

2022 අගෝස්තු 15  
2022 ஆகஸ்ட் 15  
15 August 2022



2018 අංක 19 දරණ ජාතික විගණන පනතේ  
14 වන වගන්තිය ප්‍රකාරව පාර්ලිමේන්තුව වෙත  
ඉදිරිපත් කරනු ලබන විගණකාධිපති ත්‍රෛවාර්ෂික වාර්තාව

2018 இன் 19 ஆம் இலக்க தேசிய கணக்காய்வு அதிகாரச்சட்டத்தின்  
14 ஆவது பிரிவின் பிரகாரம் பாராளுமன்றத்திற்கு சமர்ப்பிக்கப்படுகின்ற  
கணக்காய்வாளர் தலைமை அதிபதியின் மூன்றாண்டு அறிக்கை

**Triennial Report of the Auditor General presented in  
parliament in terms of Section 14 of  
the National Audit Act, No. 19 of 2018**

එකලොස් වන කාණ්ඩය - 01  
பதினோராவது தொகுதி - 01  
Eleventh Volume - 01

මුදල් අමාත්‍යාංශය, මුදල් අමාත්‍යාංශය යටතේ වන දෙපාර්තමේන්තු හා  
විශේෂ වියදම් ඒකක

நிதி அமைச்சு, நிதி அமைச்சின் கீழான திணைக்களங்கள் மற்றும்  
விசேட செலவின அலகுகள்

Ministry of Finance, Departments & Special Expenditure Units under the  
Ministry of Finance

**ජාතික විගණන කාර්යාලය**  
தேசிய கணக்காய்வு அலுவலகம்  
NATIONAL AUDIT OFFICE



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## Triennial Report 2018 -2020

### 1. Introduction

In terms of Section 14 of the National Audit Act, No.19 of 2018, the Auditor General shall table in Parliament the Status Report of every auditee entity, within nine months after the end of each period of three financial years. This Triennial Report contains audit observations relating to the Ministry of Finance, Departments under its purview and special expenditure units. The Report shall include the major deficiencies identified, recommendations made by him and preventive measures taken by the auditee entity and the position thereon as at the submission of the report to the Parliament.

### 2. General Information

#### 2.1 Provision made by the Annual Appropriation Act and Utilization

Out of 23 entities of which observations were included in this Report, 22 entities had been operated in the years 2018 and 2019. The Parliament had made provision totalling Rs.2,171,053 million and Rs.2,342,588 million for the said 22 entities. The said provision had been increased by Rs.171,535 million representing 7.9 per cent in the year 2019 as compared with the year 2018. One more State Ministry has been added to this number of entities in the year 2020. Accordingly, provision totalling Rs.2,253,357 had been made by Parliament for the year 2020. It has been a decrease of provision by Rs.89,231 million representing 3.8 per cent as compared with the year 2019.

Provision of Rs.2,141,445 million and Rs.2,080,233 million had been utilized respectively in the years 2018 and 2019 by 22 aforementioned Auditee entities. Utilization had been decreased by Rs.61,272 million representing 2.9 per cent in the year 2019 as compared with the utilization of the preceding year. However, the utilization of the year 2020 had been increased by Rs.77,148 million representing 3.7 per cent as reported in the preceding year, thus utilizing provision of Rs.2,157,381 million. Annexure 1

#### 2.2 Estimated Revenue and Actual Revenue

Heads of 05 entities out of the 23 auditee entities included in the Report have acted as the Revenue Accounting Officers. Revenue has been estimated as Rs.129,004 million,

Rs.203,000 million and Rs.107,700 million respectively in the years 2018, 2019 and 2020 relating to 23 Revenue Codes in the Annual Budget Estimate. Accordingly, the estimated Revenue had increased by Rs.73,996 million representing 57 per cent in the year 2019 as compared with the year 2018. However, the Revenue estimate of the year 2020 had decreased by Rs.95,300 million representing 46 per cent over the Revenue estimate of the year 2019. The Revenue collected for the year 2018 had exceeded the estimated Revenue by Rs.135,775 million representing 105 per cent, thus collecting a Revenue of Rs. 264,779 million. Out of the estimated Revenue of the year 2019, the collected Revenue had been 98,886 million, thus indicating a decrease of Rs.104,114 million representing 51 per cent. Even though the estimated Revenue of the year 2020 had been Rs.107,700, the Revenue collected had exceeded the said estimated Revenue by Rs.2,557 million representing 2.3 per cent, thus collecting a Revenue of Rs.110,257 million. Annexure 2

## 2.2 Settling Imprest Balances

In terms of Financial Regulation 373, the imprest balance remained as at 31 December of each accounting year should be surrendered to the Treasury on that date. However, according to Treasury books, an unsettled balance totalling Rs.28,107,617 million remained as at 31 December 2018 relating to 22 auditee entities. The said balance had been Rs.8,584,402 million by 31 December 2019 and it had been Rs.50,363,305 million by 31 December 2020. Annexure 3

## 2.3 Balances of Deposit Accounts

The balances of deposit accounts remaining under the Main Ledger Accounts of the Treasury which do not belong to the Consolidated Fund, comprise monies payable to other parties on a future date. A balance of Rs.6,847,322,133 remained relating to 10 out of 21 entities mentioned above by 31 December 2018 and the said balances totalled Rs.7,357,979,414 by the end of the year 2019 relating to 12 out of those 22 entities. As compared with the preceding year, the total deposit balances had increased by Rs.510,657,281 representing 7.46 per cent by the end of the year 2019. However, the balances of deposit accounts of 15 entities totalled Rs.3,084,240,644 by the end of the year 2020. Accordingly, the value of deposit balances of the year 2020 had decreased by Rs.4,273,738,770 representing 58.08 per cent as compared with the year 2019. Annexure 4

## 2.4 Balances of Advance Accounts

Limits for Advance Accounts had been authorized for approved functions of the Government mentioned in the Third Schedule of the Annual Appropriation Act and Advance Accounts had been maintained within the limits authorized for functions of the Advances to Public Officers relating to 22 auditee entities. A debtors' balance of Rs.639,320,943 remained in those Advance Accounts by 31 December 2018 and it had become Rs.637,129,328 million by 31 December 2019 with a decrease of Rs.2,191,615. The Advance debtors' balances of 23 auditee entities including the State Ministry which joined in the year 2020, had been Rs.594,119,225 million by 31 December 2020. Annexure 5

## 2.5 Non-financial Assets

In terms of paragraph 8.2 of the State Accounts Circular No.267/2018 of 21 November 2018, all auditee entities should identify the assets in their custody and include them in the financial statements and opportunities had been provided for identifying and including all those said assets in the financial statements by the end of the year 2020. Assets totalling Rs. 61,660 million relating to 18 of 22 entities had been identified and brought to account by 31 December 2018 relating to this report. Assets valued at Rs.101,970 million relating to 22 entities had been identified by 31 December 2019 and it had increased by 65 per cent as compared with the year 2018. Non-financial assets valued at Rs.103,304 million had been identified and brought to account by 22 entities except for the National Procurement Commission by the end of the year 2020. It had been an improvement of 1.3 per cent as compared with the preceding year. Annexure 6

## 2.6 Audit Opinions on Financial Statements

In terms of Financial Regulations 150 and 151, Annual Appropriation Accounts and Revenue Accounts had been made available to Audit before the year 2018 by Government Ministries, Departments and District Secretariats. Government Ministries and Departments have been informed by the State Accounts Circular No.267/2018 to present financial statements from the year 2018 so as to fulfill the requirements specified in the Financial Regulations and formats had been introduced for the said sets of financial statements. It

was also informed to present financial statements in accordance with Public Accounting Practices. As such, we have conducted the audit in accordance with Sri Lanka Auditing Standards and expressed audit opinions on those financial statements. Accordingly, appropriate audit opinions such as Unqualified Opinion, Qualified Opinion, Disclaimer of Opinion and Adverse Opinion were expressed.

Unqualified Audit Opinions relating to 13 entities out of 22 auditee entities have been expressed on the financial statements relating to the year 2018 presented to Audit and Qualified Audit Opinions had been expressed relating to the 9 remaining entities. Unqualified Audit Opinions had been expressed relating to 16 entities out of 22 auditee entities in the year 2019 and Qualified Audit Opinions had been expressed relating to the 6 remaining entities. Unqualified Audit Opinions had been expressed relating to 18 entities out of 23 auditee entities relating to the report of the year 2020 and Qualified Audit Opinions had been expressed relating to the 5 remaining entities. A Qualified Audit Opinion was expressed on the financial statements presented for the three years relevant to the review on the financial statements of the Government of which the Department of State Accounts is considered as the Accounting Officer. Annexure 7

3. Reports of every auditee entity are presented as follows so as to cover the requirements specified in Section 14 of National Audit Act, No. 19 of 2018.

**3.1 Head 1 – Presidential Secretariat**

Opinion of the Auditor General on Financial Statements 2018 - Qualified Opinion  
 2019 - Unqualified Opinion  
 2020 - Unqualified Opinion

	<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
(a)	Six projects out of 15 which had been scheduled to be commenced in the year 2018 on the provisions made to the districts for Gramashakthi People’s Movement had been abandoned as at the end of the year under review. The targets and physical progress of the active projects were as follows.			
(i)	Sewing machines had been provided incurring Rs. 1,559,687 to 35 beneficiaries who engage in the garment industry and live in the Pudaluoya South Grama Niladhari Division in the Kotmale Divisional Secretariat Division. Although some contribution of the revenue received by beneficiaries from the Gramashakthi People’s Movement, had been granted by other projects for the development of relevant societies, a mechanism had not been prepared to obtain the contribution of beneficiaries for the development of the society from the income of this project.	Action should be taken to fulfill the expected objectives.	This project is being implemented successfully and it was reported that recovering of installments is being carried out insufficiently. Divisional Secretariat of Kothmale had informed that he will take action in this regard and it will be able to use for the development of the society.	A mechanism for obtaining the contribution of beneficiaries for the development of the society had not been prepared even by 25 March 2022.



