

Head 250 – Department of State Accounts - 2024

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Head 250 - Department of State Accounts for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, 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 including my comments and observations on the financial statements of the Department of State Accounts was issued to the Accounting Officer on 31 May 2025 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report was issued to the Accounting Officer on 24 July 2025 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report is tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, the financial statements of the Department of State Accounts for the year ended 31 December 2024 give a true and fair view of the financial position, financial performance and cash flows, in accordance with the basis of preparation set out in Note 1 to the financial statements, in all material respects.

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 this 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

Attention is drawn to Note 1 of the financial statements detailing the basis for preparation of these financial statements. These financial statements have been prepared in accordance with Financial Regulations 150 and 151 of the Government and the State Accounts Guideline No. 06/2024 dated 16 December 2024, as amended on 21 February 2025, for the requirement of the Department of State Accounts, General Treasury, and the Parliament. Therefore, these financial statements may not be suitable for other purposes. My report is intended solely for the use of the Department of State Accounts, General Treasury, and the Parliament of Sri Lanka. My opinion is not modified on this matter

1.4 Responsibilities of the Accounting Officer for the Financial Statements

The Accounting Officer is responsible for the preparation of financial statements that give a fair view in all material respects in accordance with Financial Regulations 150 and 151 of the Government and the State Accounts 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 Department of State Accounts 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 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 skepticism 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 Department's internal control.
- Evaluate the structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Evaluate the overall presentation, structure and content of the financial statements including 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 express the following matters in terms of Section 6 (1) (d) of the National Audit Act, No. 19 of 2018.

- The financial statements are consistent with the preceding year,
- The recommendations made by me on the financial statements of the preceding year had been implemented.

3. Financial Review

3.1 Management of Expenditure

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Over provision had been made for 05 recurrent objects and 03 capital objects, and as such a provision totalling Rs.12,490,183 had been saved as at 31 December 2024. The savings ranged from 14 per cent to 100 per cent of the net provision made for each object.	Limitation of deploying officers for overtime and holiday duties, reduction of travelling expenses due to conducting meetings and discussions among state institutions through online methods, controlling of expenditure in terms of the National Budget Circular No. 01/2024 dated 10 January 2024 on the management of government expenditure, carrying out only essential maintenance works, conducting most of the training programmes through online methods, and failure to complete the planned tasks due to non-receipt of the prescribed approval for the accounting standards amended to suit the state institutions for the interim period, had been the reasons for the savings of provisions.	The annual expenditure estimates should be prepared as accurately as possible as per F.R. 50.

- (b) When comparing the original estimate and the revised estimate of expenditure for the year under review, variations ranging from a decrease of 58 per cent to an increase of 211 per cent were observed in respect of 17 expenditure objects. The budget estimates had been revised due to reasons such as, the increase of the monthly cost of living allowance by Rs.10,000 and the executive officers' special allowance by Rs.25,000 according to the budget proposals of 2024, an increase in foreign training and conferences exceeding the expected level, a decrease in the prices of stationery and the implementation of necessary measures to reduce the usage of stationery as compared to previous years which had resulted in a decrease in the expected expenditure, incurring only essential maintenance expenditure which had resulted in a decrease in the expected expenditure, the control of expenditure in terms of the National Budget Circular No. 01/2024 which had resulted in a decrease in the expected expenditure, the increase in Value Added Tax, the non-incurrence of the expected level of expenditure due to the transfer of officers who had obtained property loans, the increase in repair expenditure due to the increase in the prices of accessories, the purchase of essential computer and office equipment, and the inability to complete the relevant task as planned due to the non-receipt of the required approval for the accounting standards amended to suit public institutions for the interim period. The annual expenditure estimates should be prepared as accurately as possible as per F.R. 50.
- (c) Although provisions for 04 expenditure objects had been increased through F.R. 66, due to the non-allocation of adequate provisions from the annual estimates, those additional provisions were not fully utilized by the end of the year under review. Although provisions had been requested for a foreign training programme applied for by an officer, that officer had not been selected for the respective training programme. Further, out of the additional provisions allocated for the purchase of laptop computers

-Do-

and other essential office equipment, procurement activities had been carried out as prescribed and purchase orders had been placed; however, relevant institutions had informed that some of the ordered items could not be delivered within the year under review. Accordingly, the provisions allocated based on the relevant estimates had remained unutilized. Moreover, the prices quoted by the relevant institution for the laptop computers purchased for Room No. 110 had been lower than the estimated prices, which had also resulted in savings from the provisions allocated.

