

Head - 329 – Department of Information Technology Management

1. Financial Statements

1.1 Opinion

Head 329- The audit of the financial statements of the Department of Information Technology Management for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 including my comments and observations on the financial statements of the Department of Information Technology Management was issued to the Accounting officer on 03 June 2022 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. As per Section 11 (2) of the Audit Act, the Detailed Annual Management Audit Report related to the Department was issued to the Accounting Officer on 10 August 2022. 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 accompanying financial statements of the Department of Information Technology Management give a true and fair view of the financial position as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

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 opinion.

1.3 Responsibilities of Chief Accounting Officer and Accounting Officer for the Financial Statements

The 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 the 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 Department 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 Accounting Officer shall ensure that effective internal control system for the financial control of the Department 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.

1.4 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 the summary report of the Auditor General 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.
- It is not intended to express an opinion on the effectiveness of the Department's internal control in order to design audit procedures that are appropriate in the circumstances.
- 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 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

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

- (a) The financial statements presented are consistent with the preceding year.
- (b) The recommendations made by me pertaining to the financial statements related to the previous year had been implemented.

2. Financial Review

2.1 Imprest Management

The following observation is made.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>According to the Imprest Requirement Register prepared by the Department, imprest amounting to Rs.533 million had been estimated for the year under review. Imprest amounting to Rs.72.44 million had been requested by exceeding the imprest estimate planned by the Department in the year under review.</p>	<p>Agree with the observation. Instructions has been given to carry out the request of imprest accurately in the future.</p>	<p>Imprest estimates should be prepared so as to utilize the provisions provided for fulfilling of duties of the Department.</p>

2.2 Expenditure Management

The following observations are made

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) Idling of Provisions</p>	<p>Plans has been made to save the same total amount according to the letteNo.21/1596/304/134 and dated 21.08.2021 of the Secretary of the Cabinet of Ministers' office due to Covid 19 pandemic situation.</p> <p>Vouchers relevant to the final payment of preparation of new computer software system (E-payroll) for preparing salaries for the Departments of the Treasury, had not been forwarded as at 31.12.2021.</p>	<p>Accurate and actual annual expenditure estimates should be prepared in terms of Financial Regulations 50.</p>

(b) Making Over Provisions

Over provisions totaling of Rs.476,952,400 for 04 Recurrent Objects and 02 Capital Objects had been made in the year under review. Only total amount of Rs.251,827,185 had been utilized at the end of the year under review. Accordingly, provision totalling Rs.225,125,215 had been saved. The same saving had been ranged between 14 per cent to 96 per cent of the net provisions provided for each Objects.

Provisions has been saved due to the reasons such as a post which the transport allowances are entitled is remained vacant, freezing of provisions according to the letter No.21/1596/304/134 dated 21.08.2021 of the Secretary of the Cabinet of Ministers and changing of approved duties and estimates to a private company under ITMIS Project.

Annual Expenditure Estimates should be prepared accurately and logically as per Financial Regulations 50.

(c) Construction or Purchase of Physical Assets

Even though a value amounted to Rs.2,855,549 had been shown as construction or purchase of physical assets and acquisition of other investments as the expenditure of money of the cash flows generated by investment activities in the cash flow statement for the year ended 31 December 2021, the net cash flow generated by investment activities had been shown overstated by Rs.639,800 due to the same value for the year under review amounted to Rs.2,215,749.

As the expenditure amounted to Rs.639,800 for capacity building is a money which has been allocated under Capital Object, the same expenditure has been brought to account under "Construction or purchase of physical assets and acquisition of other investments" under investment activities.

The expenditure shown in the Statement of Financial Performance or Cash flow Statement as acquisition of physical assets , should be brought to account under financial and non-financial assets in the Statement of Financial Position.

2.3 Incurring Commitments and Liabilities

The following observation is made

Audit Observation**Comment of the Accounting Officer****Recommendation**

The expenditure totalling amounted to Rs.1,108,133 relevant to the year 2021, had been incurred in the year 2022. The same expenditure had not been shown in the financial statements as liabilities in the year 2021.

As the telephone bills relating to the months of November and December in the year 2021 , bills relating to calculate 1/3 rd allowances and acting

The liabilities relevant to the year under review should be included in financial statements properly.

allowances and calculation of allowances had been received in the year 2022, those have been paid by the provisions of the year 2022.