	<p>(ii) A project had been commenced with the objective of improving the quality of life of the community lived in Poramadulla Grama Niladhari Division of Hanguranketha Divisional Secretariat Division through promotion of flax production. A sum of Rs. 2,589,602 had been incurred for implementing of this project. Although the flax production machine had been purchased on 12 March 2019 incurring Rs. 120,000, the flax seeding had been planted in October 2019. Currently flax fibers in the surrounding areas had been used for the production and most of people who had engaged in the industry had produced flax fiber in traditional way because extra money had to be incurred for the machine in production of flax fiber using the machine. Accordingly only a sum of Rs. 2,505 had been earned from the machine as income from March to December 2019.</p>	<p>Action should be taken to fulfill the expected objectives.</p>	<p>It has been reported that 45 job opportunities has been created so far, even though there were some setbacks in moving away from the traditional methodology of introducing the flax project and using the machine introduced for the project.</p>	<p>No income had been earned using the said machine for achieving expected objectives of the Project.</p>
<p>(b)</p>	<p>The Gramashakthi Janatha Societies had been established in selected Grama Niladhari Divisions under the Gramashakthi People's Movement with the objective of sustainable development to</p>			

	eradicate absolute poverty in Sri Lanka by the year 2030. Fifteen societies had been established in the year 2018 under the first stage and 45 societies had been established under the second stage in the year 2019 in 5 Divisional Secretariat Divisions in the District of Nuwara Eliya.			
	(i) Out of the provision of Rs.3,500,000 made for 7 societies during the year 2018 at a rate of Rs.500,000 per society, no amount had been utilized even up to 16 January 2020 for livelihood development activities.	Provision made should be utilized for achieving the expected objectives.	Even though these funds had been allocated for granting loans on the requirement on concessional interest rates for commencing projects, anyone was not applied for loans up to now. These funds have been deposited by Societies in a state bank.	Adequate evidence as to whether the provision of the project had been used for the livelihood development, had not been made available even by 25 March 2022.
	(ii) A sum of Rs. 300,000 had been allocated for a society for the Capacity Development Fund and out of the total provision of Rs.600,000 made for 2 Gramashakthi societies; no amount whatsoever had been utilized. The total utilization of 7 societies was in a range of 1 per cent to 22 per cent of the total provision and as such, the utilization of funds was at a weak level.	Action should be taken to fulfill the expected objectives.	It has been informed that the funds allocated for capacity development will be utilized when the need of the society arises.	Adequate evidence to ensure whether the provision made to capacity development, had been used for timely requirements of each society, had not been made available to Audit even by 25 March 2022.
(c)	According to the information issued by the In Charge of the President's House in Fort 24 units of 12 inventory items of the President's House in Fort	Management of assets should be formalized.	It has been ascertained in written form, that 04 items of 04 types of goods had been handed over to the	Adequate evidence that relevant adjustments had been made in inventories and that

	<p>had been issued for requirements of President's Official Residence at Mahagamasekara Mawatha. When issuing these inventories to the President's Official Residence at Mahagamasekara Mawatha, even though these inventories should be removed from Fort President's House inventory books through Goods Issuing Notes, and should be included in Mahagamasekara Mawatha President's House inventory books through Goods Received Notes, there wasn't any written evidence had been submitted to prove whether action had been taken accordingly and adjustments had not been made in the inventory books of Fort President's House in this regard.</p>		<p>Official Residence of the former President. Actions have been taken to verify the other goods received by informing the Private Secretary of the former President.</p>	<p>action has been taken to obtain relevant proofs, had not been made available to Audit even by 25 March 2022.</p>
(d)	<p>In terms of F.R.753 (2), it should be entered into the inventory book and furnished to stores through the receipt order on Form General 219. However, it is observed that, actions had not been taken accordingly from the year 2017 to the year 2020.</p>	<p>Management of assets should be formalized.</p>	<p>Action has taken to carry out a preliminary investigation calling for parties responsible for non- issuance of receipt orders in preceding years.</p>	<p>Information on preliminary investigations carried out, had not been made available even by 25 March 2022.</p>
(e)	<p>When taking over the goods of the President's House on 18 November 2019 by the former Officer In Charge, it had been revealed that there was a deficiency in 61 units of 35 inventory items according to the telephone conversation of the Senior Assistant Secretary (Internal Control) to the President. However, further</p>	<p>Management of assets should be formalized.</p>	<p>Action will be taken as per the information revealed after a preliminary investigation carried out for the responsible parties regarding the deficiencies in goods.</p>	<p>Information on preliminary investigations had not been made available to Audit even by 25 March 2022.</p>

	actions had not been taken in this regard.			
(f)	Instructions had been given to a former Administrative Officer to hand over the office of the National Economic Council, which had been functioned under the Office, with its office equipment and furniture to the Ministry of Youth Affairs and those items had been handed over by a team including the said officer. Although the period of agreement had been expired, the deposit of Rs. 16,868,576 made by the President's Office to the Company had not been recovered to the Presidential Secretariat.	Management of assets should be formalized.	Written evidence was filed to prove the fact that the premises, office equipment and furniture of the National Economic Council were handed over to the Ministry of Sports and Youth Affairs with effect from 17.12.2019. The State Ministry of Sports and Youth Affairs has been informed to take action to recover the deposit made by the President's Office to the Company at the time of entering into the initial agreement with the Overseas Reality (Ceylon) PLC for the establishment of Sri Lanka National Economic Council, to the General Treasury as the period of agreement was expired by now.	Adequate evidence had not been presented to Audit to ensure that the said deposit payment had been settled to the Treasury.
(g)	Steps had not been taken to take legal action on 50 vehicles registered in the Department of Motor Traffic in the name of the Secretary to the President of which the physical existence/possession had not been confirmed. Further, according to the information received from the Department of Motor Traffic, there were 53 vehicles registered under the addresses of the Presidential Secretariat, President's House	Management of assets should be formalized.	Information on places where 14 vehicles were physically existed was revealed through the survey on vehicles carried out in the year 2016 and actions are being taken to transfer the registered ownership of the said vehicles. Letters have been issued to the Sri Lanka Police to obtain	Accurate information on registered ownership of the 38 vehicles of which the physical existence and possession was not ascertained, was not made available to Audit as at 25 March 2022.

	and President Security Divisions but under the names of other individuals. However, reasons for registering those vehicles under the addresses of the Presidential Secretariat and divisions associate with it, were not revealed to Audit.		correct information on 38 vehicles of which the information could not be obtained.	
(h)	Sixty nine vehicles belonging to the Presidential Secretariat had been handed over to the Sri Lanka Army in the year 2016 and it was revealed that 6 vehicles out of that have been further registered in the Department of Motor traffic on the name of the Secretary to the President. Further, 47 vehicles registered in the Department of Motor Traffic under the name of the Secretary to the President had been issued to various people and institutions. However, actions had not been taken to take over the said vehicles again or to take proper further action relating thereto so far.	Management of assets should be formalized.	The Sri Lanka Army has been informed to take action to take over the 06 vehicles not transferred so far, out of vehicles handed over by the Presidential Secretariat to the Army. Information have been obtained on 27 vehicles out of the vehicles issued to other institutes and relevant transferring actions are on progress. Moreover, actions are being taken to obtain accurate information on other 20 vehicles. Accordingly, relevant transferring activities will be made as per the information obtained.	Information whether the relevant transferring activities were carried out, had not been made available to Audit as at 25 March 2022.
(i)	Media unit has operated under 04 main units and there wasn't any formalized taking over procedure of inventories in any unit except the "New Media Unit"; when taking over the media unit by new staff in November 2019. Accordingly, evidence on actual balances have not been presented to audit in acceptable manner when new staff has taken over	Actions should be taken as per the Financial regulations.	In conjunction with the 2020 inventory survey, an overall assessment is being conducted on current inventories and their performance, which are in the Presidential Media Division. For that, a special committee has been assigned to prepare a	It was not confirmed to audit whether the media department was dealing with the missing equipment even by the 25 March 2022 as per the financial regulations.

	<p>the inventories. However, according to the report No. PMD/ENG/INV/20/01 and dated 06 January 2020 which titled “The Gross Value of Misplaced Equipment belonging to the Media Division”, was submitted to the President's Secretary by the engineers of the Presidential Media Division, the value was Rs. 34,189,688.</p>		<p>detailed report on the existing inventories and their performance and current location. Based on the findings, further action will be taken against the responsible officials.</p>	
(j)	<p>From the year 2015 to January 2020, 104 laptops worth Rs. 17,786,325 were given to the media division which included in the missing assets, among them only 26 laptops and 2 Mac Book Air type computers were returned to the office as of the date of audit.</p>	<p>Actions should be taken as per the Financial Regulations.</p>	<p>In conjunction with the 2020 inventory survey, an overall assessment is being conducted on current inventories and their performance, which are in the Presidential Media Division. According to the report of the committee appointed, further actions will be taken against the officials responsible for the shortage and underutilized goods.</p>	<p>Information about whether the other laptops have been returned to the office and the action taken against the responsible officers was not submitted to the audit even by March 25, 2022.</p>
(k)	<p>Also, from the year 2015 to January 2020, 4 computers out of 52 DESKTOP computers worth Rs. 10,380,423 had been returned and 2 computers had become reusable. Also, during the physical inspection conducted by the audit, it was observed that many desktop computers were unusable.</p>	<p>Actions should be taken as per the Financial Regulations.</p>	<p>In conjunction with the 2020 inventory survey, an overall assessment is being conducted on current inventories and their performance, which are in the Presidential Media Division. According to the report of the committee appointed, further actions will be taken against the officials responsible for the shortage and underutilized goods.</p>	<p>Adequate information was not submitted to the audit as to whether computer items that were unusable by March 25, 2022 were dealt with in accordance with financial regulations.</p>

(l).	From 2015 to January 2020, Rs. 3,470,742 worth of mobile phones and 45 iPads were included in the missing assets, of which 14 mobile phones and 03 iPads were returned to the office, but 09 mobile phones were not in working condition and 02 iPads that had been handed over remained inactive.	Actions should be taken as per the Financial Regulations.	In conjunction with the 2020 inventory survey, an overall assessment is being conducted on current inventories and their performance, which are in the Presidential Media Division. According to the report of the committee appointed, further actions will be taken against the officials responsible for the shortage and underutilized goods.	Information on actions taken by responsible officers regarding shortage and inactive items was not submitted for audit as at 25th March 2022.
(m)	On August 15, 2017, the "Sri Lanka National Economic Council" was established on the approval of the Cabinet No. 17/1591/701/025 and according to the Cabinet note, it had 06 functions. Although the audit requested information related to the plans and progress towards achieving the objectives/targets of the council after its establishment, none of the information was submitted to the audit. However, the General Secretary of the Council has taken foreign leave from 1 August 2019 and left for America and has requested to extend that leave till 18 October 2019 on two occasions. Accordingly, since he has been on foreign leave for almost 3 months, so it was stated that effective service is not being observed by the council. Accordingly, the cabinet had decided on 9 October 2019 to terminate the term of the Economic Council	Public Finance should be managed as to be achieved the expected objectives / targets.	The files relating to the progress of achieving the objectives/targets of the establishment of the Sri Lanka Economic Council can be submitted for audit purposes.	The files relating to the progress of achieving the objectives/targets of the establishment of the Sri Lanka Economic Council had not been submitted to Audit even by 25 March 2022.

