

## **Head - 024 – National Procurement Commission - 2024**

### **1. Financial Statements**

#### **1.1 Opinion**

Head- 024 The audit of the financial statements of the National Procurement 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 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 . My comments and observations which I consider should be report to Parliament appear in this report. The summary report including my comments and observations on the financial statements of the National Procurement Commission was issued to the Chief Accounting Officer on 30 May 2020 in terms of Sub-section 11 (1) of the National Audit Act, No. 19 of 2018. The Annual Detailed Management Audit Report of the Commission in terms of Section 11 (2) of the National Audit Act was issued to the Chief Accounting Officer on 09 June 2025. 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 Natioal Procurement Commission at 31 December 2024, and its financial performance and cash flows for the year then ended inaccordance with the basis of preparation of the financial statements in all material respects, 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 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 opinion.

#### **1.3 Emphasis of matter - Basis of preparation of financial statements**

The attention is drawn 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 need of the Ministry of Defence, the Treasury and the Parliament in accordance with Government Financial Regulations 150 and 151 and State Accounts Guideline No. 06/2024 dated 16 December 2024, as amended on 21 February 2025. Accordingly, these financial statements may not be suitable for other purposes. My report is intended only for the use of the National Procurement Commission\_ , the Treasury and the Parliament of Sri Lanka. My opinion in this regard is not modified.

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

The Chief Accounting Officer is responsible for the preparation of financial statements that give atrue and fair view in accordance with Government Financial Regulations 150 and 151 and StateAccounts Guideline No.06/2024 dated 16 December 2024 as amended on 21 February 2025 and for the determination of the internal control that is necessary to enable the

preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **1.5 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 report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

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

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control.
- Evaluate the structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

## **2. Financial Review**

### **2.1 Expenditure management**

The following observations are made..

<b>Audit Issue</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
(a) During the year under review, due to the provision of over-provisions for 13 recurrent expenditure items and 07 capital expenditure items, a total of Rs. 36,748,074 remained after utilization of the net allocations of those expenditure items. The balance ranged from 20 percent to 100 percent of the net allocation of each expenditure item.	It is noted that the reasons for this have been presented under A.C.A. 2(ii)..	According to Financial Regulation 50, annual expenditure estimates should be prepared accurately and realistically.
(b) Since insufficient allocations had been made for 03 expenditure items, additional provisions amounting to Rs. 905,000 had been obtained under F.R. 66. These additional provisions represented a range of 18 percent to 39 percent of the original estimated provision for each expenditure item.	More persons had come to the institution during the year than the number of officers employed in the institution at the time of preparing the estimates, and therefore the expenditure had exceeded the provisions made in the estimates for the year.	According to Financial Regulation 50, the annual expenditure estimates should be prepared accurately and realistically.
(c) Since over-provisions had been made under three expenditure items, a total provision of Rs. 3,412,500 allocated for those items had been transferred to other expenditure items under F.R.66. Such transfers ranged from 50 percent to 67 percent of the original estimate provision of each expenditure item.	It was also observed that the provisions allocated had remained unutilized due to the restriction of officers' overtime and travelling expenses under the State Expenditure Management Policy, as well as savings from building rent.	In terms of Financial Regulation 50, the annual expenditure estimates should be prepared correctly and realistically.
(d) A total provision of Rs. 2,500,000 had been allocated under F. R. 66 for two expenditure items for which no provisions had been made in the budget estimates.	In accordance with the instructions of the National Budget Department, the allocated provisions were transferred to the relevant expenditure items, and corrective action was taken.	In terms of Financial Regulation 50, annual expenditure estimates should be prepared accurately and realistically.

## 2.2 Advances to Public Officers Account

<b>Audit Issue</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
According to Treasury Account Statement (SA 52), the balance of advance accounts stood at Rs.1,981,352 and it was observed that the amount presented in the statement of financial position was understated by Rs. 246,230. Consequently, both the total assets and the net assets of the Treasury were understated by the same amount.	It has been stated that Head No. 21 credited this amount of Rs. 246,230 and later the same institution itself debited the same amount to the account and these details have been shown in the SA51 Treasury Form.	The balance of advance accounts should be accurately presented in the statement of financial position.

## 2.3 Entering into Liabilities and Commitments

<b>Audit Issue</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
It was observed that liabilities totaling Rs. 470,268 for the year under review were not included in the Statement of Liabilities and Commitments as at 31 December 2024.	This value is the value of bills that were not received until the preparation and presentation of the financial statements for the year 2024, and indicates that it could not be included in liabilities and obligations.	All liabilities and accounts payable for the year should be identified and included in the financial statements.

## 2.4 Non-Compliance with Laws, Rules and Regulations

The instances of non-compliance with laws, rules, and regulations observed during the performance audit are analyzed and presented below.

	<b>Issue</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
<b>Refer to the laws, Rules and regulations</b>	<b>Value and Rs.</b>	<b>Non-Compliance</b>	
(a) Amended Government Accounting Guidelines No. 06/2024 dated 18	-	The note and reporting basis for the statement of financial position	It was reported that the accounts had been prepared and signed at the time of
			Accounts should be prepared and submitted in accordance with the Government

February 2025	(ACA-P) included in the 2024 set of financial statements did not specify the purpose for which the financial statements were prepared..	issuance of the Amended Government Accounting Guidelines No. 06/2024. Since it was indicated that no amendments were necessary, no modifications were made thereafter.
---------------	---	--

(b) Paragraph 7 of the 281,511 Asset Management Circular No. 01/2017 dated 26 June 2017	Information regarding assets purchased and disposals during the year under review had not been reported to the Office of the Comptroller General.	It was indicated that, due to reasons such as staff shortages, it was not possible to report these asset-related details, and that arrangements have been made to rectify this in the future.	Actions should be carried out in accordance with the Circular.
---	---	---	--

### 3. Operating Review

#### 3.1 Planning

The following observations are made.

