gather sufficient etc information as there are not whole of government accounts the criterion is assessed as N/A
	The AGDSL has developed a Financial Audit Manual (latest edition May 2017) that guides staff on how it has chosen to implement the auditing standards. The extent to which the manual meets the criteria is set out below.		
	Criteria	Met or Not Met	Reference to AGDSL Financial Audit Manual (May 2017 edition)
	s) How to determine materiality for the financial statements as a whole, the materiality level or levels to be applied to particular classes of transactions, account balances or disclosures." "The auditor should also determine performance materiality." ISSAI 200:60 (Including assessment of materiality by value, nature and context).	Met	para 13c Chapter 2
t) Requirements on the auditor in relation to documentation in the following areas: the timely preparation of audit documentation; the form, content and extent of audit documentation; the assembly of the final audit file.	Met	para 14 Chapter 2	
u) The nature, timing and extent of audit procedures (...) based on and (...) responsive to the assessed risks of material misstatement at the assertion level." ISSAI 200:99 (If necessary including an	Met	para 9 Chapter 6	

	<p>approach to calculating minimum planned sample sizes in response to materiality and risk assessments, based on an underlying audit model).</p>			
	<p>v) When adopting or developing audit standards, SAIs also consider the necessity for requirements to obtain sufficient and appropriate audit evidence in relation to:</p> <p>I. The use of external confirmations as audit evidence</p> <p>II. Audit evidence when using analytical procedures and different audit sampling techniques</p> <p>III. Audit evidence when using the work of internal audit functions or (...) direct assistance from internal auditors</p> <p>IV. Audit evidence when using external experts</p>	Not Met		
<p>(ii) Financial Audit Team Management and Skills</p>	<p>Criteria a, b, d, e, f, g, h, j, k and l are met.</p> <ul style="list-style-type: none"> • AGDSL operates a 4-year rotation policy for members of audit teams which ensures that all teams have at least one member with previous experience of undertaking the audit of the entity concerned. • Professional auditing standards are in place and made available to audit staff through the financial audit manual. • Permanent files are maintained with background information on the organisations/financial statements to be audited which are available to team members. • There is a clear understanding of the quality control process that applies at all stages of the financial audit process is important. • The AGDSL has a clear hierarchical structure with clear reporting lines from audit examiners through intermediate levels to the AG and clear responsibilities at each level. • Audit teams are made up of audit examiners who are university graduates and are led by more experienced and qualified Audit Superintendents who are fully qualified Chartered Accountants or who have passed the necessary examinations to achieve the standards required. • The manual also advises how to evaluate the internal control environment and understand the internal control procedures in relation to financial reporting (Chapter 6 of manual) and how to evaluate material misstatements and non-compliance with laws and regulations (Chapter 6 of manual). <p>Criteria c, and i are not met.</p> <ul style="list-style-type: none"> • The assessment team found no evidence that there is a system in place to ensure that specific technical expertise is available within individual audit teams. The audit software package "TeamMate" is widely but not universally used across the office due to a shortage of computers and a lack of training in its use. 			<p>2</p> <p>Criteria a and at least 5 other criteria are met.</p>

	<ul style="list-style-type: none"> The financial audit manual sets out the procedures for audit teams to follow in establishing the audit strategy and audit plan (Chapter 4 of manual) and there was evidence from our review of sample audit files that such processes were implemented to some degree. However these were not consistently applied at all levels. 	
(iii) Quality Control in Financial Audit	<p>Criteria a, c, d and e are met.</p> <ul style="list-style-type: none"> There is ample evidence that financial audit work is subject to review at different levels through our examination of sampled audit files. There is evidence on sampled audit files that significant discussion takes place on all audit observations and that differences of opinion are documented and resolved before the report is issued. Financial audit work is subject to review at two stages prior the signing of the report by the AG. The first stage is by the AAG and a second stage by the appropriate DAG. Where necessary discussions take place with the audit teams to provide explanations. <p>Criterion b is not met.</p> <ul style="list-style-type: none"> The AGDSL does not have a specialist technical unit for financial audit which audit teams can consult when faced with contentious matters arising from audit work. 	<p>3 At least 3 of the criteria are in place.</p>

4.3.3 SAI-10: Financial Audit Process - Score 2

Narrative

SAI-10 examines how financial audits are carried out in practice. It consists of three dimensions:

- (i) Planning Financial audits.**
- (ii) Implementing Financial audits.**
- (iii) Evaluating Audit Evidence, Concluding and Reporting in Financial Audits.**

The assessment of this indicator is based on a review of a sample of four audit reports for the year 2016, namely:

1. Audit of the Sri Lanka Post Graduate Institute of Medicine.
2. Audit of the State Pharmaceutical Manufacturing Company.
3. Audit of the Southern Provincial Council.
4. Audit of the Sri Lanka State Insurance Board.

The review covered a study of the complete audit working files and interviews with the respective audit teams who had done the audit and with their division heads.

The financial audit process displays many positive elements, such as clearly followed planning procedures, rigorous collection and evaluation of evidence, and a good quality control system. The financial audit process can benefit from more consistency, both with respect to planning and implementation. There is a notable degree of variation in the studied sample for important processes such as risk assessment, setting of materiality and sample sizes, and documentation.

Opinions expressed in the final audit reports are usually based on observations and findings, and not on conclusions placed in context.

Dimension i: Planning Financial Audits

The financial audit planning process starts with the preparation of an audit plan, which was shown to the assessment team for all studied audits in the sample. It contains the scope of the audit, the main foreseen steps, and the indicative timing. It also has information on the samples identified and on the allocation of man-days and responsibilities of the audit team members. Audit teams are headed by a superintendent, who oversees the work of several audit examiners. The draft plan is reviewed and signed by the division head. On its basis, the superintendent prepares a detailed audit assignment that indicates specific criteria for each procedure identified in the audit plan. Audit examiners fill out the observations they have made during the field work next to the specific criteria set.

Among the selected sample of financial audits, some were done using "TeamMate", while others were done manually. This may explain some of the differences observed between the audits selected for study. Audit steps in "TeamMate" are sequenced and automated and have to be completed in order to proceed with the work.

The extent, to which important planning procedures like setting materiality levels and assessing various types of risks, varied. In one case, materiality was verbally indicated to have been set at 1 per cent, but this was not visible in the audit documentation. In another, the standard "TeamMate" materiality level of 5 per cent was taken over without any more justification. Materiality does not appear to distinguish between different transaction types, neither does it cover performance.

As regards the assessment of risks, this is not done in a uniform way, and differs in the degree of elements to be considered. The risk of a material misstatement at the financial statement level, as well as of non-compliance with laws and regulations, are the ones assessed most thoroughly. With a small degree of variation, the risk assessment regarding those two elements is documented in the engagement team planning meeting minutes and reflected in the allocation of man days in the final audit plan. In the sampled audits, such risks have been evaluated based on some or all of the following elements:

- Findings and unresolved issues from previous year's audit report;
- Findings from internal audits;
- Variances in the financial statements between the two years; and
- Overall knowledge on the organisation, as well as of its internal control environment.

Most of this information is kept in a master file and is consulted prior to the start of the audit.

The assessment of risks does not take into account fraud, even when interviewees from one of the audit teams revealed that they detect fraud issues often.

The assessment of the financial audit planning process also shows some weaknesses in terms of communication with the auditee. Namely, even though an information meeting with the auditee is held at the start of the audit, except for documentation requirements no further information is shared in writing. Minutes of the meeting were not prepared or shared with the auditee in all cases.

Finally, as far as compliance with ethical standards at the audit engagement level is concerned, there is no standard practice of auditors signing a declaration on absence of conflict of interest for specific audits. There is a well-established rotation system whereby no auditor can audit the same

organisations for more than four years. At the same time, in some cases the auditor is permanently located at the premises of the auditee, which may compromise the former's independence.

Dimension ii: Implementing Financial Audits

Implementation of financial audits, as evaluated on the basis of the selected audit sample, reveals some serious shortcomings. There is no clear process to guide the determination of sample sizes. If the audit is done through "TeamMate", sample sizes are set automatically based on the assessment of risk and the indicated materiality level. However, among the sampled audits, there was often no clear and logical link between the sample size and the risk assessment that was done during the planning. Often, 100 per cent of certain types of transactions were checked. Only one of the audits distinguished between inherent and control risks, and set samples accordingly.

As fraud is not addressed at the planning level, only one of the audits in the sample investigated fraud issues explicitly. This was done in relation to a request by the Financial Crimes Investigation Division (FCID). No specific issues were found. The lack of attention to fraud issues is worrisome, particularly since in interviews it was revealed that instances related to fraud are detected regularly.

Another weakness in the financial audit process is the lack of well-founded conclusions based on an overall assessment of audit findings. Even though audit teams generally collect sufficient evidence to arrive at their findings, this does not lead to overall conclusions that justify the audit opinion. Recommendations, inasmuch as they are provided, only refer to specific instances of misstatement, and are limited to requests to remedy the situation.

The audit work files and the audit report do not reveal in all cases whether all planned procedures and checks have been carried out. For most part planned actions appear to have been carried out. This is evidenced by completion of the audit assignment sheets and the automatic procedures for the audits done in "TeamMate". However, only in one case did the audit file contain a document that compared work planned with work done. One of the audit reports studied includes a section on foreseen work that was not completed but this section covers only instances for which the auditee did not provide enough information.

As financial audits also consider compliance issues, the review team found that this was done in a uniform and comprehensive way, based on a detailed checklist. Although in one of the audit files there was room for improvement with respect to cross-referencing the assessment of compliance against the supporting evidence, overall the process was of good quality.

Findings from internal audit reports are routinely considered. AGDSL staff are sometimes sceptical on the quality of internal audit reports they receive, but they do not address such concerns explicitly.

One of the sampled audits, namely the audit of the Southern Provincial Council, is in fact an audit of the consolidated provincial government account. It comprises 162 individual accounts, all of which are audited every year. The assessment team could verify that the audit of the consolidated account is based on the separate audit reports and the final audit opinion is based on the audit opinions expressed in those.

Dimension iii: Evaluating Audit Evidence, Concluding and Reporting in Financial Audits

Albeit there are many strong elements of the financial audit process with respect to the finalisation process of audit reports, there is still some room for improvement.

For the most part, audit documentation appears comprehensive and includes filled out forms, communication with the auditee, information on the assessment process, draft reports and working papers, audit queries and extensive supporting evidence. In most studied audit files, this documentation was well-referenced, even if in some cases this could be further improved. All formal requirements on documentation, as set by the quality control division, were met. At the same time, as noted in the assessment of SAI-10 (i), there are some important documents missing, such as an output from TeamMate or the audit plan that showed the materiality level, as well as the sampling decisions and their link to the risk assessment.

In all reviewed financial audits, communication to the audited entity was addressed to the head of the institution or organisation. This covered both audit queries and communication regarding the draft and final audit report. Auditees' responses to the draft findings were recorded in all cases, and there was a clear procedure on noting and clearing responses on the content of the final report. In one of the sampled audits, upon the refusal of the audited entity to accept the qualified opinion issued in the draft report, the audit superintendent brought the matter to the additional auditor general, who made a final decision supporting the qualified opinion. This example demonstrates both the professionalism and independence of the audit team, as well as the well-established system of quality control for financial audit.

In all cases, there were clear procedures on quality control followed, which include:

- (a) A first check by the audit superintendent of the work of the audit examiners. This covers both checks on calculations, as well as requests for clarification and additional collection of evidence.
- (b) A second check of the draft audit report by the respective division head, who can be a deputy or an assistant auditor general. This focuses mostly on findings and supporting evidence, as well as on the issuance of audit queries. The assessment team also saw examples of checks on calculations. The quality control of the draft report was signed off by the division head in all but one cases.
- (c) A final check is done by the external quality assurance division. This check is done on the basis of a standard set of documents, enumerated in a checklist. Based on this final review, the draft report may be sent back to the audit team for additional work, or it may be cleared for sign off by the Auditor General.

A significant shortcoming of the process of finalising and reporting in financial audits pertains to the lack of clearly drawn conclusions and recommendation, which was mentioned previously. There is variation in the extent, to which conclusions are made. The reports are written in a clear and objective way, and observations and findings are presented in a factual manner. However, they are not put into context, and it is difficult for the reader to understand the cause or the implications of those findings.

The sampled audit reports followed the same structure, which covered all requirements and topics of ISSAI-200. There were clearly expressed audit opinions, all of which were qualified.

Assessment Scores by Dimension

<i>Dimension</i>	<i>Score</i>
(i) Planning Financial Audits	2
(ii) Implementing Financial Audits	1
(iii) Evaluating Audit Evidence, Concluding and Reporting in Financial Audits	3

Overall Score	2
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Assessment Findings and Observations

Dimension	Findings	Score
(i) Planning Financial Audits	<p>Criteria d, e, f, g, h and j are met. Criterion a is not relevant.</p> <ul style="list-style-type: none"> All sampled audit files contain a master audit plan and a related audit assignment sheet. Those specify scope, timing, resource allocation, sample sizes and risks. The audit assignment sheets provide more detail on the identified audit procedures, including criteria for assessment. In all sampled cases, staff assigned has previous experience in doing this type of audit. Staff also consults and maintains master files with information on the audit entity such as organisational structure. Risks of material misstatement at the financial statement level are assessed based on prior year audit report issues, findings from internal audits, variances in the financial statements between the two years, and overall knowledge on the internal control environment, including related to financial reporting. With a small degree of variation, the risk assessment is documented in the engagement team planning meeting minutes and reflected in the allocation of man days in the audit plan. The assessment team saw both documents. The assessment team could see concrete examples of areas identified as high risk in relation to non-compliance with laws and regulations. Areas range from procurement, to taxation and construction. Allocation of time between the audit examiners is in line with the risk assessment. <p>Criteria b, c, i and k are not met.</p> <ul style="list-style-type: none"> The extent to which materiality is determined at audit planning stage, differs. Overall, there is not sufficient evidence to confirm that materiality levels are determined for particular classes of transactions, or for performance. Although a contact person from the audited institution is identified, information on the scope and timing is provided verbally only. The initial meeting with the auditee is not always documented by minutes. Risks related to fraud are not systematically addressed at the planning stage. Staff is expected to adhere to the Code of Ethics, and there is a system of rotations to ensure engagements do not exceed four years. However, staff does not sign a specific declaration on lack of Conflict of Interest. 	<p>2</p> <p>Criteria h and five other criteria are met</p>
(ii) Implementing Financial Audits	<p>Criteria c, d and e are met.</p> <ul style="list-style-type: none"> Compliance with laws and regulations is evaluated on the basis of a comprehensive checklist used in all sampled audits. The assessment of compliance is backed by sufficient supporting 	<p>1</p> <p>Three criteria were</p>