	and abolish the posts. According to the information submitted to the audit, Rs. 237,784,472 had been incurred for this Economic Council, during the period of 29 months from August 2017 to December 2019.			
(n)	As at the date of audit, the warehouse management software system used by the President's Office had been purchased from a private company for Rs. 1.6 million in 2013, and although the warehouse department had made requests to improve the system from 2016 to 2020, but further action had not been taken in this regard.	The System should be updated.	The storage management system which is used by the President's Office is already in proper working condition. Only proposals for certain tasks identified to improve the system are presented from time to time, and those activities will be carried out.	The audit did not reveal adequate information on whether the storage management system of the President's Office is in proper working condition as at 25 March 2022.
(o)	At the end of the year under review, no formal instructions had been given regarding the measures to be taken in accordance with F.R.760 regarding 02 television sets that were found to be a shortage by the survey boards of the Anuradhapura President's House for several years.	Action should be taken in terms of Financial Regulations.	That the two (02) television sets have been taken to the IT Unit for repair and the Additional Secretary (Internal Control and Operations) advised to the Director (Information and Communication Technology) to give recommendations regarding the said two (02) television sets.	Formal instructions and recommendations made in respect of 02 televisions presented as a shortage, were not submitted to the audit even on 25 March 2022.
(p)	A shortage of 12 items was observed in the physical inspection carried out at the President's House in Kataragama. Out of them two items had been handed over for repairs in the years 2013 and 2017 and those items had not been returned after the repairs to the Office even by the year 2021.	Action should be taken in terms of Financial Regulations.	The said television and the fax machine had been brought to the Information Communication Technology unit for repairs. The Additional Secretary (Internal Control and Operations) has instructed the Director	Even on 25 March 2022, the information about whether the relevant items have been dealt with according to the Financial Regulations was not submitted to the audit.



			(Information and Communication Technology) to give recommendations regarding the said television set and fax machine.	
(q)	The officer in charge of the subject had not been provided with any order whatsoever as at 09 July 2021 as per F.R.772 for 02 computer UPS that were handed over for disposal in the year 2019 by the Constitution and Statutory Affairs Department.	Action should be taken in terms of Financial Regulations.	The 02 UPSs handed over by the Constitution and Statutory Affairs Division for disposal had been kept at the Information Communication Technology Unit. As those items were scheduled to be auctioned, action will be taken to issue orders to write them off from the inventory books after the auction.	Relevant Goods had not been disposed of and written off from books even by 25 March 2022, thus failure in issuing orders to write off relevant items from inventory books.
(r)	The number of projects implemented to provide drinking water for all in line with the “Vistas of Prosperity and Splendour Policy”, and the progress of those projects, had not been mentioned in the Performance Report for the year under review.	The Performance Report should include performance indicators which can be used to statistically measure the progress in achieving the sustainable development goals.	The each relevant division of the Presidential Secretariat is responsible for coordinating the Ministries, State Ministries, and Institutions in order to implement the projects and programs assigned to them and organizing the meetings. Furthermore, those divisions continuously supervise the performance of all those development activities, and inform the His Excellency the President in that	As the Performance Report for the year 2021 had not been made available to Audit even by 25 March 2022, the progress thereof could not be determined.

			connection. As such, the number of projects or information relating to the programs, pertains to the performance of the relevant Ministry or the Institution.	
(s)	As for the target set under the “Deyata Eliya” project implemented to provide electricity for more than 100,000 poorer families free of charge, the indicator to measure the achievement of the said target had been mentioned as the number of meetings/discussions held. The performance report did not mention indicators which could be used to statistically measure the progress of the projects and the activities executed.	The performance report should include performance indicators which can be used to statistically measure the progress in achieving the sustainable development goals.	- do -	As the Performance Report for the year 2021 had not been made available to Audit even by 25 March 2022, the progress thereof could not be determined.
(t)	The number of schools for which fiber optic connectivity to the Internet had been provided in the year under review under the objective of ensuring a complete & fair education and promoting opportunities to educate throughout lifetime for all, had not been mentioned in the performance report.	The performance report should include performance indicators which can be used to statistically measure the progress in achieving the sustainable development goals.	- do -	As the Performance Report for the year 2021 had not been made available to Audit even by 25 March 2022, the progress thereof could not be determined.

### 3.2 Head 2 – Prime Minister’s Office

Opinion of the Auditor General on the Financial Statements

2018 – Qualified Opinion

2019 – Unqualified Opinion

2020 - Unqualified Opinion

	<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
(a)	The entire provision amounting to Rs.44,500,000 made on 02 capital Objects during the year 2020 had been saved.	The annual estimates should be prepared in a realistic manner.	Had not commented.	Estimates had not been prepared in a realistic manner and as such, savings of provision made for 03 Objects, ranged between 17 per cent and 53 per cent after utilization.
(b)	No progress was observed on the activities coordinated by the Secretariat for Coordinating Reconciliation Mechanisms mentioned under “reconciliation” in the Action Plan of the year 2020.	The Secretariat had remained functional for 03 months in the year 2020, and the functions thereof had ended in that year, action should have been taken to show the progress.	A progress could not be submitted as activities of the Secretariat for Coordinating Reconciliation Mechanisms have been completed as at 31 March 2020.	The progress relating to the period ended March 2020 had not been submitted to Audit even by 23 March 2022.
(c)	The Land Administration Project and the Transport Development Project under the Millennium Challenge Corporation Project Office had not been implemented during the year under review.	The requirement to execute planned functions accordingly	Even though provision was made for projects, it had been informed that the said projects had not been properly implemented due to the situation in the country and the nature of projects.	Out of provision made for capital expenditure, provision of 7.26 per cent had not been utilized even in the year 2021.
(d)	The functions of the establishment of 2500 Rural State Units indicated in th	Action should be taken to execute the	As various programmes and functions had to be	The said objectives could not be achieved even by 23 March

	Action Plan of the year 2018 and the establishment of the Public Service Delivery Authority had not been executed.	functions mentioned in the Action Plan as intended.	performed on priority basis, matters relating thereto had not been maintained.	2022.
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## Head 24 – National Procurement Commission

Opinion of the Auditor General on the Financial Statements

2018 – Unqualified Opinion

2019 - Unqualified Opinion

2020 - Qualified Opinion

	<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
(a)	In terms of Article 156(c)(2) of the Constitution of the Democratic Socialist Republic of Sri Lanka, it shall be the function of the Commission to monitor and report to the appropriate authorities on whether all qualified bidders are afforded an equal opportunity to participate in the bidding process and report on whether members of Procurement Committees and Technical Evaluation Committees relating to the procurements are suitably qualified. Nevertheless, the said functions had been performed only in respect of the complaints received.	Action should be taken in terms of the Constitution.	The inadequate staff had been the reason therefor and it is expected to introduce a minimum level of qualification which should be acquired to become a member of a bid evaluation committee by introducing an online testing methodology.	According to the twentieth amendment to the Constitution, the National Procurement Committee has been abolished.
(b)	The approval of Parliament could not be obtained even by May 2019 for the guidelines on procurement of goods, works and services, information systems and selection of consultants.	The legal framework which gives powers to accomplish the relevant mission should be formulated.	It is kindly informed that this process has delayed due to unavoidable circumstances by the Procurement Commission.	According to the twentieth amendment to the Constitution, the National Procurement Commission has been abolished.
(c)	Out of 151 complaints on procurement activities received during the year 2018, sixty seven complaints had been inquired and issued the reports thereon while investigations on 10 complaints were concluded though reports had not been issued. Twenty seven complaints had been limited to only calling for information.	Activities planned should be achieved within the scheduled time frame.	It is agreed.	According to the twentieth amendment to the Constitution, the National Procurement Commission has been abolished.
(d)	Even though the monthly rental of the office of Commission functioned at the Bandaranaike Memorial International Conference Hall up to 31 July 2018 amounted to Rs.931,834, the monthly rental of the	Action should be taken to maintain a high level of performance as compared to the expenditure	It had been established in an extent of 2,231 square feet in six places of two buildings of the	According to the twentieth amendment to the Constitution, the National Procurement Commission has been abolished.

	<p>new office building located in Battaramulla had been Rs.2,028,600. As the office was shifted to the new building, an additional expenditure of Rs.1,885,496 which was not incurred in respect of old office had to be incurred on electricity, cleaning services, water and security purposes for a period of 05 months from August to December 2018.</p>	<p>incurred.</p>	<p>premises of Bandaranaike Memorial International Conference Hall and the monthly rental therefor had been Rs.375.00 per one square feet.(excluding tax) It was not adequate enough even for the then staff and I wish to inform that even the Chairman of the Commission had to use the common washrooms and water taps. Due to the lack of accommodation facilities, seminars had to be conducted in buildings outside and the vacancies of staff could not be filled. Further, various difficulties were experienced when functioning within the office.</p>	
(e)	<p>According to the newspaper advertisement dated 29 September 2017 published for renting the said building, the space required had been stated as 6000 square feet while it was stated as 8500-10500 in the advertisement published in January 2018. Further, the Commission had enquired the Urban Development Authority about a space between 1500-2000 square feet. However, the extent of building already obtained on rental basis was 13400</p>	<p>Action should be taken to maintain a high level of performance as compared to the expenditure incurred.</p>	<p>It was considered that the extent of building should be approximately 8500-10500 square feet and the parking facility should be at least for 10 vehicles. The entire building has been obtained on rent considering the issues in using</p>	<p>According to the twentieth amendment to the Constitution, the National Procurement Commission has been abolished.</p>

	square feet. Further, the approved cadre and the actual cadre stood at 50 and 27 respectively. Nevertheless, the building had been obtained on rental basis for the extent of 13,400 square feet by paying Rs.147 per square foot (for a price excluding Value Added Tax) for 12,000 square feet instead.		floors separately and the fairness of rental.	
(f)	According to the Valuation Report issued in respect of the new building by the Department of Valuation, the monthly rental amounted to Rs.1,600,000 and the monthly rental paid exceeding this valuation had been Rs.164,000. Accordingly, it was observed that an amount of Rs.1,968,000 had to be overpaid per year.	Rentals should be paid based on the valuation reports issued by the Valuation Department.	I accept that there is a difference between the assessed value of new building and the quotations submitted by the owner of buildings. The required provision were made disregarding the said rental after taking into account the importance of location of the building and the rentals of nearby offices.	According to the twentieth amendment to the Constitution, the National Procurement Commission has been abolished.
(g)	The difference of the revised expenditure estimate pertaining to 10 Objects compared to the initial expenditure estimate ranged from minus 30 per cent to 257 per cent.	Action should be taken to prepare the estimates as accurately as possible.	It caused facts such as recruiting new cadre for vacancies, travelling expenses, arising additional stationery requirements, increasing expenditure requirement for other supplies, emergency vehicle repairs, suspension of operating leases, purchase of properties under concessionary loan scheme for	According to the twentieth amendment to the Constitution, the National Procurement Commission has been abolished.

