

## **Head 023 – Audit Service Commission - 2024**

### **1. Financial Statements**

#### **1.1 Opinion**

Head 023 - The audit of the financial statements of the Audit Service Commission 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 statements 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 including my comments and observations on the financial statements of the Audit Service Commission was issued to the Chief 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 relating to the Audit Service Commission was issued to the Chief Accounting Officer on 09 June 2025 in terms of Section 11 (2) of the Audit Act. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, the financial statements give a true and fair view of the financial position of the Audit Service Commission as at 31 December 2024, and its financial performance and cash flows and on all the materialities in accordance with the basis of preparation of the financial statements set out in Note 1 to the financial statements.

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

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### **1.3 Emphasis of matter – Basis for preparing Financial Statements**

The attention is drawn to the Note 1 related to the Financial Statements which describes the basis of preparing these financial statements. The financial statements have been prepared as per the Financial Regulation 150, 151 and the State Accounts Guideline No. 06/2024 dated 16 December 2024 amended on 21 February 2025 for the requirement of the Audit Service Commission, General Treasury and the Parliament. Consequently, these financial statements may not be suitable for other objectives. My report is only for the use of the Audit Service Commission, General Treasury and the Parliament of Sri Lanka. My opinion on this matter is not modified.

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

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

As per Sub-section 16 (1) of the National Audit Act, No. 19 of 2018, the Audit Service Commission is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

As per Section 38 (1) (c) of the National Audit Act, the Chief Accounting Officer shall ensure that effective internal control system for the financial control of the Audit Service Commission exists and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

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

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

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

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

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

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

## **2. Financial Review**

### **2.1 Expenditure Management**

The following observations are made.

<b>Audit Issue</b>	<b>Comments of the Chef Accounting Officer</b>	<b>Recommendation</b>
(a) The total net provision amounting to Rs. 5,000,000; which had been made for 04 recurrent objects and one capital object, had remained unutilized.	It had been stated that the minimum vehicle repairs and the lack of rehabilitation and improvement expenditure were the reason for this.	The annual expenditure estimates should be prepared accurately and realistically in accordance with Financial Regulation 50.
(b) As the provision had been over allocated for 16 recurrent expenditure items and 03 capital expenditure items during the year under review, a total of Rs. 38,766,831 had remained after the net allocations of those expenditure items was utilized. The said balance ranged from 13 percent to 99 percent of the net allocation of each object.	It has been stated that the non-recruitment of staff, unavailability of opportunities for foreign trainings, and minimum vehicle repairs mainly resulted in the savings in recurrent expenditure items, and the lack of rehabilitation and improvement expenditure, minimum purchases during the year and the difficulties to get resource persons for training programs were the main reasons for the savings in capital expenditure.	The annual expenditure estimates should be prepared accurately and realistically in accordance with Financial Regulation 50.

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

An analysis of an instance of non-compliance with the provisions of laws, rules and regulations observed during sample audit tests is given below.

Reference to Laws, Rules and Regulations State Account Circulars	Audit Issue		Comments of the Chef Accounting Officer	Recommendation
	Value Rs.	Non-compliance		
Section 7.2 of the State Account Guidelines No.06/2024 dated 16 December 2024	789,689	The income collected on behalf of other accounting officers had been shown under the non-tax income and others in the statement of financial performance instead of being shown in the imprest reconciliation statement.	Although the adjustment is correct, it has been informed that it was noted to correct the change of the place in accounting.	The accounts should be prepared and presented as per the Circulars.

## 3. Operational Review

### 3.1 Non-fulfilment of functions

The Audit Service Commission had been given powers to perform the functions stipulated in Article 153(c) of the Constitution and the National Audit Act No. 19 of 2018. The following observations are made on the performance of those functions.

