

Head 280 – Department of Project Management and Monitoring

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the Head 280 Department of Project Management and Monitoring 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 containing my comments and observations on the financial statements of the Department was issued to the Accounting Officer on 22 June 2022 in terms of Section 11 (1) of the National Audit Act, No. 19 of 2018. The Annual Detailed Management Audit Report relevant to the Department was issued to the Accounting Officer on 16 August 2022 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 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, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Department of Project Management and Monitoring as at 31 December 2021, and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). 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 the Chief Accounting Officer and the 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 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 Department of Project Management and Monitoring 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 Sub-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 of Project Management and Monitoring 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 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 misstatements, 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:

- 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.

1.5 Report on Other Legal and Regulatory 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 are consistent with the preceding year.
- (b) The recommendations made by me on the financial statements for the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

a) Revenue Collected for other Revenue Accounting Officers

The following observation is made.

Audit Observation	Comment of the Accounting Officer	Recommendation
According to Sections 7.2 and 7.10 of the State Accounts Guidelines, No. 2021/03 dated 26 November 2021, the revenue collected for other Revenue Accounting Officers should be adjusted in the reconciliation statement for imprests. Nevertheless, the revenue amounting to Rs. 3,610,574 had been accounted as other main ledger account receipts in the statement of financial performance.	Agreed. As the said sum was a non-revenue receipt, the value of Rs. 3,610,574 was shown under other main ledger account receipts in the statement of financial performance. Action will be taken in due course to account in accordance with the Guideline.	Financial statements should be prepared in accordance with Guidelines of the Department of State Accounts.

b) Cash Flow Statement

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(i.) According to Paragraph 7.6 of the State Accounts Guidelines, No. 2021/03 dated 26 November 2021, the direct method should have been followed in preparing the cash flow statement (ACA-C) by considering both the cash and cross entries. According to the consolidated trial	Not agreed. The cash flow statement has been prepared accurately in accordance with the Circulars and accounting standards by showing the receipts and payments of advances. Furthermore, the sum of Rs. 3,870,140 mentioned by you was not considered a liquidated amount and hence, that sum was shown in the trial balance	Financial statements should be prepared in accordance with Guidelines of the Department of State Accounts.

balance prepared in detail by the Department, the payment of Advances and receipts of advances amounted to Rs. 8,007,519 and Rs. 7,063,022 respectively, but those payments and receipts had been shown as Rs. 4,137,380 and Rs. 3,192,882 respectively in the cash flow statement. As such, the value of receipts and payments of advances had been understated by Rs. 3,870,140.

- (ii.) A sum of Rs.17,933,943 being the value of construction or purchase of physical assets and acquisition of other investments had been shown as expenses under the cash flow generated through investment activities in the cash flow statement for the year ended as at 31 December 2021. However, that value amounted to Rs. 17,785,943 for the year under review. As such, the net cash flow generated through investment activities had been overstated by Rs. 148,000.
- having been accounted through cross entries. A note relating to the sum of Rs. 7,063,022 shown in the audit query as receipt of advances was not mentioned either in the cash flow statement or the trial balance.
- Not agreed. Training on skills development is not considered an operating activity but a long-term investment thereby being brought to accounts under “construction or purchase of physical assets and acquisition of other investments.”
- Construction or purchase of physical assets and acquisition of financial assets of the year shown in the cash flow statement and the statement of financial performance should be equivalent to the value of financial and non-financial assets shown in the statement of financial position.

c) Non-compliance with Laws, Rules, and Regulations

The following non-compliance was observed.

Audit Observation

Reference to Laws, Rules and Regulations -----	Non-compliance -----	Comment of the Accounting Officer -----	Recommendation -----
Paragraph 8.3 of the Guideline, No. 2021/03 of the Department of State Accounts dated 26 November 2021.	Reconciliation statement of the deposits of the Department had not been made available to the Audit even by 31 May 2022.	Agreed. Corrective measures will be taken in due course as per the Circular.	Guidelines of the Department of State Accounts should be followed.

2. Financial Review

2.1 Imprest Management

The following observation is made.

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
The value of imprests required for November 2021 had been estimated by the Department as Rs. 7,568,000. In the same month, the Department had requested the Treasury for imprests totalling Rs.14,050,000 in excess of the estimated amount.	Agreed. Nevertheless, this was a financial activity out of the scope of this Department. A sum of Rs. 7,568,000 had been requested only for our Department at the beginning of the year, but the provision had been received through the Head of our Department from the Ministry of Development Coordination and Supervision; hence, imprests totalling Rs.14,050,000 had been requested from the Treasury in the relevant month. This is shown in a note on Form ACA-2.	Estimates for imprests should be prepared accurately and realistically.