- | | | | |
|-----|--|--|------|
| (d) | Due to the allocation of inadequate provisions, 02 instances were observed where the provisions set from the original estimate exceeded 100 percent, and additional provisions obtained through F.R. 66. | The variations were due to factors such as urgent repairs to essential printing equipment, the increase in server prices by 2024 compared to the estimates made in mid-2023, and the emergence of a need to procure technical equipment for the computer centre. | -Do- |
|-----|--|--|------|

3.2 Issuance and Settlement of Advances

3.2.1 Miscellaneous Advance Account

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) As at 31 December 2024, the outstanding balance of the Miscellaneous Advances exceeding 05 years amounted to Rs.123,685,062, representing 94 per cent of the total outstanding balance. Further, unsettled balances exceeding 20 years were observed from the institutions such as District Secretariat Offices of Polonnaruwa,	Actions are being taken to recover the outstanding balances by continuously liaising with the responsible institutions, providing necessary guidance and assistance, and through persistent follow-up actions.	Adequate future action should be taken to settle the outstanding balances by formalizing the follow up action.

- Anuradhapura, Ampara, and Matale, Department of Agrarian Services and the Director, National Hospital, Colombo. However, it had been failed to recover those outstanding values of advances even during the year under review.
- (b) Magistrate's Court at Maligakanda has informed the Ministry of Health that the case filed in relation to the salary robbery that occurred on 02 December 2002 at the Colombo Dental hospital has been labeled C 3 on 26 July 2022. Even though it had elapsed 02 years since the Ministry of Health has submitted 'General 285' applications to write off this amount, the Department had failed to write off the amounts or take any other appropriate action even by 30 May 2025. The balance related to the robbery of funds at the Colombo Dental hospital has remained unsettled for over 22 years. As recovery has not been effected to date, applications for the write-off of this amount have been submitted to the Chief Accounting Officer. At a meeting held on 03 March 2025 under the direction of the Deputy Secretary to the Treasury, it was instructed that, following approval for the write-off, the loss should be formally accounted for by 30 April 2025. -Do-
- (c) It was agreed on 21 August 2023 to settle the outstanding advance balance of Rs.5,100,300 related to the Miscellaneous Services Cooperative Society- Eppawala included in the outstanding advance amount of Rs.31,097,247 under the District Secretariat, Anuradhapura, through a concessional repayment method. However, the installments agreed upon were not duly paid by the Society, and as at 30 May 2025, an amount of Rs.500,000 remained outstanding for the year under review. It has been informed in writing to verify whether payments are made in accordance with the agreed schedule by the the Miscellaneous Services Cooperative Society- Eppawala. Furthermore, instructions in this regard were also provided at the meeting held on 03 March 2025 under the chairmanship of the Deputy Secretary to the Treasury. -Do-
- (d) Under the District Secretariat, Matale, a concessional repayment arrangement was granted for the outstanding advance amount of Rs.643,350 related to the Miscellaneous Services Cooperative Society- Laggala as at 01 January 2021, under which an annual The District Secretariat, Matale, has been formally informed in writing to take necessary action to recover the unpaid installments for 2021, 2022, and 2023 by the the Miscellaneous Services Cooperative Society- Laggala, and to subsequently follow up to ensure that the installments are -Do-

installment of Rs.120,000 was settled in accordance with the agreed. However, during 2021, 2022, and 2023, only Rs.100,000, Rs.110,000, and Rs.100,000, respectively, were paid, resulting in an outstanding balance of Rs.213,358 as at 31 December 2024.

