

## **Head 324 – Department of Management Audit - 2024**

### **1. Financial Statements**

#### **1.1 Opinion**

The audit of the financial statements of the Head 324 - Department of Management Audit for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance and cash flow statement for the year then ended was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No.19 of 2018. The summary report containing my comments and observations on the financial statements of the Department of Management Audit was issued to the Accounting Officer on 30 May 2025 in terms of Section 11(1) of the National Audit Act, No. 19 of 2018. The annual detailed management audit report in relation to the Department was issued to the Accounting Officer on 22 July 2025 in terms of section 11(2) of the National Audit Act, No. 19 of 2018. This report is tabled in Parliament in terms of Section 10 of the National Audit Act, No. 19 of 2018, read in conjunction with Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, the financial statements of the Department of Management Audit for the year ended 31 December 2024 give a true and fair view on the financial position and its financial performance and cash flows and all the materialities in compliance with the basis of preparation of the financial statements set out in Note 01 related to the financial statements.

#### **1.2 Basis for Opinion**

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements is further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **1.3 Emphasis of Matter - Basis of Preparation of Financial Statements**

I draw attention to Note 1 to the financial statements which describes the basis of preparation of these financial statements. The financial statements have been prepared for the use of the Department of Management Audit, General Treasury and Parliament in accordance with the Financial Regulations, 150 and 151 and State Accounts Guideline No. 06/2024 dated 16 December 2024 as amended on 21 February 2025. Therefore, these financial statements may not be suitable for other purposes. My report is intended only for the use of the Department of Management Audit, the General Treasury and the Parliament of Sri Lanka. My opinion is not modified on this matter.

#### **1.4 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements**

The Accounting Officer is responsible for preparing financial statements that give a true and fair view in all materialities in accordance with the Financial Regulations, 150 and 151 and State Accounts Guidelines No. 06/2024 dated 16 December 2024 as amended on 21 February 2025, and for determining such internal control as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Section 16(1) of the National Audit Act, No.19 of 2018, the Department is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable the preparation of annual and periodic financial statements.

In terms of Sub-section 38(1) (c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

#### **1.5 Auditor's Responsibilities for the Audit of the Financial Statements**

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's summary report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipal Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit

## 2. Report on Other Legal Requirements

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

- (a) That the financial statements are consistent with those of the previous year,
- (b) That the recommendations I had made on the financial statements for the previous year had been implemented.

## 3. Financial Review

### 3.1 Imprest Management

Audit Observation	Comments of the Accounting Officer	Recommendation
Although it was planned to request imprest amounting to Rs. 64,078,000 in the year 2024, the Department had requested imprest amounting Rs. 78,504,000 and received imprest amounting Rs. 63,446,000. Accordingly, imprest requested from the General Treasury was 23 percent more than the planned imprest value.	Imprest estimates anticipated for the year 2024 have been prepared Based on the year 2023, and imprest had been requested from the Department of Treasury Operations for the expected expenditure for each month. There were variances between the planned and requested imprest and action has been taken to incur expenditure during the year based on the imprest provided by the Department of Treasury Operations. Action will be taken to submit a revised imprest plan by incorporating the changes that occur during the year to the imprest plan for the estimates approved at the beginning of the year when preparing the estimates for the coming year.	The need should be identified and the imprest should be planned.

### 3.2 Expenditure Management

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Reduction of provision totalling to Rs.4,050,000 or in the range of 09 to 31 percent were made from the provision of 06 recurrent and capital objects during the year under review, and increase of provision totalling to Rs. 7,215,000 or in the range of 06 to 100 percent were made from 08 Objects and transfers had been made through F.R. 66 and supplementary estimates.	It was difficult to manage the expenditure within the basic estimate due to the increase in the allowances of officers in the year 2024, the increase in the prices of goods and services in the market and unexpected maintenance needs. The provision of the Objects that were not spent as planned was transferred under F.R.66 and expenditure was managed. In preparing the expenditure estimates for the coming years, it was noted that the expenditure estimates would be prepared accurately and realistically in terms of Financial Regulation 50.	Expenditure estimates should be prepared accurately and realistically in terms of F.R. 50.
(b) A sum of Rs. 4,072,773 had been utilized, out of the total provision of Rs. 5,416,000 provided for 08 recurrent and capital expenditure objects during the year under review, and provision totalling to Rs. 1,343,227 had been saved. The saving was in the range of 13 percent to 41 percent, out of the net provision.	Provision of Objects had been saved due to not incurring expenditure owing to expenditure control and external reasons beyond the control of the Departmental. there have been savings in allocations in the relevant expenditure items. When preparing expenditure estimates for the coming years, it was noted that expenditure estimates should be prepared accurately and realistically in terms of Financial Regulation 50.	Expenditure estimates should be prepared accurately and realistically in terms of F.R. 50.