	<p>evidence, even though the cross-referencing could in some cases be improved.</p> <ul style="list-style-type: none"> • All sampled audits used information from internal audit reports. Audit superintendents take place in so-called audit management meetings with the auditees where internal audit reports are discussed. • The sampled audit of the provincial government’s consolidated account was based on financial and compliance audits of all 32 accounts. The overall opinion expressed on the basis of the separate opinions issued. <p>Criteria a, b, f and g are not met.</p> <ul style="list-style-type: none"> • There is insufficient evidence to demonstrate how sample sizes were determined. Wherever “TeamMate” was used, sampling was set automatically, but in other cases, the relationship between the size of the sample and the risk assessment was not clear. • Risks related to fraud were identified at the planning stage and subsequently investigated during the audit for only two of the sampled audits. • There is generally sufficient evidence collected to support findings contained in the work files. It is then supplemented by information obtained by additional audit queries. However, in only one case did audit findings lead to conclusions being drawn. • The audit work files and the audit report do not reveal in all cases whether all planned procedures and checks have been carried out. Although in most cases all audit procedures appear to have been followed, as evidenced by completion of the audit assignment sheets and the automatic procedures for the audits done in “TeamMate”. 	<p>met, but neither criterion a, nor criterion f were met</p>
<p>(iii) Evaluating Audit Evidence, Concluding and Reporting in Financial Audits</p>	<p>Criteria b, c, d, e, f, and g are met. Criteria j and k are not applicable and, as per the SAI PMF methodology, are also considered as met for the purposes of scoring.</p> <ul style="list-style-type: none"> • Documentation standards are set by the quality control division in the form of a checklist of supporting documents. In all cases, audit files include all required documents. • There is a clear contact person from each audit entity, to whom all correspondence is addressed. • There are clear and demonstrated procedures for review that have been followed and are documented. • Uncorrected misstatements have in all cases where identified, been assessed using “TeamMate” template. • In all cases, a qualified audit opinion is given, which is in line with the ISSAI 200. <p>Criteria a, h and i are not met.</p> <ul style="list-style-type: none"> • The completeness and accessibility of documentation is variable. In one of the audit files studied, documentation lacks essential details on sampling and materiality, whereas in another one there is limited cross-referencing to supporting 	<p>3 Criteria e and f and six other criteria are met</p>

	<p>evidence. The documentation in the other two files is complete, well-structured and cross-referenced.</p> <ul style="list-style-type: none"> • With one exception, the final audit reports only list observations and sometimes findings, without putting those in context or forming any conclusions. • Recommendations are not included in the audit report, but in the management letter, however those are limited to requests to remedy specific observed errors. 	
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4.3.4 SAI-11: Financial Audit Results - Score 3

Narrative

SAI-11 assesses the timely submission and publication of the results of AGDSL's financial audit work and how such results are followed up. The indicator has 3 dimensions:

- (i) **Timely submission of Financial Audit results.**
- (ii) **Timely publication of Financial Audit results.**
- (iii) **Follow-up on the Implementation of Financial Audit Observations and Recommendations**

The AGDSL does not maintain a single source of information recording the key dates in the audit process including date of receipt of financial statements, date of audit completion, submission of results to audit entities and parliament and publication dates. However with the help of AGDSL staff it was possible to obtain this information to enable the first two domains to be assessed. Financial audit results are submitted promptly to the appropriate organisations. Delays in publication of results are affected by the need for all audit reports to be tabled in Parliament in all 3 official languages before they can be published on the AGDSL website. Follow-up of results takes place usually as part of the following year's audit but there is no centralised process for monitoring follow-up or the impact of the AGDSL's findings and recommendations.

Dimension i: Timely Submission of Financial Audit Results

At the time of drafting of this report (January 2018), AGDSL had finalised 205 financial audits of 2016 financial statements. Of those, 174 were submitted to Parliament within the stipulated timeframe of 10 months as per Art. 156(4) of the Constitution. This corresponds to 85 per cent of all completed audit reports. This is a strong achievement, even more so considering that all audit reports are translated into the three official languages – English, Sinhala and Tamil – before being submitted to Parliament.

Dimension ii: Timely Publication of Financial Audit Results

AGDSL manages to publish 99 per cent of all audit reports submitted to Parliament within 60 days. A main reason for the delay is that Parliament takes time to table the reports, which is an official requirement before the SAI can publish on their website. 55 per cent of all submitted audit reports do get published within 15 days, and 80 per cent are made available to the public within 30 days after submission

Assessment Scores by Dimension

Dimension	Score
(i) Timely Submission of Financial Audit Results	4

(ii) Timely Publication of Financial Audit Results	2
(iii) SAI Follow-up on Implementation of Financial Audit Observations and Recommendations	3
Overall Score	3

Assessment Findings and Observations

Dimension	Findings	Score
(i) Timely Submission of Financial Audit Results	<ul style="list-style-type: none"> AGDSL submits 85 per cent of all completed audit reports to Parliament within the 10-month timeframe set by the Constitution. 	4
(ii) Timely Publication of Financial Audit Results	<ul style="list-style-type: none"> AGDSL publishes 99 per cent of all audit reports submitted to Parliament within 60 days. 	2
(iii) SAI Follow-up on Implementation of Financial Audit Observations and Recommendations	<p>Criteria b, c, d, e and f are met.</p> <ul style="list-style-type: none"> AGDSL do consider whether the issues raised previously in their reports have been adequately addressed and if not may include them in the current year's report if considered material and appropriate. The entity is given the opportunity to explain what they have or have not done in relation to audit observations and recommendations. Where appropriate the audit report to Parliament will include reference to previous year's recommendations and the action taken or not taken on those observations and recommendations. The AGDSL has no explicit mandate to report publicly on the results of its audit although it does publish most of its audit reports which may include elements of follow-up on its website. <p>Criterion a is not met.</p> <ul style="list-style-type: none"> AGDSL has no formal follow-up procedure for ensuring that audit entities properly address AGDSL observations and recommendations although at the audit plan stage they generally do revisit previous year's audit findings and re-examine them in the current year. 	3 Five criteria are met

4.3.5 SAI-12: Performance Audit Standards and Quality Management – Score 2

Narrative

This indicator assesses the SAI's approach to performance auditing in terms of its overall standards and guidance for performance auditing, as well as how matters of audit team management and skills and quality control are implemented at the audit engagement level. (The quality of these functions at the organisational level is assessed elsewhere in the framework: quality control in SAI-4; professional development and training in SAI-23.)

For the assessment of SAI-12, three dimensions are considered:

- (i) **Performance Audit Standards and Policies.**
- (ii) **Performance Audit Team Management and Skills.**
- (iii) **Quality Control in Performance Audit.**

As with financial audit the AGDSL performs reasonably well when it comes to performance audit standards and quality management. There is scope for improvement through greater consistency in the application of the manuals, standards and quality control across the organisation and improved training and support available to audit staff.

Dimension (i): Performance Audit Standards and Policies

This dimension examines whether the AGDSL's audit standards are in line with fundamental principles of performance auditing in ISSAI 300.

The AGDSL's Performance Audit Manual is the key document for assessing its performance against the criteria specified for SAI-12 dimension (i). The manual used by the AGDSL at the time of the SAI-PMF assessment was introduced for use by AGDSL staff in July 2017. It was developed and finalised with the help of a technical assistance project supported by USAID.

The Introduction to the manual comments that it was designed to provide guidance so that performance audits are conducted in accordance with applicable legislative requirements, the relevant ISSAIs, generally accepted principles of performance auditing and the Auditor General Department's policies and mandate. The manual stipulates that in conducting a performance audit, AGDSL auditors should follow the general principles of performance audit defined at ISSAI 300/24-34 and Part 2 of the manual discusses these in detail at pages 9 to 18. The manual does not, however, specifically stipulate that AGDSL auditors should also adhere to the principles defined for the performance audit process and set out by ISSAI 300/36-42. Although these audit process principles are not explicitly referred to in the performance audit manual, the manual does refer to the requirements specified at the ISSAI 3000 level. From our detailed review of the sample of performance audits selected for review as part of the SAI-PMF assessment, it was evident that the performance audit processes used in practice by the AGDSL closely match the requirements specified at the ISSAI 3000 level

Dimension (ii): Performance Audit Team Management and Skills

This dimension examines whether the AGDSL has established a system for ensuring that members of a performance audit team collectively possess the professional competence, skills and experience necessary to carry out the audit in question.

The AGDSL's Performance Audit Division is a small, dedicated unit responsible for the planning, implementation and preparation of all the AGDSL's performance audits. It was set up in 2011. The Division with eleven permanent staff who carry out all the AGDSL's performance audits. It is headed by a Deputy Auditor General with 8 Audit Examiners reporting to a Superintendent of Audit and to an Assistant Auditor General.

Because it is a small, permanent unit, the selection of topics for performance audits tends to match the skills and experience of the staff who comprise the Performance Audit Division. In turn, the Performance Audit Division is part of a bigger Division headed by the Deputy Auditor General that also encompasses the Environment, Tourism and Investment Promotion. Consequently, the

performance audits undertaken by the Performance Audit Division tend to focus on issues around the environment and other performance audit topics where this Division has some responsibility.

Accordingly, the AGDSL seeks to ensure that its performance audit staff have the requisite professional competence by building on the knowledge and experience that its small number of permanent performance audit staff already have and focussing its performance audit activities on topics and subjects where those staff already have some knowledge and expertise.

The AGDSL thus relies principally on the guidance provided by its Performance Audit Manual and on the experience gained by the members of its Performance Audit Division to ensure that its performance audit teams have the requisite professional competence, skills and experience for its planned performance audits.

The Performance Audit Manual provides guidance on the development of audit objectives, audit questions and audit criteria (pages 59 to 70). It also specifies the reporting lines and the need for a clear allocation of duties and responsibilities within performance audit teams (pages 33 to 35).

The Performance Audit Manual describes a range of data gathering and analytical techniques suitable for performance audit (pages 82 to 86). But this has not been supplemented by more detailed technical advice and guidance or by technical training for performance audit staff in the proper application of these sophisticated and challenging techniques.

From discussion with the staff in the AGDSL's Performance Audit Division, it was evident that they were experienced in applying, and familiar with, the Department's performance audit processes and that they had a sound understanding of Sri Lankan government organisations, programmes and functions. In addition, it was evident that at the pre-study stage of each performance audit they assessed the skills that would be needed to carry out the audit.

However, the AGDSL has not defined the competencies required by its performance auditors and, consequently, the AGDSL does not provide dedicated programmes of training to support the development of performance auditors' personal skills, knowledge and strengths. Consequently, there is no systematic, overall process within the AGDSL for identifying the knowledge, experience and expertise required for individual performance audits and then assigning specific individuals to those audits who provide that knowledge, experience and expertise.

Dimension (iii): Quality Control in Performance Audit

This dimension examines how quality control measures have been implemented in practice, as evidenced through a review of audit files.

The SAI-PMF assessment team reviewed the following three performance audit files:

- Economic, Social and Environmental Impact Caused by the Construction of the Port of Oluvil (2015).
- Electronic Waste Management in Sri Lanka (2016).
- The Utilization of Mineral Sand Deposits of Sri Lanka by the Lanka Mineral Sands Ltd (2016).

The AGDSL's quality control for its performance audit is facilitated by two factors – clear quality processes defined in the Performance Audit Manual and the size of the Performance Audit Division. On this latter point, because the Performance Audit Division is relatively small, its size facilitates ease of review; discussion of emerging findings, conclusions and recommendations; and the early identification and rectification of potential problems and issues. Part 9 of the Performance Audit Manual sets out the AGDSL's processes for quality control. It was evident from the review of the

three performance audits carried out in the course of the SAI-PMF that the AGDSL subjects its performance audits to extensive review. This was evidenced by the use of standard quality control checklists for the different stages of the performance audit process in line with the guidance contained in the performance audit manual. The wider learning from the results of these processes was done informally within the small Performance Audit Division.

While the AGDSL has a formal process in place for finalising and authorising performance audit reports, it does not have in place the type of engagement quality control review envisaged by criterion (e) of SAI-12 dimension (iii).

Assessment Scores by Dimension

Dimension	Score
(i) Performance Audit Standards and Policies	4
(ii) Performance Audit Team Management and Skills	1
(iii) Quality Control in Performance Audit	3
Overall Score	3

Assessment Findings and Observations

Dimension	Findings	Score															
(i) Performance Audit Standards and Policies	<p>All criteria are met.</p> <ul style="list-style-type: none"> The AGDSL's policies and standards for performance audit as set out in its Performance Audit Manual align with the principles for performance audit defined by ISSAI 300/24-34 and with the requirements specified at the ISSAI 3000 level <p>The following table assesses the alignment between the AGDSL's Performance Audit Manual and the Principles of Performance Audit and the Principles of the Performance Audit Process Specified by ISSAI 300/36-42.</p> <table border="1"> <thead> <tr> <th>Criteria</th> <th>Met or Not Met</th> <th>Reference to AGDSL Performance Audit Manual</th> </tr> </thead> <tbody> <tr> <td>a. The need to identify the elements of each performance audit (auditor, responsible party, intended users, subject matter and criteria).</td> <td>Met</td> <td>Performance Audit Manual, Parts 4 to 7 inclusive (pages 44 to 104).</td> </tr> <tr> <td>b. The need to "set a clearly-defined audit objective that relates to the principles of economy, efficiency and effectiveness.</td> <td>Met</td> <td>Performance Audit Manual, page 9.</td> </tr> <tr> <td>c. The need to choose an audit approach, to facilitate the soundness of the audit design.</td> <td>Met</td> <td>Performance Audit Manual, page 9.</td> </tr> <tr> <td>d. The need to "establish suitable [audit] criteria which correspond to the audit questions and are related to the principles</td> <td>Met</td> <td>Performance Audit Manual, page 10.</td> </tr> </tbody> </table>	Criteria	Met or Not Met	Reference to AGDSL Performance Audit Manual	a. The need to identify the elements of each performance audit (auditor, responsible party, intended users, subject matter and criteria).	Met	Performance Audit Manual, Parts 4 to 7 inclusive (pages 44 to 104).	b. The need to "set a clearly-defined audit objective that relates to the principles of economy, efficiency and effectiveness.	Met	Performance Audit Manual, page 9.	c. The need to choose an audit approach, to facilitate the soundness of the audit design.	Met	Performance Audit Manual, page 9.	d. The need to "establish suitable [audit] criteria which correspond to the audit questions and are related to the principles	Met	Performance Audit Manual, page 10.	4 All criteria are met
	Criteria	Met or Not Met	Reference to AGDSL Performance Audit Manual														
	a. The need to identify the elements of each performance audit (auditor, responsible party, intended users, subject matter and criteria).	Met	Performance Audit Manual, Parts 4 to 7 inclusive (pages 44 to 104).														
	b. The need to "set a clearly-defined audit objective that relates to the principles of economy, efficiency and effectiveness.	Met	Performance Audit Manual, page 9.														
	c. The need to choose an audit approach, to facilitate the soundness of the audit design.	Met	Performance Audit Manual, page 9.														
d. The need to "establish suitable [audit] criteria which correspond to the audit questions and are related to the principles	Met	Performance Audit Manual, page 10.															

	of economy, efficiency and effectiveness.		
	e. The need to “actively manage audit risk, which is the risk of obtaining incorrect or incomplete conclusions, providing unbalanced information or failing to add value for users.	Met	Performance Audit Manual, page 11.
	f. The need to “maintain effective and proper communication with the audited entities and relevant stakeholders throughout the audit process and define the content, process and recipients of communication for each audit.	Met	Performance Audit Manual, page 12.
	g. The need for the audit team to “have the necessary professional competence to perform the audit.	Met	Performance Audit Manual, page 13.
	h. The need to apply professional judgment and scepticism.	Met	Performance Audit Manual, page 15.
	i. The need for auditors to “apply procedures to safeguard quality, ensuring that the applicable requirements are met	Met	Performance Audit Manual, page 15.
	j. The need to “consider materiality at all stages of the audit process	Met	Performance Audit Manual, page 16.
	k. The need to “document the audit (...)” so that “information [is] sufficiently complete and detailed to enable an experienced auditor having no previous connection with the audit to subsequently determine what work was done in order to arrive at the audit findings, conclusions and recommendations	Met	Performance Audit Manual, page 17.
	l. The need to “plan the audit in a manner that contributes to a high-quality audit that will be carried out in an economical, efficient, effective and timely manner and in accordance with the principles of good project management.	Met	Performance Audit Manual, pages 69 to 71.
	m. The need for auditors to “obtain sufficient appropriate audit evidence to establish findings, reach conclusions in response to the audit objectives and questions and issue recommendations.” ISSAI 300:38	Met	Performance Audit Manual, page 84.
	n. The need for auditors to “strive to provide audit reports which are comprehensive, convincing, timely, reader-friendly and balanced.” ISSAI 300:39	Met	Performance Audit Manual, pages 97 to 98.

