

Head 06 – Public Service Commission

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Public Service Commission for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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. In terms of Section 11(1) of the National Audit Act, No. 19 of 2018, the summary report including my comments and observations on the financial statements of the Public Service Commission was issued to the Chief Accounting Officer on 15 June 2020. In terms of Section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the Commission was issued on 06 July 2020 to the Chief Accounting Officer. This report which should be read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka is submitted to Parliament in terms of Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements prepared in terms of provisions of State Accounts Circular bearing No. 271/2019 of 03 December 2019 give a true and fair view of the financial position of the Public Service Commission as at 31 December 2019, and of its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility, under those standards is further described in the Auditor's Responsibility 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 Responsibility of the Chief 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 Generally Accepted Accounting Principles and in terms of Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Chief 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 Section 16 (1) of the National Audit Act, No. 19 of 2018, the 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 of the Commission.

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 Public Service Commission and carry out periodic reviews to monitor the effectiveness of such system and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 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 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, they could reasonably be expected to influence the economic decisions of users taken 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 Department'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 Chief Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5. Report on Other Legal Requirements

As required by Section 6 (1) (d) and Section 38 of the National Audit Act, No.19 of 2018, I state the followings:

- (a) The financial statements of the year under review are consistent with the preceding year.
- (b) Recommendation pointed out in my report on the financial statements submitted in the preceding year in relation to observation included in paragraph 1.6.2 (b) of this Report had not been implemented.

Reference to Paragraph	Audit Observation	Recommendation
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1.5.3 (ii)	The value of property, plant and equipment and the value of reserves of property, plant and equipment stated in the statement of financial position were not correct since the value of statement of non-financial assets was not correct.	Rectifying the value of property, plant and equipment as at 01 January 2019.

1.6 Comments on Financial Statements

1.6.1 Non-compliance of Financial Statements with the Provisions of the Circulars

Audit Observation	Recommendation	Comments of the Chief Accounting officer
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(a) The statement of cash flow had not been prepared in terms of the Format given in the Circular.	The statement of cash flows should be prepared in terms of the Circular.	I accept the observation.
(b) The year-end final financial statements of the Treasury of the year 2019 had not been included as annexures in the financial statement.	The year-end financial statements of the Treasury should be included as annexures in the financial statement.	I accept the observation.

1.6.2 Statement of Financial Position

The Following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting officer
(a) Lease assets amounting to Rs.39,000,000 had been double counted in the statement of financial position.	Assets should be brought to accounts for one time only.	I accept the observation.
(b) The value of property, plant and equipment and the value of reserves of property, plant and equipment stated in the statement of financial position were not correct since the value of the statement of non-financial assets was not correct.	The value of the statement of non-financial assets should be stated accurately.	Values were not accurate as the existence of a difference of Rs.14,095,070 in the opening balance and inclusion of 10 photocopy machines by mistake instead of including 05 photocopy machines.
(c) Since the balance of property, plant and equipment was not correct, the reserve of property, plant and equipment too was not correct.	The correct balance of property, plant and equipment should be included in the financial statement.	I accept the observation.
(d) The value of lease assets in the statement of non-financial assets had not been indicated after adding stamp duty amounting to Rs. 521,040.	Lease assets should be accurately indicated in the statement of non- financial assets.	I accept the observation.
(e) The value of office equipment and furniture had been overstated by an amount of Rs. 78,000 in the financial statement.	The value of office equipment and furniture should be accurately indicated in the financial statements.	I accept the observation.
(f) Even though a vehicle, which costed Rs.875,000 owned by the Commission had been sold on 09 January 2019 at a sum of Rs.1,258,000, information regarding the vehicle had not been included in the opening balance or under the disposals.	The relevant values should be included in the opening balance or under the disposals.	Since arrangements have been made to dispose of the vehicle, it was not included in the opening balance and under disposals.

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| (g) | Even though 09 types of goods had been auctioned at the auction conducted on 01 August 2019 and 10 goods had been destroyed, information in this regard had not been included under disposals. | The relevant values should be included in the opening balance or under the disposals. | Since arrangements had been made for disposal at the time of obtaining the valuation on 09 August 2019, it had not been included in the opening balance and under the disposals. |
| (h) | The value of property, plant and equipment and the value of reserves of property, plant and equipment stated in the statement of financial position were not correct since the value of the statement of non-financial assets was not correct. | The value of the statement of non-financial assets should be stated accurately. | Values were not accurate as the existence of a difference of Rs.14,095,070 in the opening balance and inclusion of 10 photocopy machines by mistake instead of including 05 photocopy machines. |

1.6.3 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with the provisions of Laws, Rules and Regulations observed during the audit test checks are analyzed and stated below.