### 3.3 Non-compliance with Laws, Rules and Regulations

The instances of non-compliance with the provisions of laws, rules and regulations observed during audit test checks are as follows.

	Observation	Comments of the Accounting Officer	Recommendation
Reference to Laws, Rules and Regulations	Non compliance		
F.R. 892 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Although a revised report of officers required to give securities should be prepared in the Form General 183 and submitted to the Secretary of the Ministry and the Auditor General before the 15 of February following the end of every three years, a revised report of officers, who should give securities, had not been submitted even by April 2025.	The list of security of the officers, who should give securities has been forwarded on 04.04.2025.	Action should be taken in accordance with the Financial Regulations.

## 4. Operational Review

### 4.1 Non-Performance of Roles

	Audit Observation	Comments of the Accounting Officer	Recommendation
(a)	Fourteen (14) complaints, out of the 71 complaints submitted to the Audit and received to the Department as at 31 December 2024 in relation to the irregularities in the public sector, had not been completed even by 18 August 2025.	It takes time to obtain information as it is required to call information from institutions in writing for investigations, to visit institutions and get statements, and to carry out inquiries, etc. Due to the shortage of officers in the year 2024, one officer had to carry out a large number of investigations. Those investigations were conducted while performing the duties assigned to them. Since the investigations were received at the end of the year were in the initial stage, it is practically impossible to complete them by the end of the year 2024.	Action should be made to maximize the performance of the Department.

- (b) It is the primary responsibility of the Department to ensure that the Audit and Management Committee meetings of public institutions are held properly as per the Action Plan for the year 2024. However, according to the information submitted to the audit, officers representing the Department had not participated in 125, out of 490 Audit and Management Committee meetings held during the year under review.
- According to the action plan, officers are being appointed as Treasury representatives in the audit and management committees of ministries, departments, district secretariats, provincial councils and special expenditure units. Since only six officers of the Sri Lanka Accounting Service are working in the Department, it is not practical to make them participate in the Audit and Management Committee meetings in all institutions. Therefore, representatives have been nominated only for departments selected according to their workload and that make a significant contribution to the national economy. Departments that have not been appointed representatives will be covered in the Audit and Management Committee meetings held for the ministries, to which those departments belong. Accordingly, one officer has to cover nearly 20 institutions. In cases where several institutions have organized audit and management committee meetings on the same day, it is practically impossible to attend some committee meetings. The primary responsibility for holding audit and management committee meetings is the primary responsibility of the heads of the relevant institutions and there are times when audit and management committee meetings are not held for a certain quarter due to their daily duties. Every effort has been made to optimally utilize the officers of the department and conduct audit and management activities effectively.
- Action should be taken to participate as much as possible or, should check whether it is possible to participate online when there are issues.

## **5. Human Resource Management**

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
According to the information of the Department, the number of approved posts was 50, and 12 posts, out of those posts, remained vacant. Six (06) vacancies, out of those vacancies, were senior level posts. The Department had not taken action to fill those vacant posts or to revise the approved cadre.	There were 12 vacant posts in the approved staff. Although the shortage of senior level officers affected the performance of the institution, the relevant duties were covered by the currently serving officers. The Ministry of Finance, Planning and Economic Affairs and the relevant institutions have been informed consistently to fill the vacancies of the staff. Accordingly, it has been possible to assign officers for 2 vacant senior level posts, out of the 6 senior level posts currently remained vacant.	Vacancies of employees must be filled according to the requirement.