Audit Issue	Comments of the Chief Accounting Officer	Recommendation
(a) According to Paragraph 3 of the Government Finance Circular No. 02/2020 dated 28 August 2020, the annual action plan for the upcoming year should be prepared and submitted to the Chief Accounting Officer for approval before 15 December of the preceding year. However, the action plan submitted for audit contained only activities for the year 2024 and was approved without specifying the relevant dates.	Due to a delay in relating to the 2024 annual action plan, the approval date could not be recorded. It has been noted that corrective measures will be taken to submit the plan accurately for the upcoming year.	The annual action plan should be prepared in accordance with the Circular, approved by the relevant authority, and submitted for audit before the prescribed date.

- |     |  |   |  |
|-----|--|---|--|
| (b) | The annual action plan had not been prepared to include the matters required under Guidelines Nos. 12(a), (b), (c), (d), and (e) of the Government Finance Circular No. 02/2020 dated 28 August 2020.  | Due to delays, updated organizational records and approved staff details could not be included in the action plan. It has been indicated that these details will be incorporated and submitted in the future. | Actions should be taken to prepare the annual action plan in accordance with the Circular. |
| (c) | The National Procurement Commission submitted an action plan for the activities to be carried out in 2024 for the audit, the time frames for implementing activities in the responsibility areas listed below were not clearly specified. The progress in these areas as at 31 December 2024 is shown below. | No reply was submitted.   | More specific time frames should be provided for the implementation of the activities.     |
| i.  | The Procurement Guidelines for Goods, Works, and Non-Consulting Services – 2024 were published in the Gazette on 25 November 2024 in Sinhala, English, and Tamil languages, and the Circular was issued to be effective from 01 January 2025. The corresponding handbook was published only in English.      | No reply was submitted.   | Tasks should be carried out as prescribed.   |
| ii. | The guidelines for the procurement of consulting services were drafted, and it was planned to issue them along with the corresponding handbook during the year 2025.   | No reply was submitted.   | Tasks should be carried out as prescribed .  |

### 3.2 Asset Management

The following observations are made.

Audit Issue	Comments of the Chief Accounting Officer	Recommendation
(a) As at 31 December 2024, in terms of Paragraph 3.1 of the Government Administrative Circular No. 30/2016 dated 29 December 2016 on the maintenance of government vehicles, fuel inspections had not been carried out for four vehicles owned by the Commission. Furthermore, in accordance with Paragraph 3.3 of the Circular, records regarding the vehicles had not been maintained using the prescribed register format.	It was indicated that fuel inspections had not been carried out due to an insufficient number of staff in the Commission, and arrangements have been noted to conduct these inspections in the future.	Actions should be taken to carry out in accordance with the Government Administrative Circular.
(b) Log books for 04 vehicles had not been properly maintained and updated in accordance with Financial Regulation 1645(a).	It has been indicated that the logbooks are being maintained accordingly.	In accordance with the provisions of Financial Regulation 1645(a), logbooks should be updated and maintained for each vehicle.
(c) Although a complete inspection of the vehicles and their equipment should have been conducted in accordance with F. R. 1647(b), no such inspection was carried out during the year 2024.	No inspection was conducted in relation to the vehicles; however, it has been noted that arrangements have been recorded to carry out vehicle inspections in the future.	Actions should be taken in accordance with F.R. 1647(b).
(d) Updating of asset records.		
i. As at 31 December 2024, when comparing the Inventory Book and the BOS Report under fixed assets in the CIGAS system, discrepancies were observed for 197 assets corresponding to 48 asset items.	The asset codes have been assigned in accordance with the page numbers and the manner in which data is recorded in the Inventory Book, and it is indicated that these codes were provided under this procedure before entering the data into the CIGAS computer system	Action should be taken to revise and update the fixed asset records entered in the stock ledger and the CIGAS computer system.

- |     |  |   |  |
|-----|--|---|--|
| ii. | It was observed that the failure to use the asset codes generated by the CIGAS computer system on the physical assets hinders the identification of assets, their proper disposal when necessary, and the verification of the accuracy of assets during Board of Survey. | Some delays have occurred in carrying out these activities under limited space and minimal staff; however, it has been indicated that asset coding will be implemented once the office in the new building is properly established in the future. | Asset coding should be carried out using the asset codes generated by the CIGAS computer system. |
|-----|--|---|--|

#### 4. Human Resource Management

The following observations are made.

Audit Issue		Comments of the Chief Accounting Officer	Recommendation
(a)	As at 31 December 2024, the total number of vacancies in the Commission was 30, representing 60% of the approved staff. Among these vacancies, there were 10 at the senior level, 2 at the tertiary level, 10 at the secondary level, and 8 at the primary level. In addition, the number of employees recruited on a contract basis, who were not included in the approved staff was 3.	Due to limited facilities at the institution, staff had not been recruited; however, it has been indicated that this situation can be resolved once the new building is constructed.	Action should be taken to fill the vacancies without delay or to revise the approved staff.
	(b) The functions of the Procurement Commission include establishing procedures and standards for procurements carried out by all government institutions, regulating such procurements, and reporting to the appropriate authorities. Although three procurement specialists were included at the senior level of the approved staff of the Commission for recruitment on a contract basis to perform these duties, as at 31 December 2024, these specialist vacancies had not been filled.	Action has been taken to obtain the services of procurement specialists as required.	Action should be taken to acquire the knowledge of procurement specialists.