

Head - 242 – Department of Management Services

1. Financial Statements

1.1. Opinion

The audit of the financial statements of the Department of Management Services 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 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 Services was issued to the Accounting Officer on 22 June 2022. In terms of Section 11(2) of the Audit Act, the Annual Detailed Management Audit Report relating to the Department was issued on 05 August 2022. 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 Services 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

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 the 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 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.

As per 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 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 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 Fund'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

As required by Sub-section 6 (1)(d) of the National Audit Act, No.19 of 2018, I state the

- (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. Financial Review

2.1 Expenditure Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) Provision becoming fruitless</p> <p>The provision totaling Rs.2,200,000 made for a recurrent Object and 02 capital Objects had been completely saved since that provision was not at all utilized.</p>	<p>Provision could not be utilized as expected owing to the Covid 19 pandemic and as per the Cabinet decision No 21/1596/ 304/ 134 dated 30 August 2021 due to the financial crises prevailed in the country, the expected total expenditures were taken for review again and had to be frozen.</p>	<p>That the annual expenditure estimates should be prepared correctly and realistically as per the Financial Regulation 50.</p>
<p>(b) Making Over Provision</p> <p>Only a sum totaling Rs. 22,904,257 had been utilized by the end of the year 2021 since over provision totaling Rs. 33,360,000 had been made for 09 recurrent Objects and 02 capital Objects in the year under review. Accordingly, provision of Rs. 10,455,743 had been saved. That saving ranged from 17 per cent to 88 per cent of the net provision that had been made for each Object.</p>	<p>-Do-</p>	<p>-Do-</p>

(c) **Acquisition of Physical Assets**

The expenditure of Rs.297,000 for capacity building, which should have been accounted under expenditure on operational activities and personal emoluments in cash flow statement of the year 2021, had been accounted under “construction or purchasing of physical assets and acquisition of other investments in investments activities.”

Not agreed. The staff training Object No 2401 which is related to capacity building is in the nature of capital Object and it has therefore been correctly accounted under cash flows generated from investment activities in accordance with the instructions given in the guideline No 2021/03 of the Public Finance Department.

The amount of Construction or purchasing of physical assets and acquisition of other investments mentioned in statement of financial performance and in the cash flow statement should be included in the statement of financial position.

3. Operational Review

3.1 Not Reaching Expected Level of Output

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) In terms of a Cabinet decision dated 15 August 2017, the cadre reports quarterly updated by the Department should have been submitted to the Cabinet of Ministers. This task had been included in the Action Plan from the year 2018 to the year under review. It was observed at the audit that the expected out put under this objective had not been achieved in the year under review.	Correct and updated Quarterly staff reports were brought down as required even during and after the crises situation by our Department from Government Ministries, Departments, Statutory Institutions, District Secretariats and the 810 Divisional Secretariats by making the relevant Government Institutions aware from time to time through telephone calls, E-mails and letters, and quarterly staff reports as at 31 12 2021 are still being prepared. However, since there is a practical difficulty involved with correctly updating the staff reports due to the structural changes frequently taking place in Government Ministries and institutions since 2020, it is informed that action will be taken in future to submit to the Cabinet of Ministers the annually updated reports	That the Departmental tasks should be carried out in accordance with plans.

after making the Cabinet of Ministers aware of this situation.

- (b) Even though the cadre of the Postal Department should have been reviewed, such task had not been completed by the end of the year under review. The officers of the Committee, appointed in terms of the Cabinet decision dated 19.12.2017, have recommended that it is appropriate to appoint a proper committee named by the Cabinet of Ministers for obtaining ideas from the general public and other parties and thereafter reform the Postal and Railway services based on the observations and recommendations of that committee. The staff should be reviewed as per the plans.

Accordingly, it was observed that it would appropriate to conduct a cadre review following a broad discussion held on the institutional structure and cadre structure related to this institution. However, due to the situation prevailed in the country on account of Covid 19 pandemic, it was not possible to bring together the officers for the purpose of collecting the relevant data.

- (c) The criteria related to approving the cadre for the Ministries and the Departments had not been prepared. Accordingly, a preliminary discussion on the criteria related to approving cadre for the Ministries and the Departments, has already been held with the National Salaries and Cadre Commission and a report prepared based on that has been referred for the attention of the National Salaries and Cadre Commission. That the criteria should be prepared to correctly approve the cadre for the Ministries and the Departments.

4. **Human Resource Management**

The following observation is made.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>19 posts had fallen vacant out of the cadre of 95 posts approved for the Department. There were 13 senior level posts amongst those vacant posts.</p>	<p>A Director was appointed to cover the duties at the senior level vacant post of Additional Director General and the duties related to the vacant posts of Deputy Director/Assistant Director were assigned to Directors and Deputy Directors currently serving in their posts and since these officers have carried out these duties outside of their normal duty time, no considerable effect had been caused to the performance.</p> <p>Since it was not possible to make the suitable officers available to be attached to the posts of Human Resource Management Specialist, Work Study Specialist and Statistician, these posts remained vacant even in the year 2021.</p>	<p>Action should be taken either to fill the vacancies or to revise the cadre.</p>