	o. That the SAI shall "seek to make their reports widely accessible, in accordance with the mandate of the SAI.	Met	No specific AGDSL policy on publication though in practice reports published as soon as possible and made available on the SAI's website usually after some delay.	
	p. That the SAI shall "seek to provide constructive recommendations" if relevant and allowed by the SAI's mandate.	Met	Performance Audit manual, page 97.	
	q. The need to "follow up previous audit findings and recommendations wherever appropriate."	Met	Performance Audit Manual, pages 105 to 107.	
	r. Audit planning, including selection of audit topics. The policies and procedures should be designed to ensure that auditors analyse and research potential audit topics, and consider the significance, auditability and impact of planned audits. They should allow for flexibility in the planning.	Met	Performance Audit Manual, pages 44 to 52.	
	s. The analytical processes that enable the auditors to obtain sufficient appropriate audit evidence to establish findings and reach conclusions in response to the audit objectives and questions.	Met	Performance Audit Manual, pages 82 to 86.	
	t. Format of the audit report, which should contain information about the audit objective, criteria, methodology, sources of data and audit findings, conclusions and recommendations.	Met	Performance Audit Manual, pages 94 to 99.	
	u. Audit documentation: The policies and procedures should be designed to ensure that "information [is] sufficiently complete and detailed to enable an experienced auditor having no previous connection with the audit to subsequently determine what work was done in order to arrive at the audit findings, conclusions and recommendations.	Met	Performance Audit Manual, Parts 4 to 7 inclusive (pages 44 to 104) and evidenced by review of sample of three completed performance audits.	
(ii) Performance Audit Team	Criteria c, e, g, h, i and m are met. <ul style="list-style-type: none"> AGDSL performance audit staff have a sound understanding of 		1 Criterion	

Management and Skills	<p>Sri Lankan government and are familiar with performance audit processes;</p> <ul style="list-style-type: none"> • The AGDSL seeks to maximise the benefits of the professional knowledge and experience of its Performance Audit Division by focussing its performance audits on topics and subjects where the staff of the Division already have the requisite knowledge and skills. • At the pre-study stage AGDSL assess the skills etc required for each performance audit; • The Performance Audit Manual provides advice and guidance on reporting lines and the allocation of responsibilities within performance audit teams; on the development of audit objectives, audit questions and audit criteria; and on the preparation and content of performance audit reports. <p>Criteria a, b, d, f, j, k, l and n are not met.</p> <ul style="list-style-type: none"> • The AGDSL does not provide technical training and guidance on the requirements of the ISSAIs to supplement and expand on the high level material contained in its Performance Audit Manual. • The AGDSL does not provide technical training and guidance for its performance auditors to reinforce and supplement the advice on data gathering, analytical techniques, the evaluation of audit evidence and the preparation of performance report recommendations contained in its Performance Audit Manual. • The AGDSL has not defined the competences and skills that its performance auditors should have and it does not provide training to support the development of the personal skills and strengths that its performance auditors require. • There is no systematic, overall process within the AGDSL for identifying the knowledge, experience and expertise required for individual performance audits and then assigning specific individuals to those audits who provide that knowledge, experience and expertise. 	<p>(a) not met. At least three of the criteria are in place.</p>
(iii) Quality Control in Performance Audit	<p>Criteria a, b, c, d and f are met.</p> <ul style="list-style-type: none"> • Part 9 of the Performance Audit Manual sets out the AGDSL's quality control processes. This is supplemented by a process of internal discussion involving the different management levels within the Performance Audit Division. AGDSL also has the capability to bring in external technical expertise when required. • A formal process is in place for agreeing, clearing and finalising draft performance reports and then forwarding them on to the Auditor General for final approval. <p>Criterion e is not met.</p> <ul style="list-style-type: none"> • The AGDSL does not have in place the type of engagement quality control review envisaged by criterion (e) of SAI-12 dimension (iii). 	<p>3 At least five of the criteria are in place</p>

4.3.6 SAI-13: Performance Audit Process - Score 3

Narrative

This indicator looks at how performance audits are carried out in practice. It assesses three dimensions:

- (i) **Planning Performance Audits.**
- (ii) **Implementing Performance Audits.**
- (iii) **Reporting of Performance Audits.**

The assessment of the AGDSL performance audit that follows was based on the review of a sample of three performance audits completed in 2017 in order to get an accurate view of the steps that the AGDSL has been taking to improve the quality of its performance audit. The three performance audits reviewed were as follows:

- Economic, Social and Environmental Impact Caused by the Construction of the Port of Oluvil (2015).
- Electronic Waste Management in Sri Lanka (2016).
- The Utilization of Mineral Sand Deposits of Sri Lanka by the Lanka Mineral Sands Ltd (2016).

The review covered a study of the complete audit working files and interviews with the respective audit teams who had done the audit and with their division heads.

It should be noted that all the AGDSL's detailed performance audit working papers were in Sinhalese. Because it was not practical or feasible to arrange to have all these documents translated, we relied on AGDSL audit staff to explain the contents and purpose of individual working papers where necessary. Accordingly, it was, difficult in these circumstances to form a judgement about the quality of the AGDSL's performance audit. In addition, the AGDSL has not commissioned an independent quality assessment review or a peer review of its performance audit and, so, this avenue of assessment was not open to the assessment team. Consequently, in carrying out this assessment of the AGDSL's performance audit process, the focus was on confirming compliance with the requirements of the Department's Performance Audit Manual and, in this way, forming a judgement on whether the AGDSL met the individual criteria specified for SAI-13 dimensions (i), (ii) and (iii).

Because the AGDSL organises the working papers for all its performance audits in a standard, consistent way, the assessment team was able to reach reasonably well informed judgements and conclusions about the extent that the work on each of the performance audits in our sample complied with the requirements and processes specified in the AGDSL's Performance Audit Manual.

The AGDSL's Performance Audit Division is a small, dedicated unit responsible for the planning, implementation and preparation of all the AGDSL's performance audits. It was set up in 2011. The Division is headed by a Deputy Auditor General with 8 Audit Examiners reporting to a Superintendent of Audit and to an Assistant Auditor General.

This Division produces between three and five performance audit reports a year, depending on the nature and scope of the individual audits. In broad terms, the Division will spend up to two months preparing the pre-study plan and a further three to nine months planning and completing fieldwork for the audit. The preparation of the performance audit report and the associated quality assurance work takes a further three months.

AGDSL uses a standard format for the structure and presentation of its performance audit reports. Once the performance audit report has been finalised, because the AGDSL's working language is Sinhalese, the Division has to arrange the translation of each report into English and Tamil to meet

the requirements of the Constitution before the reports can be presented to the Sri Lankan. This is time consuming and, consequently, can be a cause of delay. Once translated, the performance audit reports are tabled in Parliament and then made available publicly.

Dimension (i): Planning Performance Audits

Part 5 of the AGDSL's Performance Audit Manual (pages 53 to 81) sets out the process that the Department follows in planning its performance audits. This follows closely the specifications of ISSAI 3000. The review of the three performance audits in our sample confirmed that in planning its individual performance audits the AGDSL complies with the requirements of its Performance Audit Manual.

In discussion, the senior Performance Audit Division staff confirmed that other audit divisions within the AGDSL suggested potential subjects for performance audits. They commented that they selected individual topics for performance audit as a group. Their key criteria for selection were influenced by economic, social and environmental factors. They took account of considerations of risk and materiality in the broad context of the social and environmental impact of public sector activities and programmes. They stressed that a particular concern for them was the relevance of the potential topic to Sri Lanka as a nation as well as its relevance to, and impact on, citizens of Sri Lanka. They stressed that they also assessed risk within this broad context of social impact and national implications. The other key factor in their selection process was the capacity of the Performance Audit Unit to carry out the proposed audit. Consequently, they tended to focus on topics that in terms of their size and complexity would be manageable for the Division. This in turn meant that they assessed aspects such as materiality within this context.

The Division prepares its programme of recommended performance audits. These are then subject to approval by the Auditor General. In turn, the Auditor General may ask for additional subjects to be included in the programme and decide on the priority to be given to individual audits.

Performance Audit staff are expected to adhere to the Code of Ethics. They do not, however, sign a specific declaration on independence confirming they have no conflicts of interest.

Dimension (ii): Implementing Performance Audits

Part 6 of the AGDSL Performance Manual (pages 82 to 93) sets out the process that the Department follows in implementing performance audits. This follows closely the specifications of ISSAI 3000. The review of the three performance audits in our sample confirmed that in implementing its individual performance audits the AGDSL complies with the requirements of its Performance Audit Manual.

As noted above, because all performance audit working papers were in Sinhalese we relied on AGDSL to describe their contents. In the course of our discussions with AGDSL counterparts about the conduct of performance audits, they explained that risk as envisaged by criterion (h) was a factor they took account of in the course of planning an audit and subsequently in undertaking the audit. In addition, in discussion, they explained that in the course of their performance audit process they took account of materiality, particularly in respect of the economic and social impact of the programmes they examined.

Dimension (iii): Reporting on Performance Audits

Part 7 of the AGDSL Performance Audit Manual (pages 94 to 104) sets out the Department's requirements and expected standards for reporting the results of its performance audits. The

guidance that this section of the manual contains is in line with ISSAI 3000 and ISSAI 3100. The guidance in the manual falls into three categories:

- The process to be followed in preparing the performance audit report;
- The structure to be used for each AGDSL performance audit report; and
- The attributes of an effective performance audit report.

It was evident from the sample of performance audits reviewed in the course of the SAI-PMF assessment that, in preparing those reports, AGDSL performance audit staff comply fully with the requirements of the Performance Audit Manual.

The AGDSL performance audit reports and other linked documents and publications do not currently state what standards the AGDSL uses for performance audit. This situation should be rectified if the draft Audit Act is enacted. Under the heading of 'applicable auditing standards', Section 5(b) of the draft Act states: 'Where there are no auditing standards specified in the Sri Lankan Auditing Standards for performance audits, environmental audits, technical audits and other special audits, the Auditor General may, by Order, published in the *Gazette*, specify the provisions of the International Standards of the Supreme Audit Institutions determined by the International Organisation of Supreme Audit Institutions which shall apply in such audits, with necessary amendments, to suit the local requirements'.

The AGDSL performance audit reports reviewed in the course of the SAI-PMF assessment were clearly written and well-structured. They all contained a logical and persuasive set of findings, conclusions and recommendations. In turn, these were, in general, broadly formulated in relation to very detailed findings rather than seeking to address broader systemic issues or organisational or programmatic weaknesses and defects. In addition, in discussion, AGDSL counterparts explained that in the course of preparing their performance audit reports, they did seek to take account of materiality, particularly in respect of the economic and social impact of the programme or topic the report considered.

It was also difficult to assess the strength of these recommendations these reports contained because the AGDSL lacks a process for the systematic follow-up of the conclusions and recommendations that it makes in its performance audit reports. This is discussed in more detail in relation to SAI-14 dimension (iii).

Assessment Scores by Dimension

Dimension	Score
(i) Planning Performance Audits	3
(ii) Implementing Performance Audits	3
(iii) Reporting on Performance Audits	3
Overall Score	3

Assessment Findings and Observations

Dimension	Findings	Score
(i) Planning Performance Audits	<p>Criteria a to i and criteria k and l are met.</p> <ul style="list-style-type: none"> • All the processes specified by these criteria are specified in the AGDSL Performance Audit Manual and, in practice, the AGDSL complies fully with these requirements as evidenced by our review of the selected audit files. • For each performance audit, AGDSL carries out a pre- 	<p>3</p> <p>At least ten of the criteria are in place.</p>

	<p>study. In the course of this phase of the planning process, the AGDSL confirms the scope of the proposed audit as well as the resources, skills and timing required for the audit. The AGDSL develops its audit objectives together with the criteria for assessment and the proposed audit approach.</p> <ul style="list-style-type: none"> • The AGDSL sets the audit objective in terms of a question that focuses on issues of economy, efficiency and effectiveness. It then uses an approach such as issue analysis to break this overall question down into a series of linked sub-questions. It then goes on to develop audit criteria to address these audit questions and sub-questions. In applying this process, it uses a problem-oriented or results-oriented approach. The final component of this stage of the planning process is the design of the audit procedures that it will use to gather and analyse the data and information it needs in order answer the questions specified for the performance audit. • Materiality is a key consideration for the AGDSL throughout the performance audit planning process. • The AGDSL has an established process for consulting audited entities about its proposed performance audits. This includes discussion of audit objectives, audit questions and criteria for assessment. The Department uses a standard format to record the outcome of these discussions. • The AGDSL develops, in effect, a resource plan for each performance audit. This covers the resources to be devoted to the audit and the timing of the audit fieldwork. AGDSL also assess the need for external advice where it judges that some external support may be necessary. • All AGDSL performance audit staff must comply with the requirements of the Department's Code of Ethics. • Once the planning process has been completed, the Auditor general is invited to approve the proposed performance audit. Once his approval has been secured, AGDSL performance audit staff notify all the relevant audited entities and work on the audit commences. <p>Criterion j and m are not met.</p> <ul style="list-style-type: none"> • AGDSL does not consider the risk of fraud in planning its performance audits. • Performance Audit staff are expected to adhere to the Code of Ethics. They do not, however, sign a specific declaration on independence confirming they have no conflicts of interest. 	
<p>(ii) Implementing Performance Audits</p>	<p>All criteria are met.</p> <ul style="list-style-type: none"> • The AGDSL uses a range of techniques to gather and analyse the data and information that it has identified that it requires for each performance audit. Because the Performance Audit Division is relatively small, it size 	<p>3 All criteria are met but no independent</p>

	<p>facilitates the detailed testing and analysis of emerging audit findings and the shared exercise of professional judgement around the development of audit conclusions and linked recommendations. In addition, all performance audit work is subject to appropriate review to mitigate the risk of drawing incomplete or incorrect conclusions.</p> <ul style="list-style-type: none"> • Materiality is a key consideration for the AGDSL throughout the performance audit implementation process. • All AGDSL performance audit staff must comply with the requirements of the Department’s Code of Ethics. • The AGDSL has an established process for consulting audited entities in the course of the implementation phase of its performance audits. This includes discussion of emerging findings and any other issues relevant to the successful management and completion of the performance audit. The Department uses a standard format to record the outcome of these discussions. • The review of all the performance audit files for our sample of performance audits confirmed that the AGDSL thoroughly documents and cross-references its performance audit work. 	<p>assessment of the AGDSL's performance audit practice carried out in the three years prior to the SAI-PMF assessment</p>
<p>(iii) Reporting on Performance Audits</p>	<p>Criteria a to h and criteria k and l are met.</p> <ul style="list-style-type: none"> • AGDSL compliance with the requirements of its Performance Audit Manual which are in line with the relevant specifications of ISSAI 3000 and ISSAI 3100 meets the attributes of a performance audit report specified by these criteria. • The performance audit reports seek to address issues of economy, efficiency and effectiveness. In this regard, they specify the audit questions addressed by the performance audit together with scope of the audit, the criteria developed for the audit and the methodology used for the audit. • In line with the requirements of the audit manual, AGDSL seeks to ensure that its performance audit reports are objective, complete, accurate, convincing, constructive, timely, clear and concise. • Materiality is a key consideration for the AGDSL throughout the process of preparing performance audit reports. • The AGDSL has an established process for consulting audited entities in the course of preparing its performance audit reports. This includes discussion of draft reports and responding to comments or concerns that the audited entities may have about the various iterations of the draft report. The Department uses a standard format to record the outcome of these discussions. The AGDSL finalises its draft reports in the light of these discussions. • All performance audit reports are subject to approval by 	<p>3 At least nine criteria are in place.</p>

	<p>the Auditor General who may ask for changes or additions to the draft report.</p> <p>Criteria “(i)” and “(j)” are not met.</p> <ul style="list-style-type: none"> • The nature of the recommendations in AGDSL performance audit reports and the absence of a framework for following up those recommendations means that they are unlikely to address significant weaknesses or problems. • The AGDSL performance audit reports and other linked documents and publications do not state what standards the AGDSL uses for performance audit. 	
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4.3.7 SAI-14: Performance Audit Results - Score 2

Narrative

This indicator relates to performance audit outputs. It assesses three dimensions:

- (i) **Timely Submission of Performance Audit Reports.**
- (ii) **Timely Publication of Performance Audit Reports.**
- (iii) **SAI Follow-up on Implementation of Performance Audit Observations and Recommendations.**

The submission and publication of performance audit results is significantly affected by the legal requirement for such reports to be prepared in 3 languages. This issue has a greater impact on performance audit reports than either financial or compliance audit reports because of the more diverse nature of performance audit reports which are not subject to the same standards regarding content and presentation.