			public servants, payment of lease installment for a vehicle, and non-inclusion of provisions in budget 2019.	
(h)	Among the limits of Advance Accounts Activities in terms of the annual Appropriation Act, the maximum limits of expenditure was Rs.1,200,000 and the maximum limits of debit balance was Rs.3,000,000 and the corresponding actual values were Rs.2,266,762 and Rs.3,287,856 respectively. Accordingly, exceeding the limit was Rs. 1,066,762 and Rs.287,856 respectively. It was further observed that corresponding values of maximum limits were recorded as Rs. 2,100,000 and Rs. 4,000,000 respectively in the ACA-5 format of the financial statements.	Actions should be taken within the limits imposed by the Appropriation Act.	I agree with the audit query. A Cabinet Memorandum was submitted to the Presidential Secretariat to amend these limits.	According to the twentieth amendment to the Constitution, the National Procurement Commission has been abolished.
(i)	The approval of Parliament could not be obtained for the guidelines on procurement of goods, works and services, information systems and selection of consultants, which were submitted in relation to the mission of the Commission such as timely formulation of fair, equitable, transparent, competitive and cost effective policies, guidelines and procedures for the procurement of goods and services, works, consultancy services and information systems by Government institutions.	The legal framework which gives powers to accomplish the relevant mission should be formulated.	It is informed that this matter has arisen due to the fact that the guidelines submitted to Parliament in the year 2019 have not been tabled in Parliament and I also wish to inform that the reason for delay of the said process was on unavoidable circumstances pertaining to the Procurement Commission.	According to the twentieth amendment to the Constitution, the National Procurement Commission has been abolished.
(j)	After two years from the establishment of the Commission, the approval of the Commission had to be	The procurement mechanism should be made	It is kindly informed that although the final	According to the twentieth amendment to the Constitution, the



	<p>obtained for the final draft of the new procurement guidelines for goods and services, works, information systems as well as the selection and employment of consultants. Even though the proposed new Procurement Guidelines and Manuals were scheduled to be published in the Government Gazette accordingly and submitted to Parliament for approval within 3 months that approval had not been granted even by September 2020.</p>	<p>more efficient and effective by approving the Procurement Guidelines.</p>	<p>draft of the new Procurement Guidelines for goods and services, work, information systems as well as the selection and employment of consultants has been gazetted with the approval of the Cabinet and the concurrence of the Attorney General and submitted to Parliament for approval, it has not yet been tabled in Parliament and it is beyond the control of the Commission.</p>	<p>National Procurement Commission has been abolished.</p>
(k)	<p>Preparation of Procurement Guidelines for Public Private Partnership Project, preparation of procedure manuals for pharmaceutical procurement, formulation of green procurement policies had not been able to complete so far.</p>	<p>The procurement mechanism should be made more efficient and effective by formulating the Procurement Guidelines.</p>	<p>After establishment of the National Agency for Public Private Partnership (NAPP) in 2018, re-formulation of guidelines for Public Private Partnership Projects was commenced as a partnership project in line with their agreement with this Commission. The Ministry of Environment should work together to prepare green procurement policies and so far the Ministry has failed to prepare such guidelines due</p>	<p>According to the twentieth amendment to the Constitution, the National Procurement Commission has been abolished.</p>

			to the fact that criteria for evaluating green products have not been prepared.	
(l)	Out of 1,471 concluded procurements pertaining to 47 Ministries in relation to the year 2017, eighty three procurements had been selected for examination on sample basis by the Commission and out of them only 30 procurements had been examined and completed during the year 2019.	Inspection of completed procurements should be done accordingly as it will help to carry out future procurement activities effectively and efficiently.	The purpose of this is to determine whether the planned procurement is in line with the objectives of the organization and to ensure that such procurement leads to the achievement of the objectives of the organization. However, it has been observed even by the Commission that the method currently being implemented to obtain the Action Plan and Procurement Plan from respective institutions needs to be paid more attention.	According to the twentieth amendment to the Constitution, the National Procurement Commission has been abolished.
(m)	In terms of Section 40(1) of the National Audit Act, No. 19 of 2018, an internal auditor should be appointed and actions had not been taken accordingly.	An internal auditor should be appointed in terms of the Act.	Action is being taken to appoint an internal auditor.	According to the twentieth amendment to the Constitution, the National Procurement Commission has been abolished.
(n)	Audit and management committee meetings had not been held in terms of Section 41(1) of the National Audit Act, No. 19 of 2018.	For the wellbeing of the organization, audit and Management committee meetings should be held in	As an internal auditor has not been appointed, the audit and management committee meetings could not be held and even	According to the twentieth amendment to the Constitution, the National Procurement Commission has been abolished.

		accordance with the provisions.	though the approval required to appoint an internal auditor has been sought from the Department of Management Services, the approval has not been granted. Accordingly, action is being taken to obtain this service on assignment basis.	
(o)	Five officers had been recruited for the approved permanent cadre on casual basis and 09 officers on contract basis by the end of the year 2019. An officer had been recruited for a post of Public Management Assistant on casual basis without following an approved procedure and that officer had been paid Rs. 213,514 during the year 2019.	Staff appointments should be formal.	In view of the powers vested in Article 156 (F) (1) of the Constitution to recruit the required officers for proper discharge of functions of the Commission, the appointment was made in order to perform the functions of the Commission efficiently. I wish to inform that the cadre has been formally approved considering the payment of salaries from the consolidated fund.	According to the twentieth amendment to the Constitution, the National Procurement Commission has been abolished.
(p)	Since the cadre of the Procurement Monitoring Unit of the Commission consists of 01 Executive Grade Officer and 02 Non- Executive Grade Officers, it is observed that there is no an adequate cadre to carry out its functions efficiently.	An adequate staff should be recruited in order to succeed the monitoring activities.	It was noted to be approved the required cadre after studying the work to be done.	According to the twentieth amendment to the Constitution, the National Procurement Commission has been abolished.
(q)	Even though the receipt of advances according to the Treasury books as at 31 December 2020 had been	It is necessary to indicate all receipts of	Agreement thereon had been informed.	According to the twentieth amendment to the Constitution, the

	Rs. 3,487,279 receipt of advances had been indicated as Rs.3,014,879 in the statement of financial performance, thus understating the receipt of advances by Rs. 472,400 .	advances in the statement of financial performance.		National Procurement Commission has been abolished.
(r)	As per Treasury Printed Note (SA 52) and Form No. ACA-5 as on 31st December 2020 Advance Payments as per Treasury Books Rs. 2,515,056, but in the financial performance statement the advance payments were shown as Rs.2,267,656. Due to this advance payments were understated by Rs.247,400.	It is necessary to indicate all payments of advances in the statement of financial performance.	Agreement thereon had been informed.	According to the twentieth amendment to the Constitution, the National Procurement Commission has been abolished.
(s)	As per Treasury Note (SA 52) and Form No. ACA - 5, as on 31 December 2020, the balance of the Advance Account as per Treasury Books was Rs.2,315,633, but the balance of the Advance Account was shown as Rs.2,123,133 in the Statement of Financial Position. Due to this, the balance of the advance account is Rs. 192,500 were understated.	It is necessary to record the balance of the Advance Account in the statement of financial position according to Treasury books.	Agreement thereon had been informed.	According to the twentieth amendment to the Constitution, the National Procurement Commission has been abolished. .
(t)	Even though the Imprest balance unsettled as at 31 December 2020 had been Rs. 1,222,837 according to Treasury books, the said balance had not been indicated in the statement of financial position.	It is necessary to record the Imprest balance in the statement of financial position according to Treasury books.	Agreement thereon had been informed.	According to the twentieth amendment to the Constitution, the National Procurement Commission has been abolished.
(u)	According to Departmental books and Treasury books, the difference between the receipt and payment of advances had been Rs.1,108,776. However, it had been adjusted as Rs.883,776 to the Imprest Adjustment Account.	It is necessary to prepare financial statements as per guidelines.	Agreement thereon had been informed.	According to the twentieth amendment to the Constitution, the National Procurement Commission has been abolished.
(v)	According to Departmental Books, receipt of imprests from the Treasury had been Rs.74,360,000. However, receipt of imprests had been indicated as Rs.79,655,747 under operating	It is necessary to prepare financial statements as per guidelines.	Agreement thereon had been informed.	According to the twentieth amendment to the Constitution, the National Procurement Commission has been

	activities of the cash flow statement, thus overstating the receipt of imprests from the Treasury, by Rs.5,295,747.			abolished.
(w)	According to Departmental books, the non-revenue receipts during the year had been Rs.4,207,050. However, it had not been indicated under the cash flow arising from operating activities.	It is necessary to indicate the non-revenue receipts in the cash flow statement.	Agreement thereon had been informed.	According to the twentieth amendment to the Constitution, the National Procurement Commission has been abolished.
(x)	According to Departmental books, recovery of advances during the year had been Rs.2,131,103. However, it had not been indicated under the cash flow arising from investing activities, thus understating the cash inflow by the same amount.	It is necessary to indicate the gross value of recovery of advances under investing activities of the cash flow statement.	Agreement thereon had been informed.	According to the twentieth amendment to the Constitution, the National Procurement Commission has been abolished.
(y)	According to Departmental books, payment of advances had been Rs. 2,267,656. However, it had been indicated as Rs.1,225,250 in the cash flow statement, thus understating the cash outflow by Rs.1,042,406.	It is necessary to indicate the gross value of payment of advances in the cash flow statement.	Agreement thereon had been informed.	According to the twentieth amendment to the Constitution, the National Procurement Commission has been abolished.
(z)	The total net provision of Rs.200,000 made under the Capital Object for the purchase of furniture and office equipment of the year under review, had been saved without being utilized.	It is necessary to utilize estimated provision to the maximum level.	The purchase of furniture and office equipment had to be postponed due to limitation of office activities in the awake of Covid pandemic and as it was decided to abolish the Commission, procurement activities were ceased.	According to the twentieth amendment to the Constitution, the National Procurement Commission has been abolished.
(aa)	The balance of the Advance Account as at 31 December 2020 according to the Treasury books and Treasury printed note (SA 52) and Format No. ACA 5, had been Rs.2,315,633. However, according to the statement of reconciliation of Departmental books and Treasury printouts [F.R.	It is necessary to record the balance accurately as per Treasury books.	Agreement thereon had been informed.	According to the twentieth amendment to the Constitution, the National Procurement Commission has been abolished.