2.4 Non- Compliance with Laws, Rules and Regulations

The following non-compliance was observed.

Audit Observation	Comments of the Accounting Officer	Recommendation
Reference to Laws, Rules and Regulations	Non-compliance	
(a) Paragraph 06 of the Guideline No.2021/03 dated 26 November 2021 of the Department of State Accounts.	In preparation of Cash flow Statements, both the cash and cross entry should have been considered .Contrary to that, the value of receipt and payment of advances had been understated by Rs.1,589,195 in cash flows.	Action should be taken as per the Guidelines of the Department of Public Accounts.
(b) Financial Regulations 880	The officers, who should give securities, had not given securities.	Actions relating to keep securities is being carried out. Actions should be taken in terms of FR.

3. Operating Review

3.1 Non-achieving of Expected Output Level

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) The e-payroll system had been introduced with a view to expand the salary payment system in the Departments of the Treasury. However, the same objectives had not been achieved even as at 12 May 2022 by making the system in a live running condition in the Departments.	Preparation of operating acquisition record has been completed and immediately after receiving of the recommendations of the Department of state Accounts thereon, actions has been taken to sign the said acquisition	Action should be taken in accordance with the Action plan.

record between the Department of Information Technology Management and the System Development Institution.

In addition to that, examination report of the SLCERT is scheduled to be received in the next week for carrying out Security Audit and Vulnerability Assessment which is an essential matter for running and immediately after receiving of the recommendation of the Department of Public Accounts mentioned above, live running could be started.

(b) It is informed to the Audit that expected to be run the system in several departments in the Ministry of Finance ,as the primary stage at the end of carrying out complete test in the system and carrying out new development in the system which is for online submission of applications by the government officers for importing duty free vehicles. However, it had not been implemented even as at 12 May 2022.

In the technical discussions held between the Department of Trade and Investments Policy and our department , it was determined that the whole procedure of issuing of those vehicle license should be carried out by online method and accordingly the system should be developed so as to check the accuracy and validity of the information submitted thereon automatically.

The other modules included in the system should be developed and implemented in the Ministry and Departments immediately.

(c) Even though system development process established for the development by the information system of the transport Unit by the Ministry of Finance had been in operation, the system had not been used even by May 2022.

By this time, the officers of the Department of Information Technology Management and the Department of Trade and Investments Policy has implemented and checked the developed system by using Dummy Data. After developing other modules, it is scheduled to be implemented the system in several Departments in the Ministry as well.

As per the request made by the Transport Unit, the relevant information system has been developed and established.

Action should be taken to collect required data to the system by the

Accordingly, although this transport unit. system is at a running condition at present, entering data to this information system should have been completed by the transport unit.

4 Human Resources Management

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Out of 58 approved posts in the Department, 13 posts were remained vacant. There were 06 Senior Level posts within those vacancies.	The vacancy remained in the post of Director(SLAS) has been fulfilled from 23.05.2022.	Action should be taken to obtain the staff required for the duties of the Department and action should be taken to do proper amendments for the un essential cadre .
(b) An acting appointment had been made for the post of Deputy Director (Sri Lanka Accountancy Service) of the Department from 12 January 2021 to 11 January 2022. Nevertheless, an officer had not been appointed for the said post on permanent basis until the completion of relevant period in terms of Section 13.3 of Chapter II of the Establishments Code. After 12 January 2022, the approval of the Public Services Commission had not been received for the acting post even as at 12 May 2022.	Informed to the Secretary to the Ministry of Public Services, Provincial Councils and Local Government for the approval of the Public Services Commission by the letters My No.ITM/01/02/01/003 and dated 06.02.2021 and No.MFI/0/03/SLAcS/DIM and dated 08.12.2021 of the Secretary to the Ministry of Finance for extension of the period which is appointed for acting duty for the post of Deputy Director . The approval of the Public Services Commission is to be expected.	Action should be taken in accordance with the provisions of the Establishments Code.
(c) An officer had been appointed for the acting duty for the Director General post of the Department subject to the covering approval of the Cabinet of Ministers on service requirement. The approval of the Cabinet of Ministers had not been received for the same purpose even as at 12 May 2022.	Action will be taken by the Ministry for that purpose as the appointing authority for the post of Department Head is the Cabinet of Ministers.	Approval of the Cabinet of Ministers should be taken.