

## Head 324 – Department of Management Audit

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### 1. Financial Statements

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#### 1.1 Opinion

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The audit of the financial statements of the Department of Management Audit for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and statement of financial performance and cash flow statements 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 Department of Management Audit was issued to the Accounting Officer on 16 June 2022. In terms of Section 11(2) of the Audit Act, the Annual Detailed Management Audit Report of the Department was issued on 03 August 2022 to the Accounting Officer. This report will be presented 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 Management Audit give a true and fair view of the financial position of the Department 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

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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 and the Accounting Officer for the Financial Statements.

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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 in terms of 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 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 of the Department.

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 of the Department exists 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 Financial Statements**

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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 summary 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 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

#### **1.5 Report on Other Legal Requirements**

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

- (a) That the financial statements are consistent with the preceding year.,
- (b) The recommendations made by me on the financial statements relating to the preceding year, had been implemented..

#### **2. Operational Review**

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##### **2.1 Not Reaching the Expected level of Out put**

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According to the annual Performance Report, Instances of not being able to achieve as expected the objectives of activities indicated in the annual Action Plan were observed as follows.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) According to the Annual Performance Report, training programmes conducted under streamlining and strengthening of the Internal Audit Units in various Provincial Council and Local Government institutions mentioned in the Annual Action Plan could not be conducted as expected. The progress of that was less than 50 per cent.	Although training programmes had been organized to streamline the internal audit process in Provincial councils and Local Government institutions for 2021, those training programmes could not be conducted as expected due to the Covid 19 pandemic prevailed in 2021. The Department conducted 10 training programmes for the year 2021 and out of them, Internal Auditors of Provincial Councils and Local Governments were made to participate in 04 training programmes.	Maximum action should be taken to achieve the targeted performance levels.
(b) According to the Annual Performance report, although dealing with issues mentioned in the Annual Action Plan that arose at the Audit and Management Committees at the District Secretariats, and the task of obtaining for evaluation the quarterly reports submitted by the District Secretariats, had been envisaged to complete. Such tasks could not be carried out as expected.	Dealing with issues arose at the Audit and Management Committees in District Secretariats happen in several ways. District Audit and Management Committee meetings are conducted in all four quarters and solutions for issues are given at the very committee meetings in which they are occurred.	Action should be taken to achieve the targeted performance levels.
	Dealing with certain issues may take certain time period since it requires working with external institutions outside the Department.	
	Due to the Covid pandemic prevailed in 2021, office duties could not be carried out continuously and as a result the reports could not be obtained on scheduled dates. Therefore, all reports got delayed and as a result its progress stood at 85 per cent.	

**3. Human Resource Management**

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The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
07 posts out of the approved cadre had fallen vacant by 31 December 2021	There were 07 vacancies in the approved cadre of this Department by 31 12 2021.	Action should be taken to fill the vacancies in the cadre.