

Head- 051- Ministry of Digital Infrastructure and Information Technology

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ministry of Digital Infrastructure and Information Technology for the year ended 31 December 2019 comprising the statement of financial position 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. The summary report containing my comments and observations on the financial statements of the Ministry of Digital Infrastructure and Information Technology was issued to the Chief Accounting Officers on 29 May 2020 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report relevant to the Ministry was issued to the Chief Accounting Officer on 04 September 2020 in terms of Section 11 (2) of the National Audit Act No. 19 of 2018. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the accompanying financial statements prepared in accordance with the provisions in the State Accounts Circular No.271/2019 dated 03 December 2019 give a true and fair view of the financial position of the Ministry as at 31 December 2019, and of its financial performance and its cash flow 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 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 opinion.

1.3 Responsibility of the Chief Accounting Officer

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 provisions in Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as management determine 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 Ministry 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.

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 Ministry 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.

1.4 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 misstatements 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 skepticism 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 Ministry'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 and Regulatory Requirements

I express the following matters in accordance with Section 6 (1) (d) and Section 38 of National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year.
- (b) The recommendations made by me in the preceding year with regard to the observations included in Paragraphs 1.6.2 and 1.6.3 (a) of this report had not been implemented even in the presentation of financial statements for the preceding year.

1.6 Comments on the Financial Statements

1.6.1 Non-compliance with Provisions in Circulars on Financial Statements

The following Observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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<p>As the balance due to be settled to the Treasury by 31 December 2019 as per paragraph 7 (vi) of State Accounts Circular No.271/2019 dated 03 December 2019 is not equal to the balance mentioned in the cash book as at that day, an Imprest Adjustment Account should be prepared to reconcile these balances, but the following adjustments had not been made correctly in the Imprest Balance Account so prepared.</p>		
(a) Although expenditure debited by other Ministries and Departments was Rs. 31,527,238, it had been stated as Rs.31,526,733.	Action should be taken to state the correct values.	Arrangements have been made to prevent such errors in the future.
(b) Although Rs.13,317,998 should be recorded as debit and Rs.8,171,750 should be recorded as credit in the Advance "B" Account, those amounts had been stated as Rs.16,433,008 and Rs.11,131,063 respectively.	Discrepancies between the Ministry books and the Treasury computer records pertaining to Advance B Account should be included.	The transaction recorded under 051012 has been stated as the debit balance of the Advance B Account
(c) Although receipts to the General Deposit Account should be stated as Rs. 10,916,507, that amount had been stated as Rs.11,874,704 and although there were no balances to be credited to the Imprest Adjustment Account as payments to the General Deposit Account, it had been stated as Rs.542,625.	The discrepancy according to the Ministry books and the Treasury computer records pertaining to the General Deposit Account should be included.	Receipt amount has been stated in the General Deposit Account by cross entries.
(d) A sum of Rs. 3,936,980 to be stated as an expenditure and Rs.36,144 to be stated as receipts and transferred from the Expenditure Head 194 to the Head	Imprest Adjustment Account should be prepared accurately.	Expenditure and receipts of this Ministry made under Expenditure Head 194 during the period in

051 had been stated in the Adjustment Account.

which this Ministry was under Head 194 were recorded in the Adjustment Account as the amount stated in the query.

- (e) A sum of Rs.1,422,869 had been deducted as other receipts not applicable to the Adjustment Account. Imprest Adjustment Account should be prepared accurately. Total amount of other receipts was Rs.1,952,403. Out of this, receipts in cash were Rs.529,534. The balance was transferred to the Adjustment Account.

1.6.2 Statement of Financial Performance

Audit Observation

Although the total non-revenue other receipts collected by the Ministries amounted to Rs.2,666,390, that amount had been stated as Rs.1,952,403, thus understating by Rs. 713,987.

Recommendation

The income received under other revenue heads should be shown under this and the correct sum should be stated therein.

Comments of the Chief Accounting Officer

Only the income received under various income heads has been included in the statement of financial performance as the other receipts.

1.6.3 Cash flow statement

The following observations are made

Audit Observation

- (a) Although Rs. 2,666,390 should have been stated in the cash flow statement as non-revenue receipts under cash flows generated from operating activities, it had been understated by Rs. 2,136,856, thus stating as Rs.529,534.

Recommendation

Correctly calculated income received from other Ministries and Departments should be shown under Non-Revenue Receipts.

Comments of the Chief Accounting Officer

Only the income received in cash for the revenue heads has been stated as non-revenue receipts under cash flow generated from operating activities.