Dimension (i): Timely Submission of Performance Audit Reports

Under the Constitution of Sri Lanka, all documents presented to the Parliament of Sri Lanka have to be in three languages – Sinhalese, Tamil and English. The AGDSL uses Sinhalese as its working language. Consequently, before the AGDSL can submit its performance audit reports to Parliament, they all have to be translated into Tamil and English. This is a time consuming process and can cause delay. This reflects the need to ensure translations are done to a high standard, something that can be a significant challenge given the highly technical and specialist nature of the content of the AGDSL's performance audit reports.

The AGDSL explained that they have worked to improve the quality of the translations and the speed with which they were produced. For this reason, the SAI-PMF assessment concentrated its analysis in this area on the six performance audit reports approved by the Auditor General in 2017.

The Auditor General is free to present them to Parliament once they have been finalised and he has approved them but there is no specific deadline set in the legislation. Of these six performance audit reports approved by the Auditor General in 2017, five were submitted to Parliament within thirty days of the Auditor General's approval. The sixth (*Intervention of the Relevant Institutions in connection with the Emigrant Labour for Employment in the Middle East*) took over forty-five days to be submitted following the Auditor General's approval.

Dimension (ii): Timely Publication of Performance Audit Reports

Regarding the physical publication of performance audit reports, there are no specific legal requirements placed on the AGDSL or the Auditor General in terms of when they can be published. Once the Auditor General's performance audit report has been tabled in Parliament, the AGDSL may publish it. The AGDSL aim to make the report available as quickly as possible on its website and publish it in this way. The AGDSL performance audit staff explained that in the past there had been delays in putting reports on the website and they went on to explain the steps that the Department has taken to improve and speed up this process. Analysis of the publication of the six reports approved by the Auditor General in 2017 found that there were still some delay but nevertheless all reports were available on the AGDSL website within thirty days of the report being presented to Parliament.

Dimension (iii): SAI Follow-up on Implementation of Performance Audit Observations and Recommendations

Although the AGDSL Performance Audit Manual provides guidance on the follow-up of performance audits (Part 8, pages 105 to 108), AGDSL's follow up of completed performance audit reports is restricted in practice to the provision of advice to COPA and COPE on Departments' responses to, and comments on, the Auditor General's reports in advance of any Committee meeting to consider those reports. Consequently, there is no structured, systematic follow-up of the AGDSL performance audits of the type envisaged by SAI-14 Dimension (iii) and none of the criteria on the follow-up of performance audits are met.

Assessment Scores by Dimension

Dimension	Score
(i) Timely Submission of Performance Audit Results	2
(ii) Timely Publication of Performance Audit Results	3
(iii) SAI Follow-up on Implementation of Performance Audit Observations and Recommendations	0
Overall Score	2

Assessment Findings and Observations

Dimension	Findings	Score
(i) Timely Submission of Performance Audit Results	Score 2: For at least 75% of performance audits, the report is submitted to the appropriate authority (the Parliament of Sri Lanka in the case of the AGDSL) within 45 days of the completion of the audit (the date that the performance audit report was approved by the Auditor General in the case of the AGDSL).	2
(ii) Timely Publication of Performance Audit Results	Score 3: The SAI publishes all its performance audit reports within thirty days of submitting the report to the legislature.	3
(iii) SAI Follow-up on Implementation of Performance Audit Observations	No criteria are met. <ul style="list-style-type: none"> The AGDSL does not have a structured, systematic process for the follow-up of its performance audit reports as envisaged by SAI-14 Dimension (iii). Therefore none of these criteria are met. 	0 None of these

and Recommendations		criteria are in place.
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4.3.8 SAI-15: Compliance Audit Standards and Quality Management – Score 3

Narrative

SAI 15 seeks information on the level of compliance with available standards and other relevant guidance. It also assesses the competencies and experience of the personnel doing these audits.

This indicator has 3 dimensions:

- (i) Compliance Audit Standards and Policies.
- (ii) Compliance Audit Team Management and Skills.
- (iii) Quality Control in Compliance Audits.

Compliance audits are done for every Ministry, Department and District. These audits are based on the outturns of revenue and expenditure against the approved annual appropriations. The audit teams check for compliance, with financial and other regulations and circulars.

In general terms, the sample audit files and interviews with the team members who did these audits, revealed that they were well experienced and equipped to apply the in-house requirements for the planning, implementation and reporting stages for compliance audits.

Quality control on all aspects of compliance audits is relatively straightforward due to them being regulated and standardised by the requirements of the comprehensive audit checklist.

Dimension i: Compliance Audit Standards and Policies

This dimension has 18 criteria of which 15 were met and 3 were not met.

Two documents provided to the review team form the evidence base for this dimension. The first regulates the processes to be followed when doing a compliance audit detailed steps up to and including reporting and submission to Parliament. The second document is a detailed checklist covering all aspects of the compliance audit. The finding from the yes/no/not relevant responses to the questions in this checklist provides the basis for the audit report and findings. Both documents were prepared by the AGDSL and issued as standards for compliance audits.

The assessment of those two documents against the standards set out in the various criteria that are taken out from the ISSAI 400 28-58 reveal that AGDSL's standards and policies are broadly compliant with the ISSAIs, despite the lack of a formal compliance audit manual. The documents highlight the need to consider risk throughout the audit process, however this does not result in a requirement to carry out a specific risk assessment. This also results in risks of fraud not being specifically taken into account. With regard to materiality it was evident from the AGDSL documents and audit files that materiality by value, nature and context are considered throughout the audit process however it is not explicitly referred to in the documentation. It is also evident from our review of the audit files that materiality considerations are not properly applied and this is reflected where appropriate in SAI-16.

Based on the evidence gathered, this dimension was awarded a rating of 1.

Dimension ii: Compliance Audit Team Management and Skills

This dimension has 17 criteria of which 11 were met; 5 were not met and 1 was not applicable. In general terms, and, following a review of the sample audit files and interviews with the relevant audit teams, it was evident that the AGDSL personnel doing these audits did have the necessary competence and experience to do these well.

As with the other audit types done by the AGDSL, the audit teams comprise an audit superintendent and audit examiners. Team members are rotated every 4 years and procedures are in place to ensure that audit teams retain some compliance audit expertise and knowledge of the audit entity at all times and there are extensive permanent files retained to support the teams. This provides the team with the ability and experience to exercise professional judgement on a consistent basis. As the teams are furthermore equipped with a comprehensive standard checklist, they use this to determine applicable legal requirements to be checked, and the necessary evidence needed to support findings. Evidence where professional and practical judgement had been applied was located in the sample audit files.

The teams of the two sampled audits demonstrated good understanding of both the applicable standards and authorities with respect to the specific entities, and of its operations. Allocation of time and responsibilities for examination and reporting is clearly assigned, as witnessed by specific plans and documents in the audit work files.

Audit teams assigned to do audits of government ministries and departments have several sources of support. First and foremost, they can refer back to the AGDSL regulation on the compliance audit process and checklist on compliance audit against financial regulations. As noted in the dimension above, these contain detailed information and guidance in line with the ISSAIs. Furthermore, they can revert to the audit superintendent, as well as to the assistant or deputy auditor general in charge of the division.

Some important aspects on which audit teams could benefit from support and guidance, but which are currently not covered by AGDSL's documents and processes on compliance audit, pertain to the determination of the level of assurance to be provided (reasonable or limited); the identification, consideration and distinction of various types of risks; as well guidance on how to evaluate the audited entity's internal control environment.

Based on the evidence obtained, a score of 3 was assigned to this dimension.

Dimension iii: Quality Control in Compliance Audits

This dimension has 6 criteria all of which were met.

AGDSL's quality control procedures and practice as regards compliance audit were found to be very strong. The written procedures and checklists for compliance audits contain specific quality control activities at all stages of the audit. These entail various checks of quality, and the sample audit files provided compelling evidence that checks, and reviews had been done by middle and senior ranking officers of the AGDSL.

The two sampled compliance audits (of the Department of National Planning and the Ministry of Education) revealed a comprehensive system of quality checks. The audit superintendent in charge of the audit does several forms of quality control, from ad-hoc checks of the work done by the audit examiners throughout the process, to a more thorough check upon the completion of the draft report. On that basis, the audit team compiles audit queries that it sends to the auditee. A second

check is then done by the divisional head, who has to sign off once the report is finalised. The division head is also responsible for concluding on any contentious issues which may have resulted from the audit. He can request additional information, including through the issuance of another round of audit queries. The assessment team saw clear evidence from the sampled audit files that both levels of quality control are taken seriously and that corrections and requests for additional information had been performed by both the audit superintendent and the divisional head.

The sample audit files contained documentary evidence of exchanges between the auditor and the auditee concerning the resolution of findings. A central team that has not been involved in the audit itself is responsible for reviewing the audit files to ensure all raised issues have been resolved before recommending to the AG that he signs and issues the report. The sampled audit files also had copies of the final report which had been formally issued by the Auditor General.

Assessment Scores by Dimension

Dimension	Score
(i) Compliance Audit Standards and Policies	1
(ii) Compliance Audit Team Management and Skills	3
(iii) Quality Control in Compliance Audit	4
Overall Score	3

Assessment Findings and Observations

Dimension	Findings	Dimension
(i) Compliance Audit Standards and Policies	<p>Criteria a, b, d, e, f, g, h, i, m, n, o, q, and r were met.</p> <p>Criteria c, j, k, l and p were not met.</p> <ul style="list-style-type: none"> Standards for compliance audits are contained in an AGDSL documents regulating the compliance audit process, as well as in a detailed checklist covering all aspects of compliance audit. Some important shortcomings are related to lack assessment of risk, including risk of fraud. There are no specific standards or requirements for compliance audits to be based on an audit strategy or audit plan, even though in practice these are prepared, as witnessed by the audit documentation in the sampled audits. Standards and policies do not explicitly provide for materiality to be considered. However, in practice materiality by value, nature and context is considered throughout the compliance audit process including the planning, evaluation of evidence and reporting of results. <p>The following table assesses the alignment between the AGDSL's documents regulating the compliance audit process and standards and ISSAI 400 on the Principles of Compliance Audit and the Principles of the Compliance Audit Process.</p>	<p>1</p> <p>Criteria b and at least 3 other criteria were met.</p>

Criteria	Met or Not Met	Reference to AGDSL Documents
a. "(...) The elements relevant to compliance auditing (...) should be identified by the auditor before commencing the audit." ISSAI 400:27 (I.e. identify the applicable authorities covering regularity and, if necessary, propriety requirements; the subject matter; intended users of the report; and level of assurance to be provided, whether reasonable or limited) ISSAI 400:28-41	Met	AGDSL regulation on the compliance audit process and checklist on compliance audit against financial regulations.
b. "Auditors should consider audit risk throughout the audit process." ISSAI 400:46 (I.e. The auditor should consider three different dimensions of audit risk: inherent risk, control risk and detection risk) ISSAI 400:46	Met	AGDSL regulation on the compliance audit process and checklist on compliance audit against financial regulations.
c. "Auditors should consider materiality throughout the audit process." ISSAI 400:47. (I.e. including consideration of materiality by value, nature and context) See also ISSAI 4000:94-99.	Not Met	AGDSL regulation on the compliance audit process and checklist on compliance audit against financial regulations.
d. "Auditors should prepare sufficient audit documentation." ISSAI 400:48	Met	AGDSL regulation on the compliance audit process and checklist on compliance audit against financial regulations.
e. "Auditors should establish effective communication throughout the audit process." ISSAI 400:49	Met	AGDSL regulation on the compliance audit process and checklist on compliance audit against financial regulations.
f. "Auditors should identify the subject matter and suitable criteria." ISSAI 400:51	Met	AGDSL regulation on the compliance audit process and checklist on compliance audit against financial

			regulations.	
	g. "Auditors should determine the audit scope." <i>ISSAI 400:50</i>	Met	AGDSL regulation on the compliance audit process and checklist on compliance audit against financial regulations.	
	h. "Auditors should understand the audited entity in light of the authorities governing it." <i>ISSAI 400:52</i>	Met	AGDSL regulation on the compliance audit process and checklist on compliance audit against financial regulations.	
	i. "Auditors should understand the control environment and the relevant internal controls." <i>ISSAI 400:53</i>	Met	AGDSL regulation on the compliance audit process and checklist on compliance audit against financial regulations.	
	j. "Auditors should perform a risk assessment." <i>ISSAI 400:54 (I.e. to determine the nature, timing and extent of audit procedures) See also ISSAI 4000:120).</i>	Not Met		
	k. "Auditors should consider the risk of fraud." <i>ISSAI 400:55</i>	Not Met		
	l. l) "Auditors should [plan the audit by] develop[ing] an audit strategy and an audit plan." <i>ISSAI 400:56</i>	Not Met		
	m. "Auditors should gather sufficient and appropriate audit evidence to cover the scope of the audit." <i>ISSAI 400:57</i>	Met	AGDSL regulation on the compliance audit process and checklist on compliance audit against financial regulations.	
	n. "Auditors should evaluate whether sufficient and appropriate audit evidence is obtained and form relevant conclusions." <i>ISSAI 400:58</i>	Met	AGDSL regulation on the compliance audit process and checklist on compliance audit against financial regulations.	