	427(1)], the balance as at the end of the year, had been Rs.2,540,633, thus observing a difference of Rs.225,000.			
(ab)	The balance of the Advance Account as at 31 December 2020 according to the Treasury books and Treasury Printed Note (SA 52) and Format No. ACA 5, had been Rs.2,315,633. However, according to the summary of classification of individual balances, individual balances totalled Rs.2,540,633, thus observing a difference of Rs.225,000.	It is necessary to record the balance accurately as per Treasury books.	Agreement thereon had been informed.	According to the twentieth amendment to the Constitution, the National Procurement Commission has been abolished. .
(ac)	Liabilities valued at Rs. 48,892 relating to 02 Objects had not been indicated in Note No. (iii) to financial statements.	All liabilities should be disclosed in the financial statements.	Agreement thereon had been informed.	According to the twentieth amendment to the Constitution, the National Procurement Commission has been abolished.
(ad)	A difference of Rs.59,780 was observed between the values of 02 items indicated as Departmental commitments and liabilities as at 31 December 2020 according to Treasury printout (SA 92) and values indicated in Note (iii) to financial statements.	All liabilities should be disclosed in the financial statements.	Agreement thereon had been informed.	According to the twentieth amendment to the Constitution, the National Procurement Commission has been abolished.

### 3.4 Head 102 – Ministry of Finance

Opinion of the Auditor General on Financial Statements

2018 - Qualified Opinion

2019 - Unqualified Opinion

2020 - Unqualified Opinion

	<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
(a)	Although the Ministry had spent a total of Rs.73,892,963 in the year 2018 to inform the public about the 2018 budget proposals through electronic and print media and for the creation and production of those advertisements, the preparation of specifications related to the publicity work, and obtaining the recommendations of the technical evaluation committee are according to the government's procurement procedure had not been implemented.	Action should be taken in compliance with guidelines of the government procurement guidelines.	It is agreed with audit observations.	Instructions had not been given even by 23 March 2022 to officers who carry out procurement activities, for rectification of the said error.
(b)	The Ministry had spent a total of Rs.20,382,180 without following the government's procurement procedure for the publication of newspaper advertisements, television advertisements, advertising on social media websites and program production to implement media programs on the two-year change in press freedom.	Action should be taken in compliance with objectives of the Ministry and Guidelines of the Government Procurement Guidelines.	It is agreed with audit observations.	Instructions had not been given even by 23 March 2022 to officers who carry out procurement activities, for rectification of the said error.
(c)	In the year 2019, charges for domestic flights used by the Ministerial Officers / Ministerial staff to attend various local functions and meetings with the Finance Minister amounting to Rs. 9,101,453 had been spent.	Circulars including instructions on use of domestic flights by the Minister with the Ministerial officers / Ministerial staff, should be issued by the Ministry of Finance.	It is practically difficult to travel long distances on roads when consider the role of the Hon. Minister of Finance and Mass Media. These visits are very urgent and very important and it is very important that	Circulars including instructions on use of domestic flights for festivals had not been issued even by 23 March 2022.

			<p>the Hon. Minister and other Senior Government Officials arrive in Colombo as soon as possible considering the urgent duty conditions.</p> <p>Therefore, it had been informed that action had been taken to facilitate these trips from Helitours (Pvt) Ltd which is a subsidiary of the Sri Lanka Air Force.</p>	
(d)	The total net provision amounting to Rs.5,050,000 allocated under 10 Objects of the year 2020 was saved.	Action should be taken to utilize provision efficiently.	It is agreed with audit observations.	The total net provision amounting to Rs.57,190,000 allocated under 32 Objects had been saved even in the year 2021.
(e)	The arrears of loan balances of public officers older than one year as at 31 December 2019 totalled Rs.920,110.	Attention is drawn towards the taking further action without delay on arrears of loans by looking into matters related thereto.	Loans that couldn't be recovered as per Finance Regulation 113 had been referred to the Department of Public Finance for approval for waiver, and the loan file of one officer was misplaced and remaining loan balances had been referred to the Attorney General's Department for recovery of them.	Out of the outstanding loan balances of public officers, loan balances older than one year as at 31 December 2021 totalled Rs.556,146.00.
(f)	The loan balances recoverable from 54 officers, older than 05 years and	Attention is drawn towards	These loan balances were	The relevant outstanding loan



	04 years in 07 instances of the Economic and Policy Development Division totalled Rs.3,334,459.	the taking further action without delay on arrears of loans by looking into matters related thereto.	applicable to the Advance Account maintained by the Economic and Policy Development Division and action will be taken to identify the workplaces, where the persons, from whom these loan balances should be recovered, are employed and to recover the loans or else to write off the loan balances, that cannot be thus recovered in terms of FR 113 (3).	balances could not be recovered even by 23 March 2022.
(g)	Thirty (30) vehicles owned by the Ministry had been handed over to other institutions without transferring in a proper manner.	Action should be taken to transfer the relevant vehicles in a proper manner or take them back to the Ministry.	Had not commented.	Only one vehicle had been transferred in a proper manner and it was failed to transfer the other vehicles in a proper manner even by 23 March 2022.
(h)	Ten (10) vehicles had been obtained to the Ministry from other institutions without transferring those vehicles in a proper way.	Action should be taken to transfer the relevant vehicles in a proper manner or to return them to those institutions.	Had not commented.	Nine vehicles had been transferred to the Ministry and one vehicle had been provided to another office on temporary basis.
(i)	The Advisory Committee on Procurement appointed by the Joint Cabinet Memorandum approved on 17 July 2018 to sell the shareholding of the Hilton Hotel and Grand Hyatt Colombo, has recommended the selection of Lazard Asia of Singapore, a subsidiary of the MTI Consulting of Bahrain and Sri Lanka, as consultants.			

	The following observations are made in this regard.			
i.	Although it had been agreed to finalize the relevant functions under four milestones as per the Agreement entered into by the Secretary of the Ministry of National Policies and Economic Affairs with the aforementioned consultancy Institute on 27 September 2018, the period for the completion of work had not been specified in the Agreement.	Action should be taken to prepare the agreement properly.	It is agreed with audit observations.	The required time period had not been included in the agreement even by 23 March 2022.
ii.	Lazard Asia and MTI Consulting had finalized two out of 04 milestones on 07 May 2019 and submitted invoices amounting to Rs.13,032,986 (USD 68523) and Rs.4,628,607 respectively to the Ministry of Finance. However, the aforesaid total amounting to 17,661,593 had been paid to the relevant Consultancy Institutions by making supplementary provision amounting to Rs. 17,500,000 after 19 months on 31 December 2020 under the Object Code-102-1-2-1409(Other).	Action should be taken to achieve the performance and to make payments on due dates in terms of the Agreement.	It is agreed with audit observations.	Confirmation on completion of remaining 02 milestones had not been made available to Audit.
(j)	By the end of the year under review, 07 officers had been released to work in other institutions by paying salaries from the Ministry of Finance.	Action should be taken to release the said officers in a proper manner so as to obtain salaries and allowances from institutions where they served.	Officers have been released at the request of the institutions.	Only one officer had been again released to this Ministry even by 23 March 2022.

**3.5 Head 413 - State Ministry of Money and Capital Market and Public Enterprise Reforms**  
Opinion of the Auditor General on Financial Statements 2020 - Unqualified Opinion

	<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
(a)	Variation in the range from 99 per cent to 433 per cent was observed between the original estimates and revised estimates of 18 Objects of Revenue and Capital Expenditure during the year 2020.	Taking necessary steps to prepare the annual estimate realistically and effectively.	Under the Ministry of Finance, Economic and Policy Development, from January to August 2020, the 104 expenditure heads, in order to account for the expenses spent under the Economic Policy Development Division, the allocations related to that sector were mistakenly included in this ministry expenditure head.	Affairs of this State Ministry have been abolished by the Gazette Extraordinary No. 2248/35 dated 06 October 2021 and assigned under the Head of the Ministry of Finance.
(b)	The entire provision totaling of Rs.2,540,000 made for 3 Capital Expenditure Objects and 3 Revenue Expenditure Objects had been saved without utilizing.	Taking necessary steps to prepare the annual estimate realistically and effectively.	This State Ministry was established in August 2020 and an estimate determined by the Department of National Budget has been given for these 05 months, thus resulting in savings of provision.	Affairs of this State Ministry have been abolished by the Gazette Extraordinary No. 2248/35 dated 06 October 2021 and assigned under the Head of the Ministry of Finance.
(c)	Over provision totaling Rs.16,820,000 had been made for 17 Expenditure Objects in the year under review, and after utilizing the said provision, a sum of	The need to control the allocation of over-provision through annual	This State Ministry was established in August 2020 and an estimate determined by the	Affairs of this State Ministry have been abolished by the Gazette Extraordinary No. 2248/35 dated 06

	Rs.8,221,133 had been saved representing a range from 28 per cent to 84 per cent of the net provision made.	estimates.	Department of National Budget had been given for these 05 months, thus resulting in savings of provision.	October 2021 and assigned under the Head of the Ministry of Finance.
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**3.6 Head 237 – Department of National Planning**  
Opinion of the Auditor General on Financial Statements

2018 - Unqualified Opinion

2019 - Unqualified Opinion

2020 - Unqualified Opinion

	<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
<b>(a)</b>	The activity such as Preparation of Planning Techniques included in the Action plan had not been carried out during the year 2018.	Performance of activities indicated in the Action Plan represents the efficiency and success of the Department.	Although it is planned to obtain financial support from an outside institution to update the Book on Preparation of Planning Techniques shown in the Action Plan, it could not be updated due to failure in obtaining financial assistance.	The activity of Preparation of Planning Techniques had not been carried out even by 23 March 2022.
<b>(b)</b>	The Public Investment Programme for the years 2019 and 2020 had not updated and the regulations which explain the role of the Department of National Planning included in the Financial Regulations had not been revised to suit the present.	Updating the public investment programme which is nationally important to the economy and the revision of Financial Regulations are timely.	The comments of the Accounting Officer are correct for the observations were made. The recommendations were noted.	The Financial Regulation which explain the role of the Department had not been revised timely even by 23 March 2022.
<b>(c)</b>	Although a proper economic, social and environmental analysis has not been carried out as per the requirement of the National Planning Department regarding the sand feeding project on the west coast, although the head of the relevant department was informed to submit a project proposal for obtaining technical support and a new project proposal based on that, it is observed that such has not happened. After	Recommendations of the Department of National Planning should be obtained before allocating provision for projects.	The comments of the Accounting Officer are correct for the observations were made. The recommendations were noted.	Provisions had not been made even by 23 March 2022 so to strengthen the regulation of the projects of the Department of National Planning.