Audit Issue		Comments of the Chef Accounting Officer	Recommendation
(a)	Formulating and implementing Rules.		
	As per the Article 153(c) of the Constitution, the formulation of rules relating to the recruitments,	The draft of the Audit Service Commission Procedural Rules; which	The proceedings should be made in accordance with the provisions of the

appointments, promotions, transfers, disciplinary control and dismissal of members of the Sri Lanka State Audit Service, and obtaining relevant approvals adhering to the steps and procedures set out in Section 48 of the National Audit Act, No. 19 of 2018 should be done as the tasks to be performed by the Commission subject to the policies duly formulated by the Cabinet of Ministers, such rules had not been formulated and put into implementation even as at 31 December 2024.

includes rules in respect of appointments, promotions, transfers, disciplinary control and dismissal of members of the Sri Lanka State Audit Service and all the officers recruited by the Audit Service Commission, was completely prepared by 31 December 2024, and it has been notified that it will be published in the Gazette after being discussed in the Commission and reaching a final decision.

National Audit Act, No. 19 of 2018..

**(b) Establishment of a Center for State Audit Training and Development and formulation of rules related to the management of the Center**

Although it had been stated as per the Section 47 of the National Audit Act No. 19 of 2018 that a State Audit Training and Development Centre should be established under the Audit Office with the intention of improving human resource capacity in the field of public finance and auditing and the rules for the management of the center should be formulated by the Commission, such a training and development center had not been established by the National Audit Office. Therefore, the Audit Services Commission had not been able to take steps to formulate the relevant rules.

A State Audit Training and Development Centre should be established under the Audit Office to improve the human resource capacity in the field of public finance and auditing in terms of Section 47(1) of the National Audit Act, No. 19 of 2018, and the rules relating to the management of the said center should be formulated by the Commission in terms of Section 2 thereof. Accordingly, it has been stated that the steps will be taken by the Audit Services Commission to formulate the relevant rules after the establishment of the said training center under the National Audit Office.

The proceedings should be made in accordance with the provisions of the National Audit Act, No. 19 of 2018.

**(c) Confirming in the Service**

Even if the Attorney General had been consulted on whether the Audit Service Commission has the possibility to confirm the service of 73 Audit Officers in Grade II of Class III of the Sri Lanka State Audit Service recruited related to previous service minutes, the activities of confirming in the service had been put on hold as at 31 December 2024 until the receipt of advice from the Attorney General.

It has been informed that there is a legal obstruction to complete the confirmation activities until the receipt of instructions from the Attorney General, and the Attorney General has been requested to provide those instructions quickly.

The relevant instructions from the Attorney General should be obtained and the proceedings should be done accordingly.

**3.2 Procurements**

Following observations are made.

<b>Audit Issue</b>	<b>Comments of the Chef Accounting Officer</b>	<b>Recommendation</b>
A total sum of Rs. 2,127,074 (including tax) had been paid to 02 private companies for the purchase of 12 items of office equipment in various quantities in the year 2024. The following observation is made on this matter.		
(a) It had been stated as a condition in the bid document related to this procurement that the selected suppliers should deliver the relevant goods to the Commission office within three days from the date mentioned in the tender award letter, and a late fee of 0.05 percent of the amount for which the tender was awarded has to be charged for each day of delay from the suppliers	It had been stated as a condition of the bid document related to this procurement that the selected suppliers should deliver the respective goods within 03 days from the date mentioned in the tender awarding letter, and otherwise, a late fee of 0.05% has to be charged. However, the goods related to this procurement had to	The actions should be taken to charge the late fees based on the delivery time of the goods as stipulated in the bid document.

who do not deliver the goods within the specified timeframe, and the maximum late fee charged is 10 percent of the tender value. However, in this procurement, the relevant payments had been made based on the invoices submitted by the suppliers without issuing goods receipt notes and paying no attention to the condition of charging late fees based on the time of delivery of the goods.

be newly manufactured in line with our specifications. Consequently, it is not practical to provide those within a period of 03 days and therefore the subject officers have informed that the inclusion of this section in the bid document related to this procurement was a mistake, and accordingly the subject officers have been informed that such mistakes should not happen in the future.

