

Head 413–State Ministry of Money & Capital Market and Enterprise Reforms

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the Head 413-State Ministry of Money & Capital Market and Enterprise Reforms 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 State Ministry of Money & Capital Market and Enterprise Reforms was issued to the Accounting Officer on 30 June 2022 in terms of Sub-section 11 (1) of the National Audit Act, No. 19. The Detailed Annual Management Audit Report relating to the State Ministry in terms of Sub-section 11 (2) of the National Audit Act, No. 19 of 2018 was issued to the Accounting Officer on 30 August 2022. 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 paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the State Ministry of Money & Capital Market and Enterprise Reforms 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 State 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.

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 State Ministry 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 State Ministry'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) Classification Errors

The following observation is made.

Audit Observation	Comment of the Accounting Officer	Recommendation
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Local travel expenses of the year under review totaling Rs. 48,000 had been brought to accounts under the Object, 413-1-1-1409 instead of being accounted under the Object, 1101.	As the sum of Rs. 48,000 had been spent on accommodation facilities, that sum had been brought to accounts under the Object, 413-1-1-1409 (Other services).	Accuracy should be ensured when payments are brought to accounts.

(b) Property, Plant and Equipment

The following observation is made.

Audit Observation	Comment of the Accounting Officer	Recommendation
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According to the statement of financial position prepared by the State Ministry when it was wound up on 06 June 2021, the value of Property, Plant and Equipment amounted to Rs. 22,336,274. No value was shown for Property, Plant and Equipment as at 31 December 2021 in the financial statements presented to the Audit. It was not stated in the financial statements that those assets had been vested in an other institution as well.	With effect from 2021.06.06, the State Ministry of Money & Capital Market and Enterprise Reforms maintained under Head 413, was brought under scope of the Ministry of Finance. Expenses of the State Ministry was incurred under the same Expenditure Head of 413 during the period 2021.06.06 – 2021.12.31, and the accounts relating to that Head were closed as at 2021.12.31 thereby preparing and presenting the final accounts as at that date. No account was presented to the Audit as at 2021.06.06, and only a report on affairs as at the said date was obtained from the officers of the State Ministry.	Property, Plant and Equipment should be brought to accounts correctly.

(c) Lack of Evidence for Audit

The following observations are made.

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
(i) A sum of Rs. 6,976,244 had been spent as foreign travel expenses. Files relating to those expenses were not made available to the Audit.	The State Ministry of Money & Capital Market and Enterprise Reforms was dissolved in terms of Gazette Notification, dated 2021.10.06. Files relating to all the divisions of the State Ministry were handed over at that time. Due to difficulty in finding the files requested by you, more time was needed to find the relevant files. As such , the files could not be made available as at the date requested by the Audit.	Evidence for verification should be made available in order to satisfactorily vouch the transactions.
(ii) A sum of Rs. 1,599,250 had been spent as local travel expenses, but the Form General-172 was not made available to the Audit in that connection.	The Form General 177 vouchers relating to the sum of Rs. 1,599,250 spent on travel expenses had not been included in the file for salary vouchers; instead, those vouchers had been maintained in a separate file and can be made available to the Audit if need be.	Payment vouchers should be presented for local travel expenses in accordance with Form General 172.

(d) Non-compliances with Laws, Rules and Regulations

The following non-compliances were observed.

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
Reference to Laws, Rules, and Regulations -----	Non-compliance -----	-----
(i) Circular Nos. PPA/6/1/1 dated 31 December 1993 and CA/1/1/16/1 dated 09 July 2010 of the Presidential Circular.	Officers of the State Ministry had participated in a Russian tour having spent a sum of Rs. 3,955,281, but	Secretary to the State Ministry has informed that the said report had been directly presented to the Presidential Secretary by the State Minister of Money & Capital Market
		Provisions of Circulars should be followed.

- report on the tour had not been handed over to the relevant authorities even by the end of the year under review.
- (ii) Section 5.3 of Chapter XIV of the Establishments Code.
- An approval should have been obtained for using a domestic airline for an official and urgent requirement. Without giving any specific reasons, 03 officers of the State Ministry had spent a sum of Rs. 100,050 for using a domestic airline.
- The Jaffna tour was made on a special official purpose as per Section 5.3 of Chapter XIV of the Establishments Code. The Honorable State Minister toured in Jaffna from 2021.02.27 to 2021.03.01 together with 15 officers representing miscellaneous areas. A series of discussions had been scheduled to be held with the industrialists, export entrepreneurs including agriculture, and the bankers in the area. As such, it was possible to use a domestic airline on official purposes in terms of Section 5.3 of Chapter XIV of the Establishments Code.
- Provisions of the Establishments Code should be followed.
- (iii) Paragraphs 3.1 and 3.3 of Public Administration Circular, No. 30/2016 dated 29 December 2016.
- No records had been maintained relating to fuel consumption tests on the vehicles used by the State Ministry.
- Fuel consumption tests could not be performed for the vehicles temporarily released to the Ministry of Finance and the Ministry of Money & Capital Market and Enterprise Reforms.
- Provisions of Circulars should be followed.