	<p>submission of recommendations for the project, it is observed that budget allocations were made before submission of recommendations, although budget allocations were to be made as per the public investment programme.</p> <p>Further, although the Department of National Planning had stated that there is no objection for implementing that project proposal if it is considered as a sustainable solution to the implementation of the project proposal as a matter of timely requirement, it is also observed that the required regulation may be lost.</p>			
(d)	<p>Four liabilities totaling Rs.783,629 indicated in the Accumulated Liability Report No. SA 92 of the Treasury, had not been indicated in the statement on liabilities presented along with financial statements.</p>	<p>Action should be taken to present liabilities and commitments properly.</p>	<p>Liabilities indicated in the said report, are the transactions entered in the month of August in the CIGAS Programme by mistake and those have been paid during the said month itself. Further, dates of the Treasury printed notes – SA 92 confirmed that those transactions have not been entered in the month of December in the CIGAS Programme. It is kindly informed that instructions had been given to avoid such situations.</p>	<p>Making payments for liabilities entered in the CIGAS Programme is monitored and implementation of instructions given is supervised. Such situations have not been reported so far.</p>
(e)	<p>In terms of paragraph 3.4 of Public Finance Circular No.2/2020 of 09 October 2020, commitments and</p>	<p>Action should be taken in terms of the circular.</p>	<p>Liabilities amounting to Rs.264,291 have</p>	<p>According to the financial statements of the year 2021,</p>

	liabilities indicated in the statement of commitments and liabilities under Note No. (iii), should be tallied with the statement of commitments and liabilities issued relating to each Expenditure Head by the Treasury and any liability not so reported should not be settled as an expenditure of the previous year in the preceding year, but the amount not shown in the SA 92 Accumulated Liabilities report of the Treasury is Rs. 264,291 had been settled in the year 2021.		been settled in the year 2021 in terms of Financial Regulation 94(1) and (2).	liabilities totaling to Rs.776,593 had been entered into contrary to circular provisions without obtaining the approval of the Treasury.
(f)	Officers required to give bail in terms of F.R.880, had not given bail accordingly.	Action should be taken in terms of Financial Regulations.	Necessary action is being taken.	The relevant officers had not given bail even by 23 March 2022.
(g)	Even though the Action Plan and the Performance Report of the year 2020 should be uploaded and updated on the website of the Department, it was observed that only the Action Plan of the year 2018 and the Performance Report of the year 2017 had been uploaded even by 12 May, the date of audit.	Website should be updated properly.	It was recorded to update the website properly.	Even though Performance Reports up to the year 2020 of the Department had been uploaded on the website by 23 March 2022, Action Plans had not been uploaded after the year 2018 on the website.
(h)	Even though the Department should pay its attention towards the identification and achievement of the objectives and indicators of the Department based on sustainable development goals and indicators thereunder, evidence for taking action relating to the sustainable development of the year under review accordingly, had not been made available to Audit.	Action should be taken to prepare relevant plans and to achieve goals by paying attention towards the sustainable development goals reachable.	Preparation of National Development Framework and taking policy decisions with relevant Ministries as per the said Plan and appraisal of project proposals prepared by those Ministries are the key functions of the Department of National Planning. Accordingly, the Department of	Action had not been taken even by 22 March 2022 to identify indicators and to act accordingly.

			<p>National Planning had taken the sustainable development targets and goals into consideration in preparing the development policy framework of the Government.</p> <p>Moreover, this is an institution which constantly provides its contribution as a policy for achieving sustainable development goals and targets in the appraisal of project as well.</p>	
(i)	<p>The approved cadre of the Department stood at 118 and 25 out of those posts had been vacant and as such, it had been 21 per cent of the approved cadre. Moreover, the Department had notified that 11 posts including 05 in the post of Director and 06 in the posts of Assistant Director / Deputy Director at the senior level, had been vacant since several years and the space is inadequate for making recruitments. It was observed that the above situation may affect the optimum performance of the Department.</p>	<p>Action should be taken to maintain the approved cadre for the Department, in a proper manner.</p>	<p>Requests for the space facilities required to the Department have been made several times to the Ministry of Finance. Action will be taken to fill vacancies after providing space facilities.</p>	<p>There were 10 vacancies even by 31 December 2021.</p>
(j)	<p>In terms of Section 13.3 of the Establishments Code, if the post continues to require services of a full-time officer, the substantive appointment should be made without delay. However, it was observed that the post of Librarian of the Department has been vacant for over a period of 08 years.</p>	<p>Action should be taken to maintain the cadre approved for the Department, in a proper manner.</p>	<p>The Ministry of Public Services has been notified to take action to fill vacancies in the post of Librarian of the Department.</p>	<p>The post of Librarian was vacant even by 23 March 2022.</p>



### 3.7 Head 238 –Department of Fiscal Policy

#### Opinion of the Auditor General on Financial Statements

2018 - Unqualified Opinion  
 2019 - Unqualified Opinion  
 2020 - Unqualified Opinion

	<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
(a)	In terms of Financial Regulation 756 and Paragraph 3.1.5 of the Public Finance Circular No. 05/2016 of 31 March 2016, recommendations indicated in the survey report provided after completing the boards of survey had not been implemented even by 19 April 2018.	Action should be taken expeditiously on the recommendations indicated in the report on board of survey in terms of the Financial Regulations and Circulars.	It is recorded to finalize the report on Boards of survey in the ensuing year as per the Circular.	Recommendations indicated in the report on board of survey of the year 2020 had not been implemented even by 23 March 2022.
(b)	The provision of Rs.1,670,000,000 had been allocated in the year 2019 for the settlement of problems of a private company in international arbitration held in Singapore in the years of 2006/2007 included in recurrent expenditure. However, the said provision had been saved at the end of the year 2019 without being utilized. .	The necessary steps should be taken to prepare the annual estimates realistically and effectively.	It was informed that an agreement had to be signed with the relevant company in accordance with the International Arbitration decision for this purpose and as no agreement had been signed up to that extend and an annual provision had to be made for it until it was submitted for payment.	Provision therefor had not been made in the year 2021.
(c)	The Revenue Accounting Officer or the Department had not taken further action regarding the recovery of arrears of Excise Tax revenue of Rs.986,683,292 under tax revenue from 1994 to 2017.	Further action should be taken to recover the arrears of revenue.	It had been informed that legal action is being taken by the Excise Department to recover these	The said arrears of taxes had not been recovered even by 23 March 2022.

			arrears taxes.	
(d)	It was observed during the audit test checks that the total of arrears had been Rs.5,436,916,146 comprising of Rs.3,684,742,481 as the cumulative arrears as at 31 December 2017, Rs.813,737,824 as the arrears of for the year 2018 and Rs.938,291,785 as the cumulative arrears for the year 2019 relating to 12 Departments.	Further action should be taken to recover the arrears of revenue.	It was informed that a detailed analysis is currently being conducted by the Department to make the necessary future policy decisions relating to arrears of revenue of all existing Revenue Codes for tax and non-tax revenue and that special attention will be paid to the matters pointed out.	Necessary steps had not been taken to recover the arrears of revenue speedily even by 23 March 2022.
(e)	It was observed that there was a total arrears of US Dollars 12,044,143 comprising an accumulated deficit of US Dollars 1,544,118 up to 31 December 2017, US Dollars 3,228,591 for the year 2018 and US Dollars 7,271,434 for the year 2019 out of revenue received from the duties of the United Nations Peace Operations under the Revenue Code No. 20.03.06.00 by the Sri Lanka Air Force Department.	Further action should be taken to recover the arrears of revenue.	It was informed that a detailed analysis is currently being conducted by the Department to make the necessary future policy decisions relating to arrears income of all existing Revenue Codes for tax and non-tax revenue, and that special attention will be paid to the matters pointed out.	Necessary steps had not been taken to recover the arrears of revenue speedily even by 23 March 2022.
(f)	There was an outstanding balance of Rs. 64,630,699 under the Social Responsibility Tax under the Revenue Code of 1002.10.00, which is under the supervision of the Department. A sum of Rs.15,838 had been recovered within the year under review and it was 0.025 per cent of the total amount to be recovered.	The requirement of collecting arrears of revenue without delay in terms of FR 128 (e).	Reports on revenue in arrears have been continuously submitted to the Audit Department half yearly and the Inland Revenue Department and the Customs Department have been instructed to	A revenue of Rs.5,820 had been collected in the year 2021 and an arrears of revenue of Rs.1,449,239 had been written off.

			provide such reports as per time analysis. I will send it to you once I receive it and I will also send a reminder in this regard.	
(g)	There are 56 approved posts in the Department and the actual staff was 50. Accordingly, there were 06 vacancies and it was 11 per cent of the approved staff comprising 04 vacancies in the senior.	Taking action to duly maintain the approved cadre of the Department.	According to the new staff, the vacancy for the post of Director of the Department has already been filled. There are 06 approved Deputy Director / Assistant Director posts in the Administrative Service under the new staff and 04 of them have already been filled. As the preliminary work for the construction of office rooms has already been commenced, I will take steps to fill these vacancies as soon as the office rooms are constructed.	Six posts were vacant as at 31 December 2021. The Department of Management Services has been informed to suppress the open post of the Additional Director General in the senior level.
(h)	It was observed that there is a vacancy for the post of Translator (English/ Sinhala) in the tertiary level for nearly 04 years.	Taking action to fill the relevant vacancies as required.	As the preliminary work for the construction of office rooms has already been commenced, I will take steps to fill these vacancies as soon as the office rooms are constructed.	The Department of Management Services has been informed to suppress the post of Translator.