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| <p>(b) The Commission had carried out the procurement of goods worth Rs. 8,287,646 on 24 occasions under the shopping method in the year 2024 without using the e-GP system paying no attention to the Public Finance Circular No. 08/2019 (ii) dated 06 February 2024, the Circular Nos. 08/2019(i) dated 19 April 2023 and No. 08/2019 dated 17 December 2019 that had been issued on the implementation of the e-Government Procurement (e-GP) System in Sri Lanka.</p> | <p>As the Audit Services Commission is a newly established institution, and a sufficient staff had not been attached thereto at that time, it is informed that the procurement activities had to be carried out under the shopping method for urgent works and supplies to be done quickly, and it has been informed that the instructions have been given to execute the procurement activities through the e-GP system in the future.</p> | <p>The steps should be taken to use the e-GP system for procurement activities in accordance with the Circular.</p> |
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### 3.3 Assets Management

Following observations are made.

Audit Issue	Comments of the Chef Accounting Officer	Recommendation
(a) Even if a van had been obtained for the Commission at a monthly rental of Rs. 318,600 (including VAT) under the operating lease basis subject to a maximum monthly mileage	Although the amount of 3000km has been included, the said figure can be adjusted as appropriate when entering into contract again since it was unable to determine the	The assets should be utilized effectively.

limit of 3000 km for a period of 02 years from 14 February 2024 to 14 February 2026, the average monthly mileage of this vehicle during the year 2024 was at a very low value such as 793 km.

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| (b)                                  | The total budgeted allocations for two Objects of the Audit Services Commission were Rs. 15,000,000 and it was observed that there was a difference of Rs. 2,720,000 when it is compared with the estimates mentioned in the procurement plan. | It has been informed that the steps were taken to prepare the procurement plan to purchase furniture, office equipment, machines and machineries as capital objects so as to be adequate only for the officers engaged in the service at that time.  | The procurement estimates should be prepared accurately.  |
| (c) <b>Updating Assets Registers</b> |  |  |   |
| (i)                                  | When comparing with Inventory Book as at 31 December 2024 and the BOS Report under Fixed Assets in CIGAS system, the differences were observed in 26 assets related to 12 asset items.   | As the same asset was shown in two places in the BOS Report, the asset differences in twelve items are observed, and even if this matter was previously reported to the Treasury and correction was made, it has been informed that it still exists. | The steps should be taken to revise and update the inventory book and fixed asset records that have been included in the CIGAS computer system. |
| (ii)                                 | Since the asset item naming mentioned in the CIGAS software and the inventory book are not matched each other, it was difficult in the audit to compare the records obtained through the CIGAS system with the inventory book.                 | The answers have not been given.   | The actions should be taken to code the assets and to update the relevant assets and inventory with those codes.                                |
| (iii)                                | According to the CIGAS BOS report used for the preparation of the financial statements as at 31 December 2024, 21 items of UPS and 16 items of Visitors Chairs had been double-counted as those were accounted under two asset heads.          | The answers have not been given.   | The actions should be taken to rectify the relevant reports.  |



(iv)	It was observed that the identification of the assets and their proper disposal when required as well as the verification of the accuracy of assets in the board of surveys are hindered as the asset codes generated by the CIGAS computer system were not used on physical assets	The answers have not been given.	The actions should be taken to apply the asset codes generated by the computer system to physical assets.
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#### 4. Human Resource Management

Audit Issue	Comments of the Chef Accounting Officer	Recommendation
<p>The total number of vacancies in the Commission as at 31 December 2024 was 33 that is 68 percent from the approved staff.</p> <p>If the availability of such vacancies affects on the performance of the Commission, it is appropriate to fill the vacancies in the future or, if not, revise the approved staff.</p>	<p>The required staff has been approved by the Department of Management Services on 15.03.2023. It is stated that the Ministry of Public Administration has been informed in writing at several occasions about the vacancies existing in all the approved posts.</p>	<p>The steps should be taken to fill the vacancies or revise the approved staff.</p>