Reference to Laws, Rules and Regulations	Observations ----- Non-compliances	Recommendation	Comments of the Accounting Officer
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(a) FR 1647 (b) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	A complete survey had not been carried out on vehicles and their equipment.	A complete survey should be carried out on vehicles as well as on their equipment.	Officers have been instructed to conduct a survey in the year 2020.
(b) Public Finance Circulars -----	(i) Sections from 3.1.1 up to 3.1.6 of the Circular bearing No. 05/2016 of 31 March 2016	The Report on the Annual Verification of Goods for the year 2018 had been submitted to the Auditor General on 28 August 2019 after a delay of 05 months.	As indicated in the Circular, the report of the annual verification of goods should be submitted to the Auditor General on 31 March 2019.
			I accept the observation.

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| (ii) | Paragraph 3.1.4 | Reporting of shortages and excesses as per the report of verification of goods and taking action in that regard had not been done before 17 February. | Action should be taken as stipulated in the Circular. | I accept the observation. |
| (iii) | Paragraph 3.1.5 | Action had not been taken in relation to the goods that should be disposed as per Form General 47 before 26 February. | Action should be taken as stipulated in the Circular. | I accept the observation. |
| (iv) | Paragraph 03 of the Circular bearing No.01/2014 of 17 February 2014 | Internal audit plan had not been included in the annual action plan. | Internal audit plan should be included in the annual action plan. | Action will be taken in the following year to prepare the annual action plan including the internal audit plan. |

(c) State Accounts Circulars

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| Note – (i) of the Circular No. 271/2019 of 03 December 2019. | The loss of Rs. 301,962, occurred due to the accident faced by a motor vehicle on 31 December 2019 had not been stated under the statement of the writing offs and recoveries under FR 109. | The relevant values should be stated in the statement of writing off and recoveries under FR 109. | It has not been stated under the relevant statement as valuation reports related to the accident had not been received even by 31 December. |
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(d) Procurement Manual

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| Format 4.2.1 | The type of procurement had not been clearly mentioned in the procurement plan. | The type of the procurement should be clearly indicated in the format of the procurement plan. | Estimates for items had been prepared in accordance with the requirements obtained from the Divisions. |
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2. Financial Review

2.1 Reconciliation Statement of the Advances to Public Officers Account

Audit Observation	Recommendation	Comments of the Chief Accounting officer
----- Settlement of loan balances of the officers, who were transferred from the Commission and Officers, who transferred to the Commission was delayed.	----- In terms of the Public Finance Circular bearing No. 05/2019 of 27 June 2019, action should be taken in relation to the unsettled loan balances of officers, who go / come on transfers in accordance with Sections 1.6, 1.7 and 6.3 of Chapter XXIV of the Establishments Code and in terms of the Budget Circular No. 118 of 11 October 2004.	----- The relevant officers have been instructed to settle the loan balances of the officers, who came on transfers before the lapse of two months.

3. Operational Review

3.1 Procurement

Audit Observation	Recommendation	Comments of the Chief Accounting officer
----- In the purchase of racks amounting to Rs. 429,000 to the record room, an agreement had not been reached on the warranty period and racks had been corroded.	----- In procurement, an agreement should be reached in relation to the warranty period.	----- I accept the observation. The relevant suppliers have been notified through telephone to change the corroded racks again, or to paint them.

3.2 Asset Management

Audit Observation	Recommendation	Comments of the Chief Accounting officer
----- Even though a sum of Rs.25,500 had been incurred for repairs and Rs.27,724 had	----- Action should be taken in terms of the Public Finance Circular No. 353 of 30	----- Action is being taken to transfer the vehicle to another institution as the fuel consumption is higher

been incurred for fuel in the year 2019 for a pool vehicle, it had run a distance of 58 km only.

September 1997, No. 438 of 13 November 2009 and No. 353 (5) of 03 January 2003 and in terms of FR 771.

and a higher maintenance cost has to be incurred on the vehicle.

The Commission had not run a jeep in economically productive way throughout the year.

Action should be taken in terms of the Public Finance Circular No. 353 of 30 September 1997, No. 438 of 13 November 2009 and No. 353 (5) of 03 January 2003 and in terms of FR 771.

The vehicle had been used only for emergency and essential duties as the fuel consumption is higher and a higher maintenance cost has to be incurred on the vehicle.

4. Human Resource Management

Audit Observation	Recommendation	Comments of the Chief Accounting officer
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The total number of vacancies in the Commission as at 31 December 2019 was 21 including 5 Posts in the Senior level, namely, 3 Posts of Assistant Secretary and Post of System analyst and Post of Legal officer.	If there are essential Posts, such vacancies should be filled.	All the vacancies prevailed in the Posts in the Sri Lanka Administrative Service were filled by 03 June 2020. Plumbers and Electricians have been recruited. Recruitment for vacancies in the primary grade has been suspended as per the decision of the Cabinet of Ministers dated 22 January 2020.