- | | | | |
|-----|---|---|------|
| (e) | The advance of Rs.6,321,785 released in terms of F.R.106 for settling the loss occurred due to a financial fraud taken place on 02 March 2019 in the Anurahapura Teaching Hospital had not been settled even by the 30 May 2025 despite an elapse of over 06 years. | Upon completion of the inquiries and legal proceedings conducted by the Ministry of Health, subsequent action is to be taken in accordance with the decision of the Court. Instructions were also provided at the meeting held on 03 March 2025 under the chairmanship of the Deputy Secretary to the Treasury to take follow up action in this regard. | -Do- |
| (f) | The advance amount of Rs.1,210,803, released under F.R. 106 to recover the loss arisen due to the theft of funds at the Ambalangoda Divisional Secretariat on 26 September 2023, had not been settled as at 30 May 2025. | It has been instructed that the ongoing investigation be expedited and that the relevant amounts be recovered from the responsible parties and credited to the advance account. | -Do- |

4. Operating Review

4.1 Non-achievement of expected Outcome

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The introduction of an integrated treasury management information system (ITMIS) to automate treasury operations had been commenced in the year 2010, and the estimated cost of the total investment in this regard was amounted to US\$ 60 million equivalent to Rs.7,920 million. Accordingly, a total sum of Rs.5,647 million had been incurred in this regard as at 31 December 2023, and an expenditure of Rs.957 million had	The court case management process of the system had been developed only for the Department of Legal Affairs of the Ministry, and it is a limited process which is not related to the main stream of public financial management in the system. Although this process had been initially used by the said Department, it had not been continuously operated by now due to its less significance.	Since, it has been delayed already, prompt action should be taken to fully develop and implement the system.

also been incurred under the expenditure heads of the Department of Information Technology Management and the Ministry of Finance, Planning and Economic Development during the year under review. Even though as at 31 December 2024, a total expenditure of Rs.6,605 million had been incurred, the 13 basic main activity areas expected to be implemented by this system had not been fully developed and implemented despite 14 years had elapsed approximately by the end of the year under review.

As it is not practically feasible to implement a process covering a vast capacity such as ITMIS simultaneously in all Government institutions, the processes relating to budget execution of the system had initially been expanded and completed by the year 2020, and the expansion of the processes relating to expenditure management of the system had been commenced subsequently. However, the expansion activities of the system had been severely disrupted due to the Covid pandemic situation, the instability caused by the social and economic crisis, and the disruption of electricity and transport services, and as such, the training programmes planned to be conducted island-wide for users could not be implemented. Further, due to the studies conducted on the system by internal and external experts/committees, the renewal of the operations and maintenance service agreement of the system had been delayed, and accordingly, obtaining additional user licences required for completing the expansion of the system had been delayed up to February 2025.

- (b) Further, in the year 2016, another payroll management system called e-Payroll had been introduced only to the Ministry of Finance without installing and implementing the salary management activity area which was expected to be implemented since the beginning of the ITMIS system, and an expenditure amounting to Rs.6.7 million had been incurred for that as at 31 December 2024.

The Ministry of Finance had identified, by the year 2016, the necessity of implementing a new software system covering the entire public sector for payroll management in place of the outdated software which is still being used within the public sector for payroll management. The payroll management process developed under the ITMIS system had not been a technically suitable process to be expanded for the entire public sector. Further, as a

Implementation of a payroll management system for the entire public sector should be expedited with special attention to economy and efficiency.

large amount of funds had to be incurred for obtaining additional user licences, it had been economically disadvantageous as well. Accordingly, at the policy meeting of the Ministry held in April 2016, it had been decided to develop another software system suitable for payroll management covering the entire public sector, and as such, further development of the limited payroll management process of the ITMIS system had not been carried out.

In terms of the above decision, the e-Payroll system developed for payroll management is presently being operated as a pilot run within the Ministry of Finance and the Departments of the Treasury, and further actions are to be taken based on its success.