**3.8 Head 239 – Department of External Resources**

Opinion of the Auditor General on the Financial Statements

2018 - Unqualified Opinion

2019 - Unqualified Opinion

2020 - Unqualified Opinion

	<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
(a)	According to the Annual Action Plan 2018, it had been expected to raise funds amounting to US \$ 2,004 million by new loan agreements during the year 2018. Nevertheless, the value of financial concurrences entered into in respect of 40 loan agreements during the year 2018 had been US\$ 1,242 million. Moreover, the amount of funds expected to be obtained from the World Bank, China, Japan and Korea had been US \$ 200 million, US \$ 400 million, US \$ 500 million and US\$ 40 million respectively and funds amounting to US \$ 104 million, US \$ 165 million, 98 million and US \$ 22 million could have been obtained respectively during the year 2018.	It is appropriate to take action to reach expected targets as far as possible.	Matters included in your report are true and agreements could not be signed as planned in the year 2018 due to matters such as political changes deviating from our scope, which are very practical and legal issues and changes in policy decisions.	Even though included in the Annual Action Plan, certain changes had been made in the Action Plan in accordance with certain decisions of the Government and the Cabinet of Ministers.
(b)	Even though a considerable period had lapsed after entering into following loan agreements, projects relating thereto had not been implemented even by the end of the year 2018.			
(i)	<b>Loan No. 2014023</b> Digitalization of Terrestrial Television Broadcasting Project – 23.09.2014	Necessary measures should be taken speedily to implement contractual projects without delay.	The loan agreement for the Project had been entered into on 24 September 2014. However, the process of revision of the loan agreement has not been commenced by the Japan International Cooperation Agency (JICA) up	The loan utilization period has been extended up to 17 December 2028.

			to now.	
(ii)	<b>Loan No. 2014039</b> Ruwanwella Water Supply Project - .30.12.2014	-do-	The relevant loan agreement had been entered into in December 2014. The bid had taken a very high value than the Project and as such, there was no final concurrence between both parties.	The Government of Sri Lanka had agreed to bear the shortage of money for the civil contract and works of about 20 per cent of the project have been completed by 23 March 2022.
(iii)	<b>Loan No. 2013052</b> Economic and Technical Cooperation	-do-	This is an interest free loan and the China Embassy seeks the concurrence for implementation of an issueless project.	The project had not been implemented even by 23 March 2022.
(iv)	<b>Loan No. 2014021</b> Skills Development Project (Part B) 12.09.2014	-do-	Even though number of discussions had been held, the relevant money had not been properly utilized until foreign development parties are satisfied on performing of activities by the Ministry of Skills Development.	Implementation of this project is over and unutilized funds have been cancelled.
(c)	The total amount of modernization work done in the department at the expense of the Ministry of Finance is Rs. 22,160,324 in assets have not been properly taken over and recorded in the registers by the Department even by the end of the year 2020.	To expedite the process of taking over and recording the assets pertaining to the Department.	Renovation works of the Department had been done at the expenditure of the Ministry of Finance. As the Ministry of Finance had not handed over the necessary documents to this Department before 2020.12.31, the	The process of taking over relevant assets had not been finalized even by 23 March 2022.

			process of examining them and recording in the books of the Department had delayed.	
(d)	It was a key function of the Department to maintain a database relating to the debts of the Government. The following changes were observed in the information of those parties and departments due to the fact that the system was not developed in such a way that the information included in the system related to the acquisition, repayment and servicing of the loan and the information owned by the other parties related to it are simultaneously updated.			
(i)	The value of Rs. 222.6 million included in the information maintained by the Public Debt Department of the Central Bank of Sri Lanka with respect to servicing of foreign borrowings, had not been included in the information system of the Department.	An information system containing accurate and up-to-date information should be developed and maintained in cooperation with all the parties concerned.	Charges on agents and sureties paid on 02 borrowings were shown under a different classification, whilst the other agreements on borrowings had directly been entered into with the relevant institutions. The relevant charges in that connection have been saved in the information system.	The data base (CR DRMS) had not been developed for management of cash flow and accounting.
(ii)	A value of Rs. 461 million included in the information system of the Department relating to the servicing of foreign borrowings, had not been included in the information maintained by the Public Debt Department of the Central Bank of	-do-	According to the agreement, the interest and the agreement charges are capitalized in the utilization period of those	As no payment is made in cash, it had not been included in the information of the Department of Public Debt of the Central Bank of Sri Lanka.

	Sri Lanka.		<p>borrowings. Accordingly, the capitalized agreement charges relating to those institutions are included in the information system, but not in the information maintained by the Central Bank of Sri Lanka due to not being a payment made in cash.</p>	
(e)	<p>It is a key function of the Department to conduct discussions with the relevant parties with respect to obtaining foreign aid and efficient utilization of such aid. Nevertheless, instances of non-compliance with Circulars issued by the Treasury in that connection, were observed.</p>			
(i)	<p>All the transactions relating to foreign financing should be performed by the Director General of the Department of External Resources in terms of the State Accounts Circular, No. 30/94 dated 20 April 1994 relating to the accounting of foreign aid. However, according to the information gathered through a test check, 24 institutions had directly obtained foreign aid worth Rs. 2,026 million for 77 projects during 2018-2019 with the Treasury not being aware of those aid.</p>	<p>A system with accurate and updated information should be developed and maintained in cooperation with all the parties concerned.</p>	<p>Circulars and instructions have been issued informing on the correct methodology to be followed by all the Ministries, Departments, and statutory institutions in obtaining foreign aid through this Department and in coordination with the other Departments of the Treasury.</p>	<p>The relevant institutions should be operated in accordance with circulars and Guidelines and it is a responsibility of the Secretary to the line Ministry to look into this matter. However, follow up action relating thereto had not been taken by the Department of External Resources.</p>
(ii)	<p>Furthermore, as per information collected through test checks, foreign aid worth Rs. 1,266 million had been directly obtained by other Ministries/ Departments in the year 2020 without</p>	-do-	<p>It is the responsibility of the Secretary to the Ministry to obtain provision in terms</p>	-do-

	awareness of the General Treasury.		of the Circulars.	
(f)	The main objectives of the Department included mobilization of external resources with minimum cost and low risk to finance development needs in priority sectors and facilitation of the effective and efficient utilization of external resources. However, due to following observations made in the audit, it remained questionable as to what extent the Department had been successful in achieving those objectives.			
(i)	The value of foreign borrowings that had been obtained after entering into agreements in the year 2020, totaled Rs. 1,281.1 million, and it was observed that 39 per cent therefrom equivalent to US \$ 500 million obtained from the China Development Bank had been market borrowings.	An information system containing accurate and up-to-date information should be developed and maintained in cooperation with all the parties concerned.	In accordance with the instructions given by the Cabinet of Ministers to obtain borrowings amounting to US \$ 500 million for settling the deficit of payable balance of the country that had been further increased following the matters that had crippled the economy of the country including the break out of Covid-19 pandemic.	Market borrowings had been obtained for budget financing.
(ii)	Debt service payments totaling US \$ 4,057.9 million had been made in the year 2020 and 35 per cent of that equivalent to US \$ 1,419.4 million had been paid on interest. It was observed that the said amount was higher than the foreign borrowings obtained in the year after entering into agreements.	-do-	The value of foreign borrowings totaled US \$ 35 billion by the end of the year 2020. Accordingly, the interest payable thereon annually, has increased.	As the loans obtained annually have increased, the interest has exceeded the amount of loans obtained annually.
(iii)	As for the foreign borrowings, it was observed that the Government incurred heavy expenses in many			



	<p>instances on the unutilized value of agreed loan amount in terms of the agreements. Instead, the borrowing should be obtained on time as per the agreement and mobilized on the relevant project, and as such, settling the loan installments and interest using the benefits from the project would be an efficient mechanism for managing the borrowings. Nevertheless, the following instances of non-compliance with such a mechanism were observed in the audit test checks conducted on foreign borrowings.</p>			
*	<p><b>Loan No. 2015025</b> In order to implement the Mahaweli Water Security Investment Program, an agreement had been entered into on 17 September 2015 to obtain a loan amounting to US \$ 76 million from the Asian Development Bank with a grace period of 05 years and on the basis of repaying in a period of 26 years. It had been agreed to pay a liability fee of 0.15 per cent on the unutilized balance of the loan. According to the information made available to the Audit, the loan should have been obtained by 20 June 2020, but only a sum of US \$ 31,973,267 had been utilized from the loan even by 31 December 2020, thus failing to mobilize 58 per cent of the loan equivalent to US \$ 44,026,733. A sum totaling Rs. 14,410,871 had been paid in June and December of the year 2020 as the liability fee equivalent to 0.15 per cent thereon.</p>	<p>The additional cost to be incurred by the Government should be minimized through expeditious and efficient mobilization of loans.</p>	<p>Due to lack of financial capabilities of the qualified contractor, the contract had been awarded to a different contractor in December 2020, thus failing to achieve the progress of the contractors as expected. As such, the overall progress could not be reached as expected.</p>	<p>The overall physical progress as at 31 December 2021 had been 29 per cent.</p>
*	<p><b>Loan No. 2015019</b> In order to finance the cost of the project for implementing the milk processing center in Badalgama, a loan amount of 56,580,214 Euros had been obtained from the HSBC bank under export finance facility with a</p>	<p>-do-</p>	<p>The implementation of the project could not be completed on time due to reasons such as, delay in acquisition</p>	<p>This project has reported a progress of about 90 per cent by 23 March 2022 and the project is due to be completed during the year 2022.</p>

	<p>grace period of 03 years followed by a repayment period of 13 years. An agreement had been entered into on 14 August 2015 so that an agreement fee of 0.5 per cent would be levied annually on the unutilized balance of the said loan whilst a loan amounting to 9,975,863 Euros would be obtained under a grace period of 02 years followed by a repayment period of 06 years. According to the information made available to the Audit, a sum of 59,190,497 Euros had been utilized therefrom by 31 December 2020 whereas a value of 7,365,580 Euros had not yet been mobilized as at that date. As such, a sum of Rs.7,890,913 had been paid in the year under review as the annual agreement fee of 0.5 per cent on the said value that had not been mobilized.</p>		<p>of lands, delay in the supply of machinery to the construction site, and the spread of Covid-19 pandemic.</p>	
(g)	<p>(i) Following a policy decision of the Government of Sri Lanka, the Project Agreement, No. 2019011 on the “Light Rail Transit System”, had been terminated. The following matters were observed in that connection.</p>			
(i)	<p>A decision has not yet been reached on further action to be taken on the sum of ¥ 60,080,000 already incurred as front end fee of the project of which the agreement had been terminated. The Audit was informed that discussions would be held in that regard at the time of repaying the loan.</p>	<p>Efficient and productive implementation of projects should be facilitated through accurate studies and analyses.</p>	<p>It is scheduled to reach an agreement through discussions held at the time of repaying the loan.</p>	<p>Even the project office was closed by 23 March 2022 and no decision has been reached on the project’s future activities.</p>
(ii)	<p>Furthermore, following the termination of contract agreement on consultancy services with effect from 31 December 2020, a sum of US \$ 31,364,767 including a sum of US \$ 23,657,761 on losses and damages, had been claimed by</p>	<p>-do-</p>	<p>Two meetings of the Committee had been held in that connection, and further action is being taken.</p>	<p>-do-</p>

	the consultancy firm. As compared to the total amount claimed, the percentage of recovering losses and damages was 75 per cent.			
(iii)	As of 19 January 2021, a sum of ¥ 2,905,525 equivalent to Rs.4,886,234,915 had been mobilized from the loan. Although it was decided to terminate the loan agreement, an agreement has not so far been reached as to the manner in which the mobilized amount would be repaid.	-do-	It is expected that future action will be taken in regard of the agreement following the decision of the Committee.	-do-
(iv)	It was reported that the project activities including the closure of the project office, had not been concluded even by January 2021. Furthermore, it was observed in accordance with the files that the information on an alternative project, and the consultancy services already obtained would be made use of efficiently with respect to a different project in the wake of this project being terminated. However, no information whatsoever was made available to the Audit in that connection.	-do-	As those activities are at the preliminary stages, this Department has not so far been informed on the progress thereof.	The Director General of National Budget had been requested for provision of Rs.8 million for payment of salaries and allowances of several officers who were engaged for assisting the functions of the committee appointed for considering the payment of compensation through letter Nos.MUDFH/F/9/1-Budget and MUDFH/F/LRT dated 16 October 2021 and 09 December 2021 respectively of the Secretary to the Ministry of Urban Development and Housing