	<p>o. “Auditors should prepare a written report based on the principles of completeness, objectivity, timeliness and a contradictory process.” ISSAI 400:59. See also ISSAI 4000:158.</p>	Met	AGDSL regulation on the compliance audit process and checklist on compliance audit against financial regulations.
	<p>The SAI has also adopted policies and procedures about how it has chosen to implement its audit standards, which should cover the following:</p>		
	<p>p. “determining materiality [through] professional judgment [based] on the auditor’s interpretation of the users’ needs (...) in terms of value, (...) the inherent characteristics [nature] of an item [and] the context in which it occurs.” ISSAI 400:47</p>	Not Met	AGDSL regulation on the compliance audit process and checklist on compliance audit against financial regulations.
	<p>q. requirements for audit documentation, to ensure “the auditor should prepare relevant audit documentation before the audit report or the Auditor’s Report is issued, and the documentation should be retained for an appropriate period of time” ISSAI 400:48</p>	Met	AGDSL regulation on the compliance audit process and checklist on compliance audit against financial regulations.
	<p>r. determining the nature, timing and extent of audit procedures to be performed:</p> <ul style="list-style-type: none"> • in light of the criteria and scope of the audit, characteristics of the audited entity and results of the risk assessment ISSAI 400:54 • for the purpose of obtaining sufficient and appropriate audit evidence ISSAI 400:57 • and to evaluate whether the evidence obtained is sufficient and appropriate so as to reduce audit risk to an acceptably low level including considerations of materiality and the assurance level of the audit ISSAI 400:58 (If necessary including an approach to calculating minimum planned sample sizes in response to materiality, risk assessments, and assurance level, based on an underlying audit model). 	Met	AGDSL regulation on the compliance audit process and checklist on compliance audit against financial regulations.
<p>(ii) Compliance Audit Team Management and</p>	<p>Criteria a, b, c, d, e, g, h, l, o, p, and q were met. Criteria j, k, l, m, and, n were not met. Criteria f was not applicable.</p>		<p>3 Criteria a, e and o were</p>

<p>Skills</p>	<ul style="list-style-type: none"> • AGDSL personnel assigned to compliance audits did have the necessary competence and experience to do these well. • Audit teams comprising Audit Superintendent and Audit Examiners, have a 4-year cycle of engagement with the audit client. The system ensures that teams always have some continuation of knowledge and experience both of the client and the competencies required to undertake compliance audits. This ensures the team has the ability and experience to exercise appropriate professional judgement. • Evidence where professional and practical judgement had been applied was located in the sample audit files. • The audit files contained evidence of findings, however, recommendations are not being made to address the underlying issues causing these finding to be reported every year. • The weaknesses found in the evaluation of this dimension, related to an absence of any consideration of risk or the possibility of fraud when planning and doing the audit. 	<p>and at least 9 other (including f) were scored as met</p>
<p>(iii) Quality Control in Compliance Audit</p>	<p>All criteria were met.</p> <ul style="list-style-type: none"> • The written procedures and checklists for compliance audits contain specific quality control activities at all stages of the audit. • The sample audit files provided compelling evidence that checks, and reviews had been done by middle and senior ranking officers of the AGDSL and any contentious issues resolved. • The sample audit files contained documentary evidence of exchanges between the auditor and the auditee concerning the resolution of findings. • Audit reports are reviewed by a central team – not involved in the audit - which is responsible for ensuring that all matters raised have been resolved before the final report • The audit flies also had copies of the final report which had been formally issued by the Auditor General. 	<p>4 All criteria are met</p>

4.3.9 SAI-16: Compliance Audit Process - Score 2

Narrative

SAI 16 seeks information on how compliance audits are done in practice at the planning, implementation and reporting stages of the audit cycle.

This indicator has three-dimensions:

- (i). Planning Compliance Audits.
- (ii). Implementing Compliance Audit.
- (iii). Evaluating Audit Evidence, Concluding and Reporting of Compliance Audits.

The compliance audit process in the AGDSL displays both some very good features and some substantial improvement areas. The planning of compliance audits makes use of standard documents, where audit teams apply their experience, knowledge of the audited organisation and their professional judgement to determine risks. However, despite sampling being applied, there is no comprehensive risk assessment and no consideration of risks related to fraud, even if those are considered in the manual regulating the procurement part of compliance audits. All instances of non-compliance are considered material. Communication with the auditee could benefit from better documentation at the planning stage, but is overall deemed effective. The actual implementation of compliance audits is strong, not the least due to the repetitive nature of the related processes. Compliance audit reports, albeit well written, appear to contain only observations, and these are not supported by either the reasons why these observations happened, or recommendations designed to resolve the underlying reasons causing these observations. This minimises the potential impact of the compliance audits.

Dimension i: Planning Compliance Audits

Based on the two sampled audits, the planning stage for compliance audits revealed the following situation.

There are standard processes and documents used to guide the audit planning stage. The audit team prepares a general audit plan, called the audit programme. This document contains the higher-level steps of the process, and assigns responsibilities, timeframes and man-days. The audit programme is checked and signed by the divisional head. Additionally, an audit strategy in the form of an audit assignment sheet is prepared by the audit superintendent. The assignment sheet contains the subject matter, scope, specific criteria and elements to be used for the audit from the comprehensive check list that assesses compliance against laws and regulations (the applicable authorities). The assessment team has seen both documents, including evidence that they have been used throughout the audit cycle.

Despite the existence of those documents, the audit planning process has some significant weaknesses. Although there are some indications that specific risk areas e.g. liabilities or procurement, are considered when sampling, there is no evidence to suggest that a systematic risk assessment is done to identify risk areas. Risk is only identified on the basis on previous variances between approved and executed budget. However, the audit teams apply their experience and knowledge of the internal control environment, which they have gained during the 4 years in which they audit the same entity, to judge on inherent risks. However, neither the documentation studied, nor the interviews with the audit teams in charge of the two audits revealed any explicit consideration of risks related to fraud.

In compliance audit everything is considered material, and each instance of non-compliance is reported. Overall, there is limited recognition of materiality and risk in the planning and conduct of these types of audits with these concepts typically being addressed on a judgement basis.

Communication with the auditee could also be improved. The audit team sends information requirements to the auditee at the start and then holds a first meeting to present its audit approach. This should be documented by minutes, however such were not shown to the assessment team and

were not part of the audit work files. Two more meetings between the audit managers and the auditee are held, namely during field work and once the draft report is ready. No evidence of those meetings was provided to the assessment team.

Finally, as is the case for financial and performance audits, staff should adhere to the AGDSL's Code of Ethics and the PSC's Code of Conduct. However, ethical requirements are not shared with the auditee, and are not confirmed by individual auditors in respect of every audit assignment.

Dimension ii: Implementing Compliance Audits

This dimension has 5 criteria of which 4 were met and, 1 was not applicable.

The nature, timing and extent of compliance audits procedures is in the audit assignment sheet. Again, it is important to reiterate the 100% testing requirement of compliance audits and the statutory dates for doing and reporting on the audit outcomes. Typically the auditors do three checks: (1) a check of the approved budget against actual spending; (2) a check of compliance against the MoF's Financial Regulations; and (3), if there has been any procurement done by the audited entity, then this process is specifically examined for compliance with the procurement guideline. It should be noted that AGDSL also has a specific manual for procurement audits.

On the issue of handling fraud, no fraud was detected for the two sample audits. The procurement audit manual specifies at various instances that due care shall be exercised when coming across possible fraudulent practices. Chapter 1, para. 1.17 of the procurement audit manual requires staff to immediately inform the audit superintendent or other senior officials to decide on next steps. Interviews confirmed that this is the normal practice.

The sample audit files and the final reports contain evidence to support findings. These findings are based on non-compliance with financial regulations and other rules and procedures. However, reports only recommend the correction of errors found and make no recommendations to rectify the underlying causes of these errors.

A review of the completed audit checklists confirmed that all planned audit procedures were done. Evidence to support audit findings tends to be of a quantitative nature. There is specific attention to procurement issues, and documentation and checks on procurement within the compliance audits in the sample were extensive. It should be noted that in general, whilst the sample audit files are comprehensive in terms of documentation, the filing was haphazard and could be made more logical in terms of sequence.

Dimension III: Evaluating Audit Evidence, Concluding and Reporting of Compliance Audits

This dimension has 10 criteria of which 5 were met, 4 were not and 1 was not applicable.

As reported above, even though the studied audit files contained comprehensive documentation in terms of working files, evidence and communication, the filing of documentation could be improved. This would facilitate the subsequent quality checks. Nevertheless, the repetitive nature of compliance audit makes it fairly easy for an experienced auditor to take over the audit. The sample

audit files contain sufficient detail to guide a new auditor through the expected audit processes. A handover is done on the change of audit supervisors who lead the audit teams.

The sample audit files were found to contain sufficient audit documentation to support the final audit report. Audit files are referenced and, are retained as archived.

Interviews with audit teams and the content of the sample audit files confirmed that communications with the auditee take place to correct material errors detected during the audit.

The final compliance audit reports are only issued after the auditee has had the chance to discuss and respond to the draft audit report findings.

The final compliance audit reports are complete, objective and generally produced on time. This is not surprising as these attributes are pre-requisites for the compliance audit approach.

The compliance audit reports are missing some of the suggested elements primarily, recommendations to address the underlying causes of findings/observations. Compliance audit reports appear to contain only observations, and these are not supported by either the reasons why these observations happened, or recommendations designed to resolve the underlying reasons causing these observations.

Assessment Scores by Dimension

Dimension	Score
(i) Planning Compliance Audits	2
(ii) Implementing Compliance Audits	3
(iii) Evaluating Audit Evidence, Concluding and Reporting in Compliance Audits	2
Overall Score	2

Assessment Findings and Observations

Dimension	Findings	Score
(i) Planning Compliance Audits	<p>Criteria e, f, g, h, and j were met.</p> <ul style="list-style-type: none"> • There are standard processes and documents used to guide the audit planning stage, namely an audit programme and an audit assignment sheet. Those detail scope, subject matter, timing, allocation of tasks and criteria. • There is no systematic consideration of risks. The sampling applied reveals that auditors apply their knowledge of the internal control environment of the auditee, their experience and professional judgement, but this is not a regulated process. • Any instance of non-compliance is considered material and reported upon, without consideration of its cause or impact. 	<p>2</p> <p>Criteria h and at least 4 other criteria are met.</p>

	<ul style="list-style-type: none"> • There is effective communication with the auditee throughout the audit process, although the initial meetings could be better documented. <p>Criteria a, b, c, d, i and k were not met.</p> <ul style="list-style-type: none"> • There is no systematic consideration of materiality and risk. The sampling applied reveals that auditors apply their knowledge of the internal control environment of the auditee, their experience and professional judgement, but this is not a regulated process. • The risk of fraud is not considered. • There is no practice of audit teams signing specific declarations related to the observance of the Code of Ethics upon the commencement of audit activities. 	
<p>(ii) Implementing Compliance Audits Team</p>	<p>Criteria a, b, d and e were met and, c was not applicable.</p> <ul style="list-style-type: none"> • The nature, timing and extent of compliance audits procedures is detailed the audit assignment sheet. • While no instances of fraud were detected in the two sampled audits, there are procedures set out as to how to handle such situations, in particular when it comes to procurement. • There is sufficient evidence to back findings, mostly of quantitative nature, but also detailed evidence related to procurement. • A review of the completed audit checklists confirmed that all planned audit procedures were done. 	<p>3 All criteria are met but no independent assessment of the AGDSL's compliance audit practice has been carried out</p>
<p>(iii) Evaluating Audit Evidence, Concluding and Reporting in Compliance Audits</p>	<p>Criteria a, b, d, e, f, and h were met.</p> <ul style="list-style-type: none"> • Audit documentation is comprehensive and referenced and would allow an experienced auditor to follow the chain of evidence although the filing could be improved. • Relevant documentation is maintained to support the audit. • Communication with auditee is effectively maintained and documented, including on any contentious matters. • There are clear processes on review, discussion and responses between the audit team and the auditee. • Audit reports are prepared in a timely manner, contain all relevant material and audit entities have the opportunity to comment on findings before they are finalised. • Audit reports are clearly written and are based on evidence. <p>Criteria c, g, i and j were not met.</p> <ul style="list-style-type: none"> • Auditors do not consider risk and materiality in relation to 	<p>2 Criterion e and at least 4 other criteria are met.</p>

	<p>audit evidence when forming audit conclusions.</p> <ul style="list-style-type: none"> • Compliance audit reports are not prepared in line with required standards. • Audit observations are written clearly but do not include recommendations to address the underlying causes of findings/observations. • Materiality is not properly considered in audit opinions 	
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4.3.10 SAI-17: Compliance Audit Results - Score 2

Narrative

SAI-17 assesses how efficient the SAI is in the submission and publication of reports. This SAI seeks information on how compliance audits are done in practice at the planning, implementation and reporting stages of the audit cycle. This indicator has three-dimensions:

- (i) **Timely Submission of Compliance Audit Results.**
- (ii) **Timely Publication of Compliance Audit Results.**
- (iii) **SAI Follow-Up on Implementation of Compliance Audit Observations and Recommendations.**

AGDSL does not maintain a single source of information recording the key dates in the audit process including date of receipt of financial statements, date of audit completion, submission of results to audit entities and parliament and publication dates. However with the help of AGDSL staff it was possible to obtain this information to enable domains i and ii to be assessed.

Compliance audit reports contain observations and findings but these are not generally supported by information on the underlying causes or recommendations designed to resolve them.

Follow up on the correction of findings reported by the AGDSL could be improved through a more systematic and standardised approach.

Dimension i: Timely Submission of Compliance Audit Results

This dimension was evaluated as scoring 2 as 40% of compliance audit results (96 out of 154 audit reports prepared by AGDSL) were submitted within 10 months from the end of the 2016 financial year but not 9 months as specified by the criterion.

Dimension ii: Timely Publication of Compliance Audit Results

This dimension was evaluated as scoring 2 as 115 from 119 compliance audit reports that were submitted to Parliament were published within 60 days.

Dimension iii: SAI Follow-Up on Implementation of Compliance Audit Observations and Recommendations

This dimension has 6 criteria of which 3 were met and 3 were not met.

Although the AGDSL does have follow-up processes in place these appear to be more administrative in nature than having a meaningful impact. Generally follow-up is considered as part of the planning stage for the following years audit but in practice the assessment found no evidence that audit teams considered whether the entities had addressed issues raised in previous audit reports in an adequate way. Audit teams also take account of recommendations contained in reports from COPA and COPE

as part of the planning process. Although the AGDSL does not normally issue specific reports on follow-up issues that have been followed up are included in the normal reporting process at which point audit entities have the opportunity to comment.

Assessment Scores by Dimension

Dimension	Score
(i) Timely Submission of Compliance Audit Results	2
(ii) Timely Publication of Compliance Audit Results	2
(iii) SAI Follow-up on Implementation of Compliance Audit Observations and Recommendations	2
Overall Score	2

Assessment Findings and Observations

Dimension	Findings	Score
(i) Timely Submission of Compliance Audit Results	<ul style="list-style-type: none"> 62% of compliance audit results were submitted within twelve-months from the end of the 2016 financial year. 	2
(ii) Timely Publication of Compliance Audit Results	<ul style="list-style-type: none"> 115 of 119 reports for compliance audits were published within 60-days. 	2
(iii) SAI Follow-up on Implementation of Compliance Audit Observations and Recommendations	<p>Criteria a, c, and d were met.</p> <ul style="list-style-type: none"> The AGDSL does have internal follow-up systems to ascertain if the audited entity has implemented recommendations.. The AGDSL procedures provides for the audited entity to provide information on whether or not corrective measures have been taken. The AGDSL does send all reports, including follow-up to the Legislature. <p>Criteria b, e and, f were not met.</p> <ul style="list-style-type: none"> Follow-up does not focus on whether the audited entity has adequately addressed matters contained in previous compliance audit reports. The AGDSL publicly issue its reports its does not do so specifically for follow-up of audit reports. AGDSL does not base any additional audit or investigative follow-up activities on materiality. 	2 At least 3 criteria are in place

4.3.11 SAI-18-20: Jurisdictional Controls – N/A

Not applicable as these indicators are only applicable for Court model SAIs.

4.4 Domain D: Financial Management, Assets and Support Services

Domain D examines whether the AGDSL is managing its own operations economically, efficiently and effectively and complies with applicable rules and regulations. Domain D comprises a single indicator. The following table provides an overview of the dimension and indicator scores. Section 4.4.1 provides further details.

Domain D: Financial Management, Assets and Support Services		Dimensions			Overall score
Indicator	Name	i	ii	iii	
SAI-21	Financial Management, Assets and Support Services	3	2	1	2

4.4.1 SAI-21: Financial Management, Assets and Support Services - Score 2

Narrative

SAI-21 examines the SAI's internal system of financial management and control, as well as its policies and practices regarding the support services and resources it requires. Those include IT, assets and infrastructure, as well as administrative support. This indicator has 3 dimensions:

- (i) **Financial Management.**
- (ii) **Planning and Effective Use of Assets and Infrastructure.**
- (iii) **Administrative Support Services.**

AGDSL, through the Accounts Division, has good internal practices regarding financial management and exercises oversight thereof. AGDSL's financial statement is made public, but it is not independently audited or reviewed by the Legislature. While infrastructure needs appear to be considered and discussed, AGDSL could benefit from a thorough review and planning of its IT needs in order to bring them in line with staff levels and requirements. Archiving facilities and practices are adequate, but there is no central responsibility and oversight for filing and storing important documentation. This weakens opportunities for knowledge and information management.