4.2 Procurement

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>According to the original procurement plan for the year 2024 approved on 27 December 2023, an estimated cost of Rs.6.5 million had been allocated for the acquisition of furniture and other office equipment. However, during the year under review, a sum of Rs.9,717,960 had been incurred for the purchase of a new server and an SQL database for the CIGAS Division and a further sum of Rs.5,003,200 had been incurred for the purchase of 20 laptop computers for the Payroll Software Division, aggregated to Rs.14,721,160 which had not been included in the original procurement plan, and such expenditure had been incurred without obtaining prior</p>	<p>Due to the increase in the prices of technical equipment compared to the estimated cost as well as the necessity to carry out the relevant activities within the year, it had become essential to obtain additional provisions and to purchase laptop computers and other technical equipment required for CIGAS, GPS and other training programmes. Since it was anticipated that savings would remain under the relevant expenditure object as the planned activities could not be completed within the year owing to the non-receipt of the required approval for utilizing the provisions allocated under that object, instead</p>	<p>The procurement plan should be prepared after identifying priorities by taking into consideration all the requirements.</p>

approval. Subsequently, at the end of the year under review, the procurement plan had been revised on 06 January 2025 by increasing the relevant estimated provision up to Rs.19.34 million, representing an increase of 198 per cent.

of obtaining additional provisions under object 2102, the provisions required for this purpose had been managed by transferring provisions from an expenditure object under which savings could be expected in the year 2024, through Financial Regulation 66, as it was economically more beneficial. Accordingly, the revised procurement plan had been prepared including those office equipment procured and purchased in the year 2024.

4.3 Management Inefficiencies

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) According to the age analysis of Government officers' advances (8493) submitted as at 31 December 2024, balances recoverable from officers who had been transferred to other Ministries/Departments, officers who had been internally transferred, officers transferred to institutions under Provincial Councils, deceased officers, retired officers, interdicted officers, officers who had vacated posts, officers who had been transferred/ internally transferred on a secondary basis, officers on foreign/local leave, and others, amounted to Rs.108 million relating to periods between 05 and 10 years, while balances amounting to Rs.232 million had remained outstanding for over 10 years.	At the end of each year, upon submission of the Government Officers' Advance "B" Account of to the Department of State Accounts, all outstanding balances recoverable are analysed, and the relevant institutions are informed to take action to settle them in compliance with the Establishment Code, Financial Regulations, and prevailing circular instructions. The progress of such institutions is obtained on a quarterly basis, and continuous follow-up is carried out by reviewing the progress of recoveries of outstanding balances and providing necessary technical guidance.	The existing system should be strengthened to expedite the recovery of outstanding advances.
(b) According to the Financial Statements of the Government as at 31 December 2024, the balance of Government Officers' Advances of the Central Government amounted to Rs.32,268 million. However, as per the	Action is being taken to issue instructions to the relevant institutions to reconcile the differences between the balances shown in the advance "B" Accounts submitted by	-Do-

information submitted to audit by the Ministries/Departments and the Department of State Accounts, that Treasury balances. balance was Rs.31,370 million, thus a difference of Rs.898 million was observed.

5. Human Resource Management

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>As at 31 December 2024, out of the 41 vacancies in the Department, 12 were at the senior level, 2 at the tertiary level, 23 at the secondary level, and 4 at the primary level. The department had not taken action to fill the relevant posts or conduct a cadre analysis and suppress the unnecessary posts during the year under review.</p>	<p>At present, officers have been assigned to 01 tertiary-level vacancy and 02 secondary-level vacancies. The vacancy letters in order to assign officers to 09 senior-level positions have been forwarded through the Secretary to the Ministry of Finance to the Secretary to the Ministry of Public Administration, Provincial Councils and Local Government. Further, the Ministry of Public Administration, Provincial Councils and Local Government has informed that there are no additional officers currently available to fill the remaining vacant positions and that action will be taken in the future to address this matter.</p>	<p>Action should be taken to fill the vacancies or to revise the cadre.</p>