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| (b) | Although Rs.437,166,604 should have been shown as expenditure on personal emoluments and operating expenses under the cash flow generated from the operating activities, that amount had been stated as Rs.1,647,930,146, thus overstating by Rs.1,210,763,542. | Classifications should be correctly made and the actual positions should be shown in the cash flow statement. | The main classifications, including personal emoluments and operating expenses, in the cash flow statement incorporate expenses related to other classifications. But it does not affect the total value of cash outflows of the total cash flow statement. |
| (c) | Although Rs. 3,170,128 should have been stated in the cash flow statement as the recovery of advance under cash flows generated from investment activities, it had been stated as Rs.210,815 thus understating by Rs. 2,959,313. Although the advance payment was Rs.5,641,991, it had been understated as Rs.2,526,921 in the cash flow statement under the cash expenses. | Total of the recovery of advances, and payments should be stated in cash and as cross entries. | Only the transactions made in cash are included in the cash flow statement and therefore, only the recoveries and payments made in cash have been recorded as recovery of advances and the payment of advance. |
| (d) | Although the construction or purchase of physical assets and other investment acquisitions under the cash flow generated from the investment activities was Rs.1,398,842,481, it was stated as Rs.183,740,445. | Correct value of the constructions or purchases of physical assets and other investments made in cash should be include. | Only the purchases made in cash have been included. |
| (e) | Although deposit receipts amounting to Rs.3,853,656 and deposit payments of Rs.13,020,957 should have been stated in the cash flow statement under the cash flows generated from financial activities, it had been stated as Rs.2,393,826 and Rs.12,418,462 respectively. | The total of receipts and the total of payments should be stated according to the Ministry books. | Only the transactions made in cash are included in the cash flow statement and therefore, only cash receipts and payments have been included as deposit receipts and payments. |

1.6.4 Imprest Account

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
As the imprest of Rs.1,500,000 returned to the Treasury had not been recorded in the Imprest Account, the Imprest Account had been overstated by that amount.	The returned imprest should be noted as a deduction from the Imprest Account balance.	The amount of Rs.1,500,000 given by the General Treasury in January has been taken back to the Treasury in the same month. Accordingly, the Imprest Account has been balanced according to the notes of the Treasury accounts and the balance has been stated as Rs.0.

1.6.5 Exceeding the Limits

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
Although the limits should be followed in terms of 2.1 of Budget Circular No. 118 dated 11 October 2004, this Ministry had not reached the minimum receipts limit. Although the failure to reach the limit amounted to Rs.1,100,899, having stated the minimum receipts limit as Rs.1,300,000 in the annual reconciliation statement, it had been stated in the account that there was no exceeding/declining of the limit.	The correct status of the accounts should be shown and before exceeding the limits, Parliamentary approval should be obtained therefor.	The application for revision of the minimum receipt limit was forwarded to the Treasury within the year 2019 and it has been recommended by the Treasury.

1.6.6 Certifications to be made by the Chief Accounting Officer

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
In terms of provisions in Section 38 of the National Audit Act No.19 of 2018, the Chief Accounting officer shall ensure that an effective internal control system for the financial control exists in the Ministry and carry out periodic	Action should be taken in accordance with Section 38 of the National Audit Act No.19 of 2018.	Steps have been taken to increase the effectiveness of the internal control system.

reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out; that reviews should be made in writing and copy thereof should be submitted to the Auditor General. Nevertheless, statements in support of the conduct of such reviews had not been presented to the Audit.

2. Financial Review

2.1 Imprest Management

Audit Observation

As imprests had not been issued by the Treasury for 01 recurrent Object and 02 capital Objects as planned during the year, provision of Rs.1,533,438,050 made by Parliament could not be utilized.

Recommendation

Plans should be prepared and approved only for the amount of money that can be obtained during the year.

Comments of the Chief Accounting Officer

Provisions remained due to non-receipt of imprests.

2.2 Expenditure Management

Audit Observation

After utilizing the provisions of 03 recurrent Objects and 08 capital Objects, savings of Rs. 10,381,559, or from 15 per cent to 100 per cent of the net allocation were observed due to obtaining overprovision.

Recommendation

Provision should be obtained only to the extent necessary after preparing proper preliminary plans.

Comments of the Chief Accounting Officer

Provisions were saved due to not arising requirements, change of basic plans, and inability to perform planned tasks on various issues.

2.3 Incurring Liabilities and Commitments

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
----- According to the Treasury printouts, the liability balance was Rs. 364,859,701 and according to the statement of liabilities and commitments it was Rs.365,381,841. Accordingly, a sum of Rs.522,139 had been overstated.	----- Errors should be identified and accurate information should be submitted with the accounts.	----- The liability report is observed to be a printing error. Instructions were given not to make such mistakes.

3. Operating Review

3.1 Planning

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
----- According to the Action Plan, 10 projects should have been completed by the end of the year under review, but according to the Performance Report, only 04 projects had been completed.	----- Action should be taken as per the Action Plan during the year.	----- Out of 10 projects due to be completed by the end of the year under review according to the Action Plan, 04 projects have been fully completed at 100 per cent.