Dimension i: Financial Management

Responsibility for financial management lies with the Accounts Division, which is headed by a Chief Accountant. The division has 45 staff, who are all part of the Management Service, and as such are not part of AGDSL. The Auditor General delegates the authority for financial management, including incurring and approving expenditure, to the Chief Accountant. In discharging his duties, the latter has to report to a deputy auditor general. On this basis, the assessment team considers that the criteria of SAI-21 dimension (i) should be scored, despite the staff of the Accounts Division not being part of AGDSL.

AGDSL follows the general government practice for budget preparation, execution, accounting and reporting. The applicable rules, procedures and timetables described in the MoF's Financial Regulations and circulars apply. This also means that as of 2016, AGDSL receives a budget ceiling from MoF that indicates the threshold to consider when submitting the annual budget proposal for AGDSL. The actual appropriation of AGDSL arrives at its account in the form of monthly imprests by Treasury.

Internally, the Accounts Division has a list with clearly assigned responsibilities with respect to budgeting, expenditure commitments, approvals, verifications and accounting. The list was shown to the assessment team. CIGAS, the government accounting system is used, however there are no procedures or systems in place to consider performance information alongside financial one. Neither does the AGDSL have a staff cost recording system that allows oversight over the allocation of staff time and resources in relation to assigned tasks.

Over the last three years for which both approved and actual figures are available (2014-2016), AGDSL's budget was spent broadly in line with the appropriation. The large deviations observed in 2015 were the result of two rounds government-wide salary increases, and as such are outside of the responsibility and control of AGDSL.

	2014			2015			2016		
	Approved (original)	Actual	Actual vs. Approved	Approved (original)	Actual	Actual vs. Approved	Approved (original)	Actual	Actual vs. Approved
Recurrent	814900	779336	96 %	739450	1138328	154 %	1240350	1147433	93 %
Capital	227200	187590	83 %	18399	19826	108 %	185280	182609	99 %
Total	1042100	966926	93 %	757849	1158154	153 %	1425630	1330042	93 %

Source: MoF Annual reports 2014-2016.

The AGDSL's Annual Report contains the institution's annual financial statement. In interviews with the Accounts Division and the responsible deputy auditor general, it transpired that the SAI was among the first ones to start preparing its financial statement on accrual accounting basis. Assets, lifespans and depreciation rates for major categories like buildings, computers and vehicles are included.

There is no procedure for formal independent audit of the AGDSL's financial statement, but only an internal check. No opinion is issued on the accounts. AGDSL submits its financial statements to COPA, but there is no review or follow up.

Dimension ii: Planning and effective use of assets and infrastructure

AGDSL has a designated IT unit under one of the audit branches. It is staffed with 5 specialists who are responsible for support and maintenance not only in the head offices in Colombo, but also for the nine regional offices. In practice this means that should a laptop or any other equipment break, it has to be sent to Colombo for repairs. The unit maintains a list of office hardware and software, but has not done an assessment of actual needs in relation to current or anticipated staffing levels. There is only an annual plan on what equipment needs to be acquired and repaired, but this plan is built on the premise of a do-minimum scenario.

IT equipment is both outdated and insufficient. There is generally one laptop per audit team, which consists of around four audit examiners. As a result, audit examiners do much of the audit and the related calculations by hand. The lack of sufficient laptops may also explain why "TeamMate" is not used timely and consistently.

Infrastructure needs were reviewed in 2012, when the AGDSL moved into a new headquarters building. In anticipation of growing staff levels, the SAI has acquired a plot of land in the vicinity, on which it intends to build a new structure. This was reflected in the budget request for 2018, however the proposed allocation was not approved by the Ministry of Finance. The AGDSL is currently renting a second building in Colombo. Given that as of recently the SAI also has to audit companies with over 50

per cent public participation, there is a clear concern that the current housing situation, both in terms of offices and in terms of bungalows where staff rotated from the regional offices is lodging, is not enough.

Neither concerns related to IT, nor to infrastructure, are reflected in the AGDSL's annual report.

As regards archiving, there is no centrally assigned responsibility for this. Branch heads are expected to ensure appropriate storage of audit files in line with the legal requirement, which varies between 5 and 10 years for different audit types. There are two central record rooms, as well as two servers backed by a generator.

Dimension iii: Administrative support services

Management of all major asset categories is clearly assigned. Overall responsibility for administrative support lies with the Department of Administration. This covers issues such as vehicle and building maintenance. IT support is placed in a separate unit under one of the audit divisions. As noted above on (ii), IT staff seems insufficient, in particular at the regional level. Staff working in administrative support functions have the appropriate skills required to perform their duties. There has been no review of the IT support function in order to assess staffing levels and available skills against workload and needs.

As noted above, one challenge pertains to file management and archiving. There is no centralised function to ensure that all divisions store records in a correct and uniform way. This may pose a risk with respect to knowledge management. At the same time, it has to be noted that throughout the fieldwork in Colombo and Galle, AGDSL staff has consistently produced documentation on a very short notice, thus demonstrating that filing and access to documents works well in practice.

Assessment Scores by Dimension

<i>Dimension</i>	<i>Score</i>
(i) Financial Management	3
(ii) Planning and Effective Use of Assets and Infrastructure	2
(iii) Administrative Support Services	1
Overall Score	2

Assessment Findings and Observations

<i>Dimension</i>	<i>Findings</i>	<i>Score</i>
(i) Financial Management	<p>Criteria a, b, c, d, e, h, and i are met. Criterion k is not applicable.</p> <ul style="list-style-type: none"> The responsibility for financial management lies with the Accountant's department. The head of the department is a partly qualified chief accountant with over 20 years of experience. He is supported by staff from the Government Accountancy Service. Budget preparation and financial management are governed by the same rules and procedures as all other government entities, 	<p>3</p> <p>Eight criteria (including k) are assessed as met</p>

	<p>through the Financial Regulations and circulars issued by Ministry of Finance. CIGAS, the accounting system used across government, is also used by AGDSL.</p> <ul style="list-style-type: none"> • There is a written down system for incurring and approving expenditure on behalf of AGDSL. • Over the past three years (2014-2016), actual expenditure of the AGDSL did not deviate with more than 10 per cent than the approved budget. • AGDSL's financial statement is prepared in accordance with the Financial Regulations and is published as a part of the AGDSL's Annual Report. <p>Criteria f, g and j are not met.</p> <ul style="list-style-type: none"> • The CIGAS accounting system used for accounting and financial management does not have a module on performance information. Nor is there any other system in place for monitoring the AGDSL's own performance. • There is no functioning staff cost recording system that monitors allocation of staff resources and associated costs. • The SAI's financial statement is only subjected to internal audit within the AGDSL. 	
(ii) Planning and effective use of Assets and Infrastructure	<p>Criteria b and e are met.</p> <ul style="list-style-type: none"> • AGDSL has assessed its infrastructure needs in light of current and anticipated staff needs. This has resulted in a move to a new building, the renting of an additional premises in Colombo, and the acquisition of land for constructing a new building. • All division heads are responsible for archiving audit files in line with the legal requirements. There are two record rooms, as well as two servers where electronic information is kept. <p>Criteria a, c and d are not met.</p> <ul style="list-style-type: none"> • AGDSL has no long-term strategy with respect to its infrastructure or IT needs. • The IT infrastructure, which appears to be both insufficient and outdated, has not been reviewed in the last three years. • No issues related to infrastructure of IT needs are covered in the AGDSL's annual reports for 2015 and 2016. 	<p>2 At least 2 criteria are met.</p>
(iii) Administrative Support Services	<p>Criteria c is met.</p> <ul style="list-style-type: none"> • IT support lies with assistant auditor general for IT and Communication. All staff working on IT issues has relevant technical background and knowledge. • Vehicle and building maintenance is the responsibility of the 	<p>1 One criterion is met.</p>

	<p>Department of Administration.</p> <p>Criteria b, c and d are not met.</p> <ul style="list-style-type: none">• There are insufficient IT personnel to support the organisation• There is no overall responsibility for file management and archiving.• The IT function has not been reviewed and no proposals for improvement have been made or addressed.	
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4.5 Domain E: Human Resources and Training

Domain assesses the way in which the AGDSL manages and develops its human resources insofar as it has the power to do so. Domain E comprises two indicators. The following table provides an overview of the dimension and indicator scores. Sections 4.5.1 to 4.5.2 provide further details.

Domain E: Human Resources and Training		Dimensions				Overall score
Indicator	Name	i	ii	iii	iv	
SAI-22	Human Resource Management	N/A	0	N/A	2	N/A
SAI-23	Professional Development and Training	2	0	0	0	0

4.5.1 SAI-22: Human Resource Management - Score N/A

Narrative

This indicator assesses elements of the AGDSL's resource management. The assessment builds on the requirements of ISSAI 40 which stipulates that the SAI's human resource policies and procedures should include, amongst other things: recruitment, professional development, performance evaluation and promotion. It assesses four dimensions:

- (i) **Human Resources Function**
- (iii) **Human Resources Strategy**
- (iv) **Human Resources Recruitment**
- (v) **Remuneration, Promotion and Staff Welfare**

AGDSL does not have responsibility for any of the HR functions envisaged by SAI-23 dimension (i). It does not, for example, have an HR strategy or a competency framework while all other key HR roles and responsibilities rest with the Public Service Commission and the Department of Management Services. In essence, the AGDSL's HR priorities and procedures are determined by the Public Service Commission and the Department of Management Services and not by the AGDSL itself.

The AGDSL does not have a human resource strategy.

The AGDSL currently has no control over the recruitment of staff. This handled by the Public Service Commission and staff are allocated to the AGDSL. With regard to recruitment to the AES and SLAS the process of examinations and interviews are controlled by outside agencies. Although the AGDSL is represented in these processes they have no final control over who is recruited.

Remuneration, welfare and promotion are largely controlled by external bodies although the AGDSL does have some freedom with respect to rewarding staff through incentive payments.

Dimension (i): Human Resources Function

The staff of the AGDSL fall into three categories which the AGDSL refer to as cadres:

- **The Sri Lankan Audit Service:** staff in this cadre comprise the senior ranks of the AGDSL, namely Audit Superintendents, Assistant Auditors General, Deputy Auditors General and Additional Auditors General. At 31 May 2017, the approved, total complement for the Sri Lankan Audit

Service was 350. The total number of staff in post in the Service at that date was 261, meaning that the AGDSL was carrying a total of 89 vacancies for this cadre.

- **The Sri Lankan Audit Examiner Service:** staff in this cadre comprise the audit staff who carry out the AGDSL's financial audit, compliance audit and performance audit activities. At 31 May 2017, the total approved complement for the AGDSL's Audit Examiner cadre was 1,200. The total number of Audit Examiners in post at that date was 1,082, meaning that the AGDSL was carrying a total of 118 vacancies for this cadre.
- **Non-Audit Staff:** staff in this cadre comprise the individuals who provide all the administrative and other support services that the AGDSL requires. At 31 May 2017, the approved complement for AGDSL non-audit staff was 406. The total number of non-audit staff in post at that date was 334, meaning that the AGDSL was carrying a total of 72 vacancies for this cadre.

The AGDSL has no formal responsibility for any aspect of its HR function. The Public Service Commission of Sri Lanka together with the Department of Management Services (which is part of the Treasury, the Sri Lankan Ministry of Finance) are together entirely responsible for the control of staff numbers, for the terms and conditions of the employment of individual members of staff and for the recruitment and promotion of AGDSL staff. The key points to note in this regard are as follows:

- The Human Resource function that operates within the AGDSL is not managed or controlled by the AGDSL. It is headed by a Director of Administration. This individual is not an employee of the AGDSL. He is appointed by, and is answerable to, the Public Service Commission and the Department of Management Services for HR matters rather than to the Auditor General. The Director of Administration is responsible for, amongst other things, recruitment, transfers, promotions, the maintenance of personnel files and disciplinary matters. Under this structure, the Director of Administration and the HR function he is responsible for does not provide for issues such as competency frameworks for staff or identifying and scheduling professional development opportunities.
- The Director of Administration is also responsible for all non-audit staff as these individuals are part of the wider structure of administrative support staff within the government of Sri Lanka as a whole and, so, are not dedicated employees of the AGDSL.
- Formal minutes issued by the Public Service Commission in 1985 for the Audit Examiner cadre and in 1989 for the Audit Service cadre specify, amongst other things, the main functions of both cadres together with the recruitment processes to be followed and their basic salary scales.
- The overall complement of staff for each of the AGDSL's staff cadres is set by the Department of Management Services. The most recent exercise to fix the AGDSL's staff complements for its three cadres took place in 2011. In the course of this exercise, the AGDSL may make recommendations on staff numbers and grades but all the relevant final decisions rest with the Department of Management Services.

Given this context and as guided by the SAI-PMF scoring methodology, the SAI-PMF assessment team concluded that the appropriate score for the AGDSL for SAI-22 dimension (i) was N/A.

Dimension (ii): Human Resource Strategy

The AGDSL does not have a human resource strategy. This reflects the current situation as discussed for dimension (i) that responsibility for all HR policies and procedures rests with the Public Service Commission (PSC) and the Department of Management Services. Despite this the AGDSL should have some form of strategy in place in order that it has the evidence necessary to justify to the PSC the level and mix of resources it requires to fulfil its mandate. Also, the Sri Lankan Parliament is currently considering the National Audit Bill and, should that Bill be enacted, it will establish a new Sri Lankan State Audit Service that will comprise the current Sri Lankan Audit Service, the Audit Examiners Service and the current AGDSL non-audit staff. At that point, the new Audit Service will also be

responsible for all its HR functions and HR related procedures and will need a strategy to ensure it has the resources it needs. Accordingly, the SAI-PMF assessment team took the view that the AGDSL should have an HR strategy and scored dimension (ii) 0 accordingly.

Dimension (iii): Human Resources Recruitment

Recruitment into the AGDSL's two audit cadres (the Sri Lankan Audit Service and the Sri Lankan Audit Examiners Service) is exam based and dealt with by the Sri Lankan Public Service Commission. The AGDSL identifies the vacancies within its complement that it wishes to fill. The Director of Administration (who is not an AGDSL employee) notifies the Public Service Commission and arranges for the preparation of the appropriate examinations with the Department of Examinations. There are a number of possible types of examination depending on the nature of the post to be filled. These are categorised as merit, open competition and limited competition examinations. The successful candidates are allocated to the AGDSL which then decides where these individuals will be based within the Department.

For senior appointments, an interview panel decides who is the successful candidate. In these cases, the Public Service Commission prepares the list of candidates and convenes the interview panel. The interview panel usually comprises a representative from the AGDSL, a representative from the President's Secretariat Office, and a representative from the Ministry of Public Administration.

The AGDSL currently has no control over the recruitment of non-audit staff. This handled by the Public Service Commission and staff are allocated to the AGDSL.

Given this context, and specifically the lack of responsibility or control that the AGDSL has in the process of recruiting staff into its three cadres, as guided by the SAI-PMF scoring methodology, the SAI-PMF assessment team concluded that the appropriate score for the AGDSL for SAI-22 dimension (iii) was Not Applicable.

Dimension (iv): Remuneration, Promotion and Staff Welfare

Because it is not required to do so by the HR rules and procedures promulgated by the Public Service Commission, the AGDSL does not operate a system of staff performance appraisals. It does, however, operate an incentive scheme for staff which enables the Department to supplement the salaries of its staff. We understand that the Sri Lankan Ministry of Finance recognises the need for the AGDSL to reflect the professionalism of its staff by giving the Department the scope to increase the standard remuneration paid to staff through an incentive system. The Ministry of Finance has allocated an amount equivalent to fifty-five per cent of its total salary payments to use for incentive payments. The AGDSL has established a procedure to manage the process of deciding the allocation of the sum made available by the Ministry of Finance.