2.2 Management of Expenditure

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
a) Non-utilization of Provision amounting to Rs. 2,000,000 had been made for an Object, but that had not been utilized in the year under review, thus saving the provision in full.	Agreed. Field inspections relating to evaluating projects could not be done as expected due to Covid-19 pandemic prevailed in the country in the year 2021.	Annual estimates on expenditure should be prepared accurately and realistically in terms of Financial Regulation 50.
b) Overprovisioning An overprovision of Rs. 212,000,000 had been made for 03 capital Objects and 05 recurrent Objects, and a sum of Rs. 10,683,314 had been utilized therefrom in the year under review, thus saving Rs. 201,316,686. That saving ranged between 21-97 per cent of the provision made under each Object.	Agreed. Only the essential staff was called for duty owing to Covid-19 pandemic in the year 2021. Due to this unexpected situation, 21-97 per cent of the provision had saved under capital and recurrent Objects.	Annual estimates on expenditure should be prepared accurately and realistically in terms of Financial Regulation 50.

2.3 Incurring Liabilities and Commitments

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
a) According to the computer printouts of the Treasury, the value of liabilities and commitments relating to 04 Objects, totaled Rs. 845,000. However, that value had been	Agreed. However, those liabilities and commitments were entered into CIGAS software on time in December 2021, but the update process did not occur due to a technical issue. As the database was not updated,	Liabilities and commitments should be properly shown in the financial statements.

understated by CIGAS programme shows Rs. 12,786 in the financial statements thus showing the value of Rs. 831,714. information for the year 2020 up to this day. This situation is beyond scope of this Department. Nevertheless, those liabilities and commitments have correctly been shown in the financial statements for the year 2021.

- b) The statement of liabilities presented to the Audit along with the financial statements, showed a value of Rs. 304,172 as the liabilities pertaining to the Ministry of Development Coordination and Supervision that had been established on 16 August 2021. This had not been shown as liabilities and commitments on Note Nos. (iii) and (iv) presented with financial statements of the year 2021 and computer printouts of the Treasury (SA 92). - Do. - Do.
- c) According to Paragraph 3.3 of the Guideline No. 2021/03 of the Department of State Accounts dated 26 November 2021, all the commitments should have been disclosed in the statement of liabilities given under Note, No. (iii). Nevertheless, commitments valued at Rs. 120,000 had not been disclosed. - Do. Liabilities and commitments should be correctly disclosed in the financial statements in accordance with Guidelines of the Department of State Accounts.

2.4 Advances to Public Officers Account

 The following observations are made.

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
a) Having been appointed in a post of the Sri Lanka Administrative Service, an officer of the Department had been attached for training in August 2021. A sum totalling Rs. 232,858 remained recoverable from that officer as balances of distress loans and Festival advances. That balance had not been recovered by the Department even by the end of March 2022.	Agreed. The said officer had been appointed to a permanent post of the Department of Industries in Anuradhapura. We have been informed through telephone that the said balances would be settled through that Department. Reminders have also been sent in this connection.	Loan balances should be recovered before the execution of transfers in accordance with provisions of the Establishments Code.
b) The loan balance of Rs. 7,562 receivable from an officer as per the loan register (CC 10), had not been shown in the advance account.	Agreed. A distress loan balance of Rs. 7,562 had been recorded in the loan register by mistake. Corrective measures have already been taken.	The registers should be maintained up-to-date and accurately.
c) According to Section 3.7 of Chapter XXIV of the Establishments Code, the installment and interest on the loan should be recovered with effect from the month immediately following the month in which the loan is granted. Nevertheless, it had not been so done with respect to the recovery of loan balance totalling Rs. 710,927 pertaining to 07 officers of the Department.	The staff of the Accounts Division had to work from home owing to Covid-19 pandemic in the country. As such, there existed problems in maintaining registers, thus hampering the recovery of loan installments properly. Corrective measures have been taken.	Provisions of the Establishments Code should be followed.