3.2 Failure to Discharge Functions

The following Observations are made

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
----- Although it was a major task of the Ministry to take the necessary steps to provide digital and infrastructural facilities to all using modern technology, it was observe in audit that the above requirement had not been met as follows.	-----	-----
(a) Although mobile phone density had increased from 100 per cent	There should be a formal regulation	It can be accepted that the same person can have more than one

to 150.8 per cent by 2019, as more than one active subscriber module was used by an individual, the increase in mobile phone density was observed to be uncertain.

regarding the number of SIMs issued for a single person and the correct indicators should be identified to measure the mobile phones density.

connection. However, the ITU is considering introducing more accurate indicators to measure this factor. Similarly, the number of SIMs issued to a single person is regulated by the regulations imposed under the Telecommunications Act of Sri Lanka.

(b) According to the statistics of the Telecommunications Regulatory Commission of Sri Lanka, the number of internet subscribers was 6,747,154, 10,562,675 and 13,408,403 in the years 2017, 2018 and 2019 respectively, whereas its local expansion remained at a very low level.

In comparing the population and geographical location with the internet expansion in Sri Lanka, the regional internet usage in Sri Lanka is low. Therefore, the necessary infrastructure development should be carried out and existing infrastructure should be monitored. Further, an appropriate methodology should be identified to accurately calculate the number of Internet users.

Sri Lanka shows an internet service density of over 61 per cent compared to the years 2017 and 2019, which is very high compared to other countries in the region. There is a growing trend of the number of Internet users year by year.

(c) The number of ADSL Internet users was only 908,418 by the year 2019. Out of this 42.66 per cent was spread in the Western Province while 0.46 per cent to 31.18 per cent spread among other provinces. Accordingly, the prevalence of ADSL internet facilities in rural areas remained at very low level.

Action should be taken to develop internet facilities in every province.

Service providers have focused their attention on optical fiber technology as a faster and higher quality internet medium than ADSL, and TRCSL provides the necessary regulation and other facilities for that purpose.

(d) The number of landlines has gradually decreased from 3,449,391 in the year 2012 to 2,299,767 in the year 2019. Accordingly, it was

Steps should be taken to attract people in order to increase the

As a step towards expediting the provision of broadband internet connectivity to all provinces of Sri Lanka, TRCSL

observed that the number of landline phones with internet facilities too had declined.

number of fixed broadband subscribers through landlines.

has implemented a project called 'Communication to the Village' and several awareness projects to make the use of internet more effective. Under that programme, arrangements will be made to develop the internet project in each province with the participation of stakeholders in the future.

- (e) According to the United Nations E-Government Survey on the Development, the e-Government Development Index in Sri Lanka had increased from 192 in 2012 to 74 in 2014. However, the above index had dropped to 85 by the year 2020.

Action should be taken to enhance the global position of Sri Lanka in the e-Government Development Index and the adequacy, and having obtained approval for the e-Government Policy, it should be implemented.

According to the United Nations e-Government Survey Report on Development, Sri Lanka's position fluctuations are influenced by the performance of other countries and according to that report, Sri Lanka has become the first country in South Asia and the 24th position in the Asia. Through ICTA's ongoing policy and project-based interventions, action was taken to introduce e-services at the inter-institutional and institutional levels. Under the supervision of the Ministry of Defense, steps are being taken to implement the updated e-Government Policy with the approval of the Cabinet of Ministers to make the activities of the e-Government Sector more formal and sustainable

- (f) Although a sum of Rs.1,055 million had been granted to the Ministry by the annual estimate for the digitization of the economy and the purchase of computers and computer accessories for schools, its financial progress was only 53 per cent.

Steps should be taken to complete the projects as planned and utilize the provision received for the year.

In relation to the e-Grama Niladhari project, one of the projects implemented under Economic Digitization, it was scheduled to purchase hardware in 2019. Nevertheless, purchases of hardware could not be made in that year due to the inability to pay the 20 per cent advance to the relevant supplier. The decline in the overall financial progress for the year had given rise to that

situation. Likely, due to the change of the Ministry in charge of the subject at the end of that year, the project could not be expedited as planned.

4. Achievement of the Sustainable Development Goals

Audit Observation

In achieving the Sustainable Development Goals, the Ministry had not implemented a methodology to regulate the required indicators, milestones and related functions.

Recommendation

Methodologies should be implemented to regulate the relevant activities to achieve the Sustainable Development Goals.

Comments of the Chief Accounting Officer

Due to the shortage of human resources in the Ministry, more formal and close follow-up system could not be implemented under each project.

5. Human Resource Management

Audit Observation

Two drivers and two Karyala Karya Sahayaka had been recruited outside the approved cadre and without making a permanent appointment, a recruitment had been made for the approved post of Administrative Officer on contract basis in the year 2019.

Recommendation

Approved vacancies should be filled on a permanent basis and employees should not be recruited in excess of the approved cadre.

Comments of the Chief Accounting Officer

The number of staff drivers approved for the Ministry of Digital Infrastructure and Information Technology (Non-Cabinet) has been reduced to 09 and the number of Karyala Karya Sahayaka posts has been reduced to 08. Aforesaid recruitments had been made by then and as such, 02 posts of Driver and 02 posts of Office Assistant remained in excess.