Each AGDSL official is required to complete a standard form listing aspects of their performance. This ranges from measures such as the number of audit paragraphs the individual has produced to aspects such as the amount of leave an individual has taken. There is then a formal process of evaluation involving individual heads of division and ultimately a special committee appointed by the Auditor General to decide on the division among staff of the available incentive payments. In addition to this process for the two cadres of audit staff, there is a similar parallel process for non-audit staff that is the responsibility of the Director of Administration.

As noted above, the promotions process is not under AGDSL control and, so, AGDSL staff were not able to advise on the extent to which the promotion procedure takes account of performance and potential in selecting successful candidates.

In terms of staff welfare, although the AGDSL does not have a staff welfare policy, it was evident that the AGDSL does take staff welfare seriously. For example, a key concern for staff and senior AGDSL management was the need to deal fairly and objectively with issues that arise regularly about the transfer of staff between the Department's Colombo and district offices. The transfer scheme operated by AGDSL has been approved by the Public Service Commission. Under this, applications for transfers are assessed by a committee appointed by the Auditor General known as the Transfer Board. Once they have made their decisions, the Board issues a transfer circular. Staff who are not happy with the Board's decisions may appeal and those appeals are heard by a specially constituted Appeals Board.

Where staff have a complaint or a concern linked to an issue of ethics or behaviour, those complaints are made to the Auditor General who will appoint an AGDSL official to investigate and will subsequently act on the outcome of that investigation.

Assessment Scores by Dimension

Dimension	Score
(i) Human Resource Function	N/A
(ii) Human Resources Strategy	0
(iii) Human Resources Recruitment	N/A
(iv) Remuneration, Promotion and Staff Welfare	2
Overall Score	N/A

Assessment Findings and Observations

Dimension	Findings	Score
(i) Human Resource Function	<p>All criteria are N/A.</p> <ul style="list-style-type: none"> AGDSL has no responsibility for the HR criteria for this dimension. Responsibility rests with the Sri Lankan Public Service Commission and with the Department of Management Services of the Sri Lankan Ministry of Finance. 	N/A
(ii) Human Resources Strategy	<p>No criteria are met.</p> <ul style="list-style-type: none"> The AGDSL does not have a Human Resource Strategy and does not have any other administrative processes in place that would serve to meet the criteria specified for SAI-22 dimension (ii). 	0
(iii) Human Resources Recruitment	<p>All criteria are N/A.</p> <ul style="list-style-type: none"> The AGDSL has no responsibility for, or control over, the processes and procedures used for the recruitment into its three staff cadres (the Sri Lankan Audit Service; the Sri Lankan Audit Examiners Service; and Non-audit staff). 	N/A
(iv) Remuneration, Promotion and Staff Welfare	<p>Criteria c, g and h are met.</p> <ul style="list-style-type: none"> The AGDSL operates an incentive payment scheme for its staff that has clearly defined procedures evaluation and decision-making. The AGDSL follows procedures for promotion specified by the Public Service Commission. 	2 At least four of the criteria

	<ul style="list-style-type: none"> The AGDSL has established processes for staff to raise concerns and for responding appropriately to those concerns. <p>Criteria a, b, and f are not met.</p> <ul style="list-style-type: none"> The AGDSL does not have a performance appraisal system. The AGDSL does not have a staff welfare policy. <p>Criteria d and e are N/A.</p> <p>The AGDSL follows procedures for promotion specified by the Public Service Commission.</p>	<p>are in place (including those considered N/A).</p>
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4.5.2 SAI-23: Professional Development and Training - Score 1

Narrative

This indicator assesses how the SAI as an organisation is able to promote and ensure professional development to improve and maintain the competency of its staff. It is linked to ISSAI 12. This states that SAIs should promote continuing professional development that contributes to individual, team and organisational excellence. It assesses four dimensions:

- (i) **Plans and Processes for Professional Development and Training**
- (ii) **Financial Audit Professional Development and Training**
- (iii) **Performance Audit Professional Development and Training**
- (iv) **Compliance Audit Professional Development and Training**

The AGDSL recognizes the central importance of professional development training. The Department has a separate, dedicated training division headed by a senior official, a Deputy Auditor General. The key objective for its training programme for professional development is that all audit staff should undertake 80 hours a year of continuous professional development (CPD).

Although AGDSL staff do participate in extensive training programmes these are not based on any systematic assessment of need or training policy. Nor are they related to the specific competencies required for particular jobs within the organisation. Professional audit training for specific audit types is not well structured with clearly defined aims and objectives.

Dimension (i): Plans and Processes for Professional Development Training

The AGDSL provides a range of technical audit, personal skills training, management training and induction training. It runs these training courses centrally in Colombo, in its district and provincial offices and at its residential training centre at Kuruvita. In 2016 and 2017, the AGDSL supplemented the training provided in Sri Lanka with a programme of performance audit training run by the SAI of Malaysia in its specialist training centre. In addition, the AGDSL has a small number of staff studying for Post-Graduate Degrees in accounting in China and, as understood by the assessment team, Korea.

The Auditor General's 2016 Annual Report (page 17) records that a total of 2,687 staff participated on some forty-three training courses run in Sri Lanka. The large number reflects that, to meet their CPD target of eighty hours a year, some AGDSL staff participated in more than one course. Also in 2016, 95 staff participated in fifteen training programmes run outside Sri Lanka. The bulk of this number (eighty-one staff) was accounted for by the performance audit training programme run in Malaysia.

The AGDSL's training programmes for the calendar years 2017 and 2018 include training courses on the following subjects:

- "TeamMate" and Financial Audit Training
- Investigation Audit Training

- Performance Audit Training
- Environmental Audit Training
- Forensic Audit Training
- Procurement Audit Training
- Construction Audit Training
- Projects Audit Training
- Sri Lanka Public Sector Accounting Standards (SLPSAS)
- Sri Lanka Financial Reporting Standards (SLFRSs)
- Tax Training
- Local Authority and Provincial Council Audit Training
- Appropriation Account – Ministries and Departments
- Revenue Audit
- Report Writing
- Computer Basic II
- Advanced Excel
- Surcharges Procedure
- Induction Training Programme
- Languages – Tamil / English

The bulk of these training programmes are run by AGDSL staff (for example, staff from the AGDSL Performance Audit Division run the internal AGDSL performance audit training courses). For some training programmes the AGDSL uses external providers. For example, the Sri Lanka Institute of Development Administration (SLIDA) provides training for senior AGDSL officials on negotiation skills. SLIDA also provides training for non-audit staff.

As for the practical operation of the AGDSL's training programmes, AGDSL officials apply for a place on a training course. The individual's head of Division assesses the application and makes a recommendation based on the relevance of the proposed training course for that individual's needs. Once individual AGDSL officials have completed a training course, they complete a standard feedback form and subsequently the head of Division monitors their performance. Apart from this, there is no regular, systematic process of evaluating the quality and impact of training.

AGDSL officials are required to maintain their own CPD records. Every six months, the head of Division is required to review and certify officials' CPD records.

The SAI-PMF assessment identified a number of concerns about the AGDSL's professional development training. First, the AGDSL is concerned that it is unable to invest as much in staff training as it believes necessary. The Auditor General's 2016 Annual Report (page 15) contains the following observation:

“Even though the statutory scope of the Auditor General has widened the effective discharge of the statutory functions has been a challenge as the staff of the Auditor General's Department have not been provided with adequate local and foreign training opportunities required to develop their knowledge and skills to discharge their duties for the past ten years.”

Second, there are some significant gaps in the overall structure of the AGDSL's management of its professional development training. The key ones are as follows:

- The AGDSL does not have a formal, approved training policy. An initial draft policy was prepared in 2016 but this has not yet been finalised and approved.
- The AGDSL does not have a strategy in place for its professional training development. And because the AGDSL has not defined the competences it expects its financial audit, compliance audit and performance audit staff to have there is no strategic structure in place linking an

individual's training needs with the competences expected of a professional auditor and with the wider professional needs of the AGDSL as a whole.

- The AGDSL has not carried out a training needs assessment.
- The AGDSL does not have a methodological unit that can specify the training that its professional audit staff should receive and, so, develop a syllabus for its professional development training programmes.
- The AGDSL does not have any form of database to help in recording and monitoring the training undertaken by individual members of staff and to assess the extent to which the AGDSL has been successful in ensuring that all members of staff meet the requirement to complete 80 hours of CPD training each year.

Dimension (ii): Financial Audit Professional Development and Training

The AGDSL has not specified the competencies that it expects its financial audit staff to have. More broadly, the AGDSL does not have a unit or individual in place responsible for professional financial audit training.

While the AGDSL includes training on financial audit in its professional training programmes, there is no strategic structure in place linking the training needs of its individual financial auditors to the competencies that a professional financial auditor requires and to the wider professional requirements of the AGDSL in relation to its responsibilities for financial audit. Consequently, the AGDSL does not provide its financial audit training in a comprehensive, systematic and structured way.

Dimension (iii): Performance Audit Professional Development and Training

The AGDSL has not specified the competencies that it expects its performance audit staff to have. More broadly, the AGDSL does not have a unit or individual in place responsible for professional performance audit training.

While the AGDSL includes training on performance audit in its professional training programmes, there is no strategic structure in place linking the training needs of its individual performance auditors to the competencies that a professional performance auditor requires and to the wider professional requirements of the AGDSL in relation to its responsibilities for performance audit. Consequently, the AGDSL does not provide its performance audit training in a comprehensive, systematic and structured way.

Dimension (iv): Compliance Audit Professional Development and Training

The AGDSL has not specified the competencies that it expects its compliance audit staff to have. More broadly, the AGDSL does not have a unit or individual in place responsible for professional compliance audit training.

While the AGDSL includes training on compliance audit in its professional training programmes, there is no strategic structure in place linking the training needs of its individual compliance auditors to the competencies that a professional compliance auditor requires and to the wider professional requirements of the AGDSL in relation to its responsibilities for compliance audit. Consequently, the AGDSL does not provide its compliance audit training in a comprehensive, systematic and structured way.

Assessment Scores by Dimension

Dimension	Score
(i) Plans and Processes for Professional Development and Training	2
(ii) Financial Audit Professional Development and Training	0
(iii) Performance Professional Development and Training	0
(iv) Compliance Audit Professional Development and Training	0
Overall Score	0

Assessment Findings and Observations

Dimension	Findings	Score
(i) Plans and Processes for Professional Development and Training	<p>Criteria a, c, e, and g are met.</p> <ul style="list-style-type: none"> The AGDSL training programme encompasses induction for new staff, training on internal policies etc, personal skills and management. The AGDSL has in place a system for selecting staff to participate in training courses. AGDSL has training that is focussed on its staff cadres: audit examiners, audit supervisors and senior staff, and non-audit staff. Training is provided for non-audit staff. AGDSL monitor and assess the results of training for individual members of staff. <p>Criteria b, d and f are not met.</p> <ul style="list-style-type: none"> AGDSL does not have a strategic structure in place for its professional development training. AGDSL professional employees do not have personal development plans. Training is provided but this is not linked to defined competency requirements or plans for professional development. 	2 Four criteria are in place.
(ii) Financial Audit Professional Development and Training	<p>No Criteria are met.</p> <ul style="list-style-type: none"> The AGDSL has not allocated responsibility for professional financial audit training to a specific unit or individual. The AGDSL has not defined the competences it requires financial audit staff to have. The AGDSL does not have an overall strategic structure in place for its professional financial audit training. 	0 None of the criteria are in place.
Performance Audit Professional Development and Training	<p>No Criteria are met.</p> <ul style="list-style-type: none"> The AGDSL has not allocated responsibility for professional performance audit training to a specific unit or individual. The AGDSL has not defined the competences it requires performance audit staff to have. The AGDSL does not have an overall strategic structure in place for its professional performance audit training. 	0 None of the criteria are in place.
Compliance Audit Professional Development and	<p>No Criteria are met.</p> <ul style="list-style-type: none"> The AGDSL has not allocated responsibility for professional compliance audit training to a specific unit or individual. 	0 None of the

Training	<ul style="list-style-type: none">• The AGDSL has not defined the competences it requires compliance audit staff to have.• The AGDSL does not have an overall strategic structure in place for its professional compliance audit training.	criteria are in place.
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4.6 Domain F: Communication and Stakeholder Management

Domain F looks at the extent to which the AGDSL has established effective communications with its key stakeholders. Domain F comprises two indicators. The following table provides an overview of the dimension and indicator scores. Section 4.6.1 to 4.6.2 provide further details.

Domain F: Communication and Stakeholder Management		Dimensions				Overall score
Indicator	Name	i	ii	iii	iv	
SAI-24	Communication with the Legislature, Executive and Judiciary	0	2	1	0	1
SAI-25	Communication with the Media, Citizens and Civil Society Organisations	0	1			0

4.6.1 SAI-24: Communication with the Legislature, Executive and Judiciary - Score 1

Narrative

SAI 24 seeks information on the existence of a current strategy to regulate communications at levels for the SAI. It also explores the status of communications channels and their effectiveness with a range of other interested parties.

The outputs from an SAI are reports. The content of these needs to be made available in a coherent way to those who will be expected to have an interest or are mandated to act upon the content of these reports.

This indicator has four-dimensions:

- (i) **Communications Strategy.**
- (ii) **Good Practice Regarding Communication with the Legislature.**
- (iii) **Good Practice Regarding Communication with the Executive.**
- (iv) **Good Practice Regarding Communication with the Judiciary and/or Prosecuting and Investigating Agencies.**

Currently, the AGDSL does not have a Communications Strategy. It does have a reasonable working relationship with the legislature but engagement with the executive could be improved. It is not required as part of its mandate for the AGDSL to get involved with judicial or other similar institutions.

Dimension i: Communications Strategy

A communication strategy is important as it provides the basis for any SAI to communicate effectively with its stakeholders and provide an opportunity to explain to them the nature of its role and mandate, how it conducts its work and how to interpret the results. Good communication also provides an opportunity to demonstrate that the AGDSL gives value and benefit to the stakeholders it serves. AGDSL does not employ dedicated communications personnel to manage relationships with its various stakeholders.

This dimension has 7 criteria of which none were met as the AGDSL does not have a Communications Strategy.

This dimension was awarded a rating of 0.

Dimension ii: Good Practice Regarding Communication with the Legislature

This dimension has 8 criteria of which, 5 were met and 3 were not.

The Legislature is the most important stakeholder of the any SAI and it is generally the case that legislative oversight of budget execution is dependent upon the work of the SAI and in turn the SAI is dependent upon the legislature to maximise the impact of its work. Therefore it is important that both parties have a thorough understanding of their respective roles and any limitations and constraints that may apply. There should be good lines of communication between them if the relationship is to yield benefits in terms of improved oversight.

The AGDSL reports to the Parliament on the results of its audit work its management of public finances and oversight of the Executives financial management and reporting will vest with the national Parliament. In Sri Lanka the Parliament has established two-standing committees that are expected to carry out oversight activities – Committee of Public Accounts and the Committee for Public Enterprises – COPA and COPE respectively. The AGDSL does have policies and processes in place governing its relationship with the legislature. The AG gives a presentation on the role of the AGDSL when new Committees are formed. The AGDSL could do more to ensure that the two Committees understand the reports and can identify common themes and findings to investigate Based on the evidence obtained, a score of 2 was assigned to this dimension.

Dimension iii: Good Practice Regarding Communication with the Executive

This dimension has 4 criteria of which 1 was met and 3 were not.

Good communication with the Executive is also important to ensure that he work of the AGDSL has real impact. The AGDSL must ensure that the Executive has a proper understanding of its role and establish constructive relationships which respect the independence of the AGDSL and also ensure that its reports are taken seriously and acted upon. For its part the AGDSL must be aware of the constraints and difficulties executive bodies face and recognise these in its work.