2. Financial Review

2.1 Management of Expenditure

The following observations are made.

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
<p>(i) Non-utilization of Provision</p> <p>A provision of Rs. 1,650,000 made on 06 Objects, had saved in full due to not being used in the year under review.</p>	<p>The Head of Expenditure and the duties & functions thereunder, priorities, and the institutional & legal framework of the State Ministry of Money & Capital Market and Enterprise Reforms had been brought under Head of the Ministry of Finance in accordance with the Gazette Extraordinary No. 2248/35 dated 2021.10.06. As such, the expenses could not be incurred as expected, and provision had saved due to official activities not performed as usual owing to Covid-19 pandemic.</p>	<p>Annual estimates on expenditure should be prepared accurately and realistically in terms of Financial Regulation 50.</p>
<p>(ii) Allocation of Overprovision</p> <p>As a sum of Rs. 67,071,025 had been over-provisioned under 28 Objects, only a sum totaling Rs.31,279,144 had been utilized in the year under review thus saving a sum of Rs.35,791,881 representing 15-99 per cent of the provision made under each Object.</p>	<p>The Head of Expenditure and the duties & functions thereunder, priorities, and the institutional & legal framework of the State Ministry of Money & Capital Market and Enterprise Reforms had been brought under Head of the Ministry of Finance in accordance with the Gazette Extraordinary No. 2248/35 dated 2021.10.06. As such, the expenses could not be incurred as expected, and provision had saved due to official activities not performed as usual owing to Covid-19 pandemic.</p>	<p>Annual estimates on expenditure should be prepared accurately and realistically in terms of Financial Regulation 50.</p>

3. Operating Review

3.1 Planning

The following observation is made.

Audit Observation	Comment of the Accounting Officer	Recommendation
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An Action Plan had not been prepared in terms of Public Finance Circular, No. 02/2020 dated 28 August 2020.	Action Plan for the year 2021 has been prepared. A copy would be made available to the Audit if need be.	Plans should be prepared within the specified time.

3.2 Progress of Discharging Functions

The following observation is made.

Audit Observation	Comment of the Accounting Officer	Recommendation
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The State Ministry had been established in terms of the Gazette Extraordinary, No. 2187/27 dated 09 August 2020 in order to uplift the economy of Sri Lanka through 20 specific duties, functions and priorities. A sum of Rs. 74,588,694 had been spent from Government funds by the time of dissolving the State Ministry after a period of 13 months on 30 September 2021. Nevertheless, the progress relating to the objectives, duties, functions and priorities for establishing the State Ministry was not reported even by the end of the year under review.	As the State Ministry of Money & Capital Market and Enterprise Reforms had been wound up in accordance with the Gazette Extraordinary No. 2248/35 dated 2021.10.06, all the functions of the State Ministry had come to conclusion by mid October 2021 with officers and employees being attached to other institutions. As such, it was not possible to review progress by the end of the year 2021.	Progress of the funds spent should be reported.

3.3 Management of Assets

The following observation is made.

Audit Observation	Comment of the Accounting Officer	Recommendation
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A Hard Disk purchased in the year under review to the value of Rs. 10,900 had been taken by an officer temporarily employed at the State Ministry. No action had been taken to recover that Hard Disk at the time of dissolving the State Ministry.	The Letter, No. SMMCM/FIN /03/01/02 dated 2021.09.04 had been sent requesting to return that Hard Disk purchased in the year under review. It is informed that the office copy of that letter has been included in the file titled "Issuing of Inventory Items".	Control of inventories should be done in accordance with provisions of Financial Regulations.

4. Management Weaknesses

The following observation is made.

Audit Observation	Comment of the Accounting Officer	Recommendation
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(i) Although the State Ministry of Money & Capital Market and Enterprise Reforms Had been dissolved in accordance with a notification published on the Gazette Extraordinary No. 2248/35 dated 06 October 2021, 08 vehicles used by the State Minister and his personal staff up to then had not been returned.	The official vehicle had been provided for the State Minister and the staff by the Ministry of Finance. As such, the Ministry of Finance had given approval to continue using the vehicles at institutions to which those officers had been attached newly, after dissolving the State Ministry of Money & Capital Market and Enterprise Reforms.	With the State Ministry being wound up, the assets should be taken over from the officers properly.
(ii) As the Secretary to the Sate Ministry had retired on 07 April 2021, the Toyota Prado jeep used by him had been handed over to the public relations coordinating secretary of the State Minister. As that post became revoked with the dissolution of the State Ministry, the vehicle was not returned even by 21 April 2022.	As the State Ministry of Money & Capital Market and Enterprise Reforms had been dissolved, the Jeep, No. KJ – 3960 had temporarily been provided for the Ministry of Government Policies and Planning. The vehicle had been returned to the Ministry of Finance on 2022.04.22.	With the State Ministry being wound up, the assets should be taken over from the officers properly.