- d) Recovery of loan balances pertaining to officers who had vacated the service, should be done in accordance with Sections 4.5 and 4.6 of Chapter XXIV of the Establishments Code. Nevertheless, a loan balance of Rs. 139,921 remained due for a period of 06 years from an officer of the Department who had vacated the service, but that balance had not been recovered even by the end of the year under review.
- Following instructions received from the Attorney General's Department, a request had been by the relevant officer to the Arbitration Board on 2021.07.11. In order for that request to be taken for consideration, the said officer should be reinstated. Hence, a letter has been sent to the Attorney General seeking instructions to send his personal file to the Director General of Combined Services.
- Action should be taken in accordance with the Establishments Code.
- e) Maximum limit on expenses, minimum limit on receipts, and maximum limit on debit balances relating to the advances accounts had not been mentioned in the Form, ACA-5 presented with the financial statements.
- Agreed. Corrective measures will be taken in due course as per the relevant Circular.
- Guidelines of the Department of State Accounts should be followed.

3. Operating Review

3.1 Failure to Achieve the Outcome

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
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a) No progress had been reported with respect to 03 activities in the year under review.	One activity could not be executed due to Covid-19 pandemic. As it was not necessary to execute the other 02 activities, they had not been executed.	Action should be taken in accordance with the Action Plan.
b) Achieving the objectives of 03 activities mentioned in	Progress of 02 activities remained less than 60 per cent due to Covid-19 pandemic.	The Action Plan should be followed.

the Action Plan, remained less than 60 per cent. According to the Letter, No. NPD/RDD/DCB/2021/General dated 05.07.2021 of the Director General of the Department of National Planning, it had been scheduled to issue 12 reports by conducting progress reviews on the decentralized budget programme relating to regional development. However, only 03 reports could be prepared due to lack of time of the year.

- c) According to the Action Plan, provision amounting to Rs. 298.5 million had been made on activities, but the expenditure amounted to Rs. 81.98 million as per the progress report. Thus, a saving of Rs. 216.5 million had occurred. Only the essential expenses had been incurred due to the pandemic prevailed in the country in the year 2021. Provision had also saved due to delay in the procurement process for the development of proposed computer software of the Department. The Action Plan should be followed.

3.2 Annual Procurement Plan

The following observation is made.

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
According to the Procurement Plan prepared for the year 2021, a provision of Rs. 202 million had been made for the web-based project monitoring system comprising a sum of Rs. 10 million for purchasing computers, Rs. 42 million for the system of hardware & software and Rs. 150 million for the services. The procurement activities should have been commenced in the 4 th week of January, 2021 and	According to the Procurement Plan, provision amounting to Rs. 202 million had been made for the development of software and purchase of computers. However, due to reasons such as, preparation of specifications for the software, usage of similar software was time consuming, and the prolonged procurement process, the tender for developing the software could not be awarded before the end of the year 2021. As such,	Procurements should be scheduled to ensure the achievement of expectations.

completed by first week of provision had saved. October of the 2021 year in Furthermore, computers should accordance with the have been purchased within the Procurement Plan. However, first week of October 2021 in computers had been purchased line with the Procurement Plan. in the 4th week of December However, this activity had 2021 after a delay of 02 delayed by 02 months due to months. Accordingly, reasons such as, delay in hardware, software and manufacturing computers and services could not be scarcity of computers owing to completed within the given global spread of Covid-19 timeframe, and remained pandemic, delays in opening the undone even by the end of the letters of credit, and delays in year under review. international freight forwarding.

3.3 Management Weaknesses

The following observation is made.

Audit Observation	Comment of the Accounting Officer	Recommendation
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a) The website of the Department had not been updated by publishing the Annual Action Plan for the year 2021.	It is acknowledged that the Annual Action Plan for the year 2021 could not be published on the website. It is informed that the Action Plan for the year 2022 would be published on the website.	The website should be properly updated.
b) A motor vehicle of the Department valued at Rs. 2,520,000 had been released to an institution without being properly vested in that institution.	Not agreed. As the documents relating to the acquisition of motor vehicle No. KW 9433 by the Ministry of Finance , have not thus far been presented to this Department, such documents can not be eliminated from the Register of Fixed Assets.	Action should be taken to formally vest the Assets in other institutions.

4. Human Resource Management

 The following observation is made.

Audit Observation	Comment of the Accounting Officer	Recommendation
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<p>The approved cadre of the Department stood at 102 with 31 vacancies as at 31 December 2021. Those vacancies comprised 07 posts in the senior level and 17 posts in the secondary level.</p>	<p>The Ministry of Public Services, Provincial Councils and Local Government has been informed on the vacancies of the Department through the software of the Ministry. It was further observed that filling vacancies was difficult due to lack of interest shown by the officers for being transferred owing to Covid-19 pandemic. Maximum efforts have been made to ensure efficiency of the Department using the existing staff even if there are vacancies</p>	<p>Vacancies in the posts pivotal for the Department to function should be filled. Excess staff, if any, should be revised.</p>