There is scope for improvement in communicating with the Executive to enable auditees to have a proper understanding of the role of the AGDSL, its mandate and how audits will be conducted. Improved communication is also required to discuss recurring audit findings, their causes and the action required to remedy them in the future. Such communication would increase the impact of the AGDSL and a better understanding of its role.

The dimension was awarded a rating of 1.

Dimension iv: Good Practice Regarding Communication with the Judiciary and/or Prosecuting and Investigating Agencies.

This dimension has 5 criteria of which 3 were not met and two were assessed as not applicable in the Sri Lankan context.

It is incumbent upon AGDSL to ensure that such organisations have a clear understanding of its role and mandate to avoid any possible confusion. In cases where criminal activity is suspected the AGDSL may need to communicate with judicial, investigative and prosecuting authorities. It is particularly important that such communications follow formal rules and processes in line with rules of evidence so that any investigations are not adversely affected by poor practice or documentation.

Although AGDSL is not a “court” style SAI it should have established procedures in place in the event staff come across suspected fraud and corruption in their audit work. It is important in such circumstances that judicial, investigative and prosecuting authorities understand the role and mandate of AGDSL to avoid the risk of prejudicing the outcome of any criminal investigations and prosecutions that may result from audit work. The AGDSL needs to have specific reporting and documentation guidelines for its personnel in cases where they suspect that fraudulent activities may have taken place.

This dimension was given a score of 0.

Assessment Scores by Dimension

Dimension	Score
(i) Communications Strategy	0
(ii) Good Practices Regarding Communication with the Legislature	2
(iii) Good Practices Regarding Communication with the Executive	1
(iv) Good Practices Regarding Communication with the Judiciary and/or Prosecuting and Investigating Agencies	0
Overall Score	1

Assessment Findings and Observations

Dimension	Findings	Score
(i) Communications Strategy	<p>None of the criteria for this dimension were met as they were dependent on the availability of a Communications Strategy.</p> <ul style="list-style-type: none"> At the time of the assessment, the AGDSL did not have a Communications Strategy. 	0
(ii) Good Practices Regarding Communication with the Legislature	<p>Criteria a, c, d, e, and, f were met.</p> <ul style="list-style-type: none"> AGDSL reports annually to parliament on its audit findings. AGDSL has established processes in place for communication with Parliament primarily through the AG and AdAG. On the formation of new CoPA and CoPE the AG gives a presentation on the role of the AGDSL and how it interacts with the Committees. The AGDSL is quite responsive to developments. The report on the “Bond” scandal was prepared quickly and provided useful technical material to parliament on the issues. <p>Criteria b, g, and h were not met.</p> <ul style="list-style-type: none"> AGDSL does not report on the generic weaknesses found from audits but, reports findings on a case by case basis. Whilst the AGDSL has been asked to provide inputs by the Ministry of Finance on revisions to the Financial Regulations and other legal instruments, it is not 	2 At least 4 criteria are met

	<p>providing this service to the legislature.</p> <ul style="list-style-type: none"> AGDSL does not seek feedback from legislature on the quality and relevance of its reports. 	
(iii) Good Practices Regarding Communication with the Executive	<p>Criteria a is met.</p> <ul style="list-style-type: none"> AGDSL is not involved to any degree in the management of the organisations it audits. <p>Criteria b, c, and d are not met.</p> <ul style="list-style-type: none"> AGDSL does not provide information to auditees on how the relationship between them should work and what to expect during an audit. AGDSL does not regularly meet with senior members of the Executive to discuss issues of mutual concern such as common audit findings, their root causes and how best to remedy them in the future. AGDSL does not seek feedback from auditees on the audit process and the quality of audit reports. 	1 One criterion is met.
(iv) Good Practices Regarding Communication with the Judiciary and/or Prosecuting and Investigating Agencies	<p>All criteria are not met.</p> <ul style="list-style-type: none"> AGDSL does not have policies and procedures in place for communicating with the judiciary and investigative and prosecuting agencies. No awareness raising activities are carried out. AGDSL does not communicate with the judiciary and investigation and prosecuting agencies regarding the its role in relating to proceedings which may take place following its reports. There is no follow-up system in place. No policies and procedures are in place to ensure that where necessary documentation compliance with rules of evidence. 	0

4.6.2 SAI-25: Communication with the Media, Citizens and Civil Society Organisations – Score 0

Narrative

This indicator assesses the extent to which AGDSL reaches out to the wider public through the media and civil society to inform about its role and the results of its work. It has 2 dimensions:

- (i) **Good Practices Regarding Communication with the Media.**
- (ii) **Good Practices Regarding Communications with the Citizens and Civil Society Organisations.**

The AGDSL does not have any institutionalised processes for regular communications with the media. However, it does have occasions, where its outputs will receive press coverage. These are often the findings from special investigations that have been reported to the legislature.

*The AGDSL does provide summaries of its audit outcomes in its publicly available Annual Report. Information on the mandate, tabled reports and other material is publicly accessible via the AGDSL website. **All reports are published in Sinhalese, Tamil and English.***

The AGDSL also has facilities via telephone hotline and post for members of the public to communicate concerns and other inputs to the SAIs activities.

Dimension i: Good Practices regarding Communication with the Media

This dimension has 6 criteria none of which were met.

The media provides an important link between an SAI and the public and can ensure that audit reports have real impact. However the relationship has to be managed carefully to minimise the risk of audit findings being distorted or used inappropriately. An SAI should ensure it has clear processes in place for managing contact with the media.

A score of 0 was given for this dimension.

Dimension ii: Good Practices regarding Communication with Citizens and Civil Society Organisations

This dimension has 8 criteria. Two were met and 6 were not.

SAIs should reach out to citizens as a means of ensuring they understand the role and mandate of the SAI and to encourage transparency in public affairs. Apart from the traditional media SAIs should consider appropriate use of social media to communicate its messages. Civil society groups may also provide a means of getting messages across to the wider public. Citizens and civil society groups should also have the opportunity to engage directly with the SAI to raise issues which they may feel warrant consideration for further investigation.

The AGDSL has scope to improve its relationships and communications with citizens and civil society organisations. AGDSL does publish its mandate and makes its audit reports available on its website in the three official languages – Sinhalese, Tamil and English and included summaries of findings in its annual report. However, AGDSL does not actively seek contact directly with citizens through social media or other means or provide information about itself or the results of its work beyond the publication of audit reports on its website.

This dimension was assigned a score of 2.

Assessment Scores by Dimension

<i>Dimension</i>	<i>Score</i>
(i) Good Practices Regarding Communication with the Media	0
(ii) Good Practices Regarding Communication with Citizens and Civil Society Organisations	1
Overall Score	0

Assessment Findings and Observations

Dimension	Findings	Score
(i) Good Practices regarding Communication with the Media	<p>None of the six criteria for this dimension were fully met.</p> <ul style="list-style-type: none"> The AGDSL has no routine and prescribed practices for communicating the outcomes of its activities to the 	0

	media.	
<p>(ii) Good Practices regarding Communication with Citizens and Civil Society Organisations</p>	<p>Criteria a and b were met. A summary of the AGDSL mandate is available on their website and in the annual report.</p> <ul style="list-style-type: none"> • The AG’s annual report contains summaries of the reports issued in the year. <p>Criteria c, d, e, f, g, and, h were not met.</p> <ul style="list-style-type: none"> • The AGDSL has not established contacts with civil society organisations or stimulated access to audit reports for the citizen. • Although the AGDSL has a website there is scope for greater use of online media to engage with stakeholders. • The AGDSL does not engage in debate on improvements in the public sector beyond its reporting process. • The AGDSL does not seek feedback on its reports from the public or civil society groups. 	<p>1 Two criteria are met</p>

Chapter 5: SAI Capacity Development Process

5.1 Recent and On-going Reforms

Since 2010 the AGDSL has been involved in three major initiatives aimed at capacity development. Between 2010 and 2013 the World Bank funded a project implemented jointly by Price Waterhouse Coopers of Sri Lanka and Australia. The project included assisting with the provision of a new headquarters building; the development of new audit manuals for financial audit, performance audit and investigative audit based on ISSAIs; and training and piloting in the use of these manuals; acquisition and implementation of "TeamMate" software to assist audit staff in planning, undertaking, reporting and ensuring quality of audit work.

In 2015-16 USAID funded a project to update the manuals prepared under the previous World Bank project and additionally to develop a new manual for procurement audit and provide some training in the use of the new and revised manuals.

Currently the AGDSL is engaged in a peer-to-peer arrangement with the SAI of Malaysia funded by the Sri Lankan government. The project began in 2016 and is expected to finish in 2018 and provides for all AGDSL audit staff to attend a 10-day training course on performance audit in Malaysia. To date some 720 staff have attended the course. The purpose is to ensure that all AGDSL audit staff have a theoretical understanding of performance audit methods and it will also provide the opportunity for the AGDSL to increase the size of its performance audit function.

The World Bank and EU are currently designing a wide-ranging "Public Sector Efficiency Project (PSEP)" focusing on: strengthening the allocative efficiency of public investments, programs and debt management; improving the operational efficiency of budget execution and procurement; and strengthening the governance, transparency and efficiency of public services. Component 9 of the proposed project aims to support the skills enhancement and capacity building of the AG in line with his enhanced mandate based on the results of this assessment.

AGDSL has not benefited from any country specific IDI programmes but a number of staff have taken part in IDI training programmes over the years.

5.2 Use of SAI Results by External Providers of Financial Support

In 2016 there were 146 active foreign funded projects in Sri Lanka for which 111 sets of financial statements were submitted to the AGDSL for audit. All such projects are managed through the Sri Lankan budgeting system and as such appear in the budgets and appropriations of the appropriate Ministries/Departments. In such cases the audit was carried out by the AGDSL at the individual

Project Management Unit level in the responsible Ministry/Department usually in Colombo where documentation is retained. Additionally, the AGDSL will call on its officers to make site visits locally where projects are being implemented in other parts of the island. The reports resulting from these audits are sent to the Secretary (Accounting Officer) of the appropriate Ministry/Department who is then responsible for passing them to the relevant donor. In addition to the financial reporting and auditing process set out above each foreign funded project prepares financial statements on which the AG expresses and audit opinion to the donor concerned. This has minimal impact on AGDSL resources as most of the work is done as part of the audit of Ministries/Departments described above. There is no contractual arrangement between AGDSL and the funding agencies for such work.

Annex 1: Performance Indicator Summary

Indicator	Indicator Name	(i)	(ii)	(iii)	(iv)	Overall Score
Domain A	SAI Independence and Legal Framework					
SAI-1	Independence of the SAI	1	1	2	2	1
SAI-2	Mandate of the SAI	3	3	3		3
Domain B	Internal Governance and Ethics					
SAI-3	Strategic Planning Cycle	0	0	0	0	0
SAI-4	Organisational Control Environment	0	1	2	0	1
SAI-5	Outsourced Audits	2	3	0		2
SAI-6	Leadership and Internal Communication	3	3			3
SAI-7	Overall Audit Planning	0	0			0
Domain C	Audit Quality and Reporting					
SAI-8	Audit Coverage	1	2	1	N/A	1
SAI-9	Financial Audit Standards and Quality Management	4	2	3		3
SAI-10	Financial Audit Process	2	1	3		2
SAI-11	Financial Audit Results	4	2	3		3
SAI-12	Performance Audit Standards and Quality Management	4	1	3		3
SAI-13	Performance Audit Process	3	3	3		3
SAI-14	Performance Audit Results	2	3	0		2
SAI-15	Compliance Audit Standards and Quality Management	1	3	4		3
SAI-16	Compliance Audit Process	2	3	2		2
SAI-17	Compliance Audit Results	2	2	2		2
SAI-18	Jurisdictional Control Standards and Quality Management	N/A				N/A
SAI-19	Jurisdictional Control Process	N/A				N/A
SAI-20	Results of Jurisdictional Controls	N/A				N/A
Domain D	Financial Management, Assets, and Support Services					
SAI-21	Financial Management, Assets, and Support Services	3	2	1		2
Domain E	Human Resources and Training					
SAI-22	Human Resource Management	N/A	0	N/A	2	N/A
SAI-23	Professional Development and Training	2	0	0	0	0
Domain F	Communication and Stakeholder Management					
SAI-24	Communication with the Legislature, Executive and Judiciary	0	2	1	0	1
SAI-25	Communication with the Media, the Citizens and Civil Society Organisations	0	1			0

The ratings given above can be interpreted as follows:

0 = Activity not established or does not function.

1 = Founding level – provides a basis for the executive agents to be held to account.

2 = Development level – provides a basis for accountability for the use of public resources.

3 = Established level – provides the basis for accountability of government performance.

4 = Managed level – the SAI is an enabler of improved government performance.

Annex 2: Sources of Information and Evidence to Support Indicator Scoring

List of Interviewees

Mr W.P.C. Wickramaratne, Additional Auditor General
Mrs Samudika Jayarathne, D/AG Banking and Finance Division
Mr Gamini Gunarathne, AG Secretariat/Foreign Funded Projects/Engineering Branch/Defence/Disaster Management
Mr G H D Dharmapala, DAG Training and Research Unit/Legal Branch/Press
Mrs W M P A Fonseka, AAG Reporting and Quality Control
Mr E A G Ananda, DAG Water Supply and Sanitation/Education/Higher Education/Law and Order/Trade and Commerce/Audit Fees/Cabinet Papers/Provincial and Investigation Audit Division
Mrs Sepalika Yakandawala (Deputy Auditor General)
Mr S.T.B. Ratnayake (Assistant Auditor General)
Mrs R.C. Tennakoon (Superintendent of Audit)
Mrs D.M.J.P. Kumari (Audit Examiner)
Mrs I.D.S.L. Fernando (Audit Examiner)
Mrs. W.K.D.N. Jayagundara (Audit Examiner)
Mr H.M.K. Manjula (Audit Examiner)
Mr. Amila Abeysinghe (Audit Examiner)
Ms. W.M.Ramya Lalani (Superintendent of Audit)
Ms. T.R.M.Weeraratne (Superintendent of Audit)
Ms. W.A.T.G.Weekody (Superintendent of Audit)
Ms. M.A.S.R.S.Gunasekara (Superintendent of Audit)
Ms. N.D.N.C. Kumari (Superintendent of Audit)
Ms.M.S. Kapukotuwa (Director, Administration)
Mr S.S.K.Liyanage(Chief Accountant)
Ms. L.S.I Jayaratne (Deputy Auditor General)
Mr. H.M.U.S.A. Wijekoon (Assistant Auditor General)

Documents Reviewed

Constitution (revised edition as amended up to 15 May 2015)
National Audit Bill
Performance Audit Manual, July 2017
Financial Audit Manual
Sri Lankan Auditing Standards
Finance Act No. 38 of 1971
AG Annual Report, 2016
Audit Circular AG/SEC/2015/13 on Audit of Foreign Funded Project
Audit Circular AG/SEC/2012/42 on Preparation of Reports on the Financial Statements....[of bodies]...audited under the Finance Act No.38 of 1971
Compliance Audit Process

Compliance Audit Checklist

Audit Files Reviewed

Financial Audit

Audit of the Sri Lanka Post Graduate Institute of Medicine.

Audit of the State Pharmaceutical Manufacturing Company.

Audit of the Southern Provincial Council.

Audit of the Sri Lanka State Insurance Board.

Performance Audit

Economic, Social and Environmental Impact Caused by the Construction of the Port of Oluvil 2015.

Electronic Waste Management in Sri Lanka 2016.

The Utilization of Mineral Sand Deposits of Sri Lanka by the Lanka Mineral Sands Ltd 2016.

Compliance Audit

National Planning Department 2016.

Ministry of Education 2016.