**3.9 Head 240 – Department of National Budget**  
Opinion of the Auditor General on Financial Statements

2018 - Unqualified Opinion  
2019 - Unqualified Opinion  
2020 - Unqualified Opinion

	<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
(a)	Tax exemptions had been provided on the import of motorcycles given to the Field Officers under the budget proposals for the year 2014, but the supplier had taken action to distribute 2000 motorcycles that had already been imported by paying production tax. Of the production tax totalling Rs.109,612,000 relating to the said 2000 motorcycles, a sum of Rs. 12,505,974 had been incurred after 05 years on 31 December 2020 under the Object for the repayment of loans for vehicles obtained on lease - 2018. It was further observed that the balance of the tax was likely to be paid in due course.	Forecasting revenue and maintenance of reports should be done properly so as to decide on the ceiling for Government expenditure in order to take accurate policy decisions, decide on the budget deficit, and analyze the supervision and policies.	Reasons attributable to the revised variances have been clearly mentioned in the financial statements, and estimates have to be revised for incurring expenses on priorities not identified at the time of preparation.	Action is taken to assess the expenditure as accurate as possible in the preparation of budget estimates.
(b)	In the preparation of initial estimate on expenditure and the revised expenditure estimate, it was observed that variances relating to 08 Objects ranged from a decline of 88 per cent to an increase of 64 per cent.	Forecasting revenue and maintenance of reports should be done properly so as to decide on the ceiling for Government expenditure in order to take accurate policy decisions, decide on the budget deficit, and analyze the supervision and policies.	Reasons attributable to the revised variances have been clearly mentioned in the financial statements, and estimates have to be revised for incurring expenses on priorities not identified at the time of preparation.	The entire provision of Rs.1,518.92 million made for 04 Objects and provision totalling Rs.29,012.59 million ranging from 27 Per cent to 95 per cent of the provision made for 07 Objects had been saved without utilizing as at the end of the year 2021.
(c)	The loan balance of Rs.102,497.60 recoverable from an officer deceased on 16 February 2001 has been outstanding over a period of 20 years. No action whatsoever had been taken	Further adequate action should be taken either to recover or settle the outstanding	It has been informed through registered post that legal action would be taken in that	The outstanding loan balance had not been recovered even by 23 March 2022.

	after 26 February 2014 to recover the said loan balances.	loan balance.	connection. Hence, it is expected to take further action.	
(d)	Necessary measures had not been taken even up to 31 December 2020 to recover a sum of Rs.101,561.30 receivable from an officer deceased on 18 September 2000.	Further adequate action should be taken either to recover or settle the outstanding loan balance.	It has been informed through registered post that legal action would be taken against the parties connected to him. Hence, it is expected to take further action.	The outstanding loan balance had not been recovered even by 23 March 2022.
(e)	The appeal made by an officer on 26 April 2017, against whom a notice for vacation of service had been issued on 13 October 2015, following his failure to report for duty since 23 September 2015, was rejected by the Public Service Commission and the Director General of Budget was informed thereon on 17 August 2018. However, action had not been taken for the recovery of loan balance amounting to Rs.150,119 receivable from that officer even by 31 December 2020.	Further adequate action should be taken either to recover or settle the outstanding loan balance.	It has been informed through registered post that legal action would be taken. If not responded, a case would be filed.	Recovery of outstanding loan balance was failed even by 23 March 2022.
(f)	The lease period of vehicles valued at Rs.2,824,733,981 purchased for other Government institutions under financial lease methods in terms of Circular, No. 150 of the Department of National Budget, had come to an end by the year under review. However, action had not been taken to vest those vehicles in the relevant institutions.	Vehicles of which the lease period had come to an end, should be promptly and properly vested in the relevant institutions.	The vehicles purchased on lease by the Government at the value of Rs.2,824,733,981, could not be properly vested in the relevant institutions due to measures taken by the Government to control the spread of Covid-19 held through the year 2020.	Transfer of vehicles had not been completed even by 23 March 2022.
(g)	According to the Budget Circular, No. 2/2014 dated 23 July 2014, the registered ownership of motorcycles given to the field officers is transferred to the individual persons	Vehicles of which the lease period had come to an end, should be promptly and	Documents had been prepared to vest the motorcycles of which payments	Transferring activities of motorcycles to relevant parties, of which the lease

	after a period of 05 years. However, the Treasury had not taken action to properly vest the motorcycles worth Rs.16,792,961,055, although the 05 year period had elapsed.	properly vested in the relevant institutions.	had been completed up to the year 2020. However, the process was delayed due to spread of Covid-19.	period had elapsed over a period of 05 years, had not been completed even by 23 March 2022.
(h)	Twenty five vacancies comprising 12 in the senior level, 09 in the secondary level, and 04 in the primary level existed as at 31 December of the year 2020.	In case of performance of the Department being unfavorably affected by the vacancies, those vacancies should be filled or the approved cadre should be revised.	Requests had been made from time to time that the vacancies be filled. However, no officers have been attached so far.	There were vacancies even by 23 March 2022.

**3.10 Head 241 – Department of Public Enterprises**  
Opinion of the Auditor General on Financial Statements

2018 - Unqualified Opinion

2019 - Unqualified Opinion

2020 - Unqualified Opinion

	<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
(a)	The Sri Lanka State Plantation Corporation and the Janatha Estates Development Board had not submitted any annual report for 6 years from the year 2013 to 2018 and the Sri Lanka Export Credit Insurance Corporation had not submitted annual reports for 5 years from the year 2014 to 2018.	Action should be taken to get down the annual reports of public enterprises without delay.	It is agreed. Although the Sri Lanka State Plantation Corporation and Janatha Estates Development Board have been continuously informed in writing to submit the annual reports within the stipulated timeframe, those institutions have not taken appropriate actions in this regard.	Annual Reports had not been presented in Parliament even by 23 March 2022 by the Sri Lanka State Plantation Corporation from the year 2017 to the year 2020, by the Janatha Estates Development Board from the year 2015 to the year 2020 and by the Sri Lanka Export Credit Insurance Corporation from the year 2019 to the year 2020.
(b)	According to the Annual Report of the Ministry of Finance 2019, out of the 52 public enterprises, 9, 20 and 37 institutions, had not submitted their Annual Reports to Parliament in considering the years of 2016, 2017 and 2018, respectively.	Action should be taken to get down the annual reports of public enterprises without delay.	It is agreed and recorded. Relevant Officials were informed to expand the supervision functions on submission of annual reports.	Annual Reports for the year 2020 had not been tabled in Parliament by 11 Government institutions by 16 March 2022.
(c)	The revised revenue estimate for the year 2020 was Rs.30,961,000,000 and the actual revenue was Rs. 14,768,452,766 and this was a 48 per cent of the revised revenue	Revenue estimates should be prepared accurately.	Due to the Covid pandemic occurred in 2020, the profits and dividends in Government enterprises recorded a reduction.	The actual revenue of the year 2021 had been 55.61 per cent of the estimated revenue.
(d)	The decrease in the actual revenue as compared with the revised revenue	Revenue estimates should	Government profits and dividends are	The actual revenue had decreased even

	estimate relating to 7 institutions ranged between 33 per cent and 84 per cent.	be prepared accurately.	not recovered from all public enterprises.	in the year 2021 as compared with the revenue estimate.
(e)	Three institutions such as National Institute of Business Management, Post Graduate Institute of Management and the National Lotteries Board had not made any contribution to the profit revenue for over a period of 03 preceding years.	Revenue estimates should be prepared accurately.	Profits and dividends of public enterprises had decreased due to Covid pandemic in the year 2020.	The National Lotteries Board had contributed a sum of Rs. 900 million as a profit to the General Treasury in the year 2021.
(f)	Cheques valued at Rs.40,000,000 given under Equity Contributions Head No 2301 in 2020 for the initial capital of 02 companies had not been handed over by 16 June 2021 to the relevant party since these companies had not initiated operations although they have been established. (i) Center for Excellence Robotics Applications (pvt) Ltd. (ii) Sahasya Investments Ltd.	Investments should be made efficiently and effectively.	Handing over of cheques had taken place on 17.06.2021.	According to the bank reconciliation statement as at 30 November 2021, these cheques have been indicated as cheques which were not submitted to banks.
(g)	Although Rs.48,000,000,000 had been given as an additional capital to the Ceylon Electricity Board in the year under review, the attention of the Department had not been drawn towards the failure in making provisions for that.	Approval of the Parliament should be obtained for incurring expenditure through the Consolidated Fund.	It is an additional capital provision made by the Fuel Price Stabilization Fund.	As payments had been made for additional capital provision from an amount to be credited to the Consolidated Fund, approval of the Parliament had not been obtained even by 23 March 2022.
(h)	It was observed that the capital contribution made by the Department to public enterprises, had not been accounted correctly by relevant institutions and it was observed that the Department had not provided proper guidance for that.	A mechanism should be devised to ensure that capital contribution is accounted under proper guidance.	When capital contributions are granted, it has been informed in writing to account such amounts considering it as an additional capital.	Information to ensure whether the follow up action was taken with regard to institutions which had not so accounted, had not been made available to Audit even by 23 March 2022.
(i)	According to the information made available to Audit, the financial statements relating to 18 of the 118 enterprises which were being	Action should be taken to get down the financial statements from	Not replied.	Information for confirmation of submission of financial statements



	supervised by the Department had not been forwarded and the financial statements of certain enterprises of them had not been submitted from several years.	relevant institutions duly.		by institutional which were not submitted financial statements, had not been made available to Audit even by 23 March 2022.
(j)	Income generated from profits and dividends of Public Commercial Enterprises in the year 2019 stood at Rs.22,833 million and 5,024 million respectively and in the year 2020 it had decreased up to Rs.14,708 million and Rs.2,855 million by 36 per cent and 44 per cent respectively. Information of 33 enterprises had been included under revenue code 20:02:03 (Profits) in the financial statements 2020 and 43 institutions had been indicated under revenue code 20:02:04 (Dividends). According to the information presented to Audit, the number of Public Commercial Enterprises is 206. Accordingly, the factors such as Revenue/profit/ loss of more than 150 public enterprises had not been taken into consideration and reasons therefor had not been given.	Correct updated data and information should be maintained and it should be monitored.	Profit and dividends of Public Enterprises had been reduced due to Covid pandemic. Profit and dividends are not recovered from all Public enterprises and dividends are determined by the Board of Directors of the relevant company.	Data on financial progress had not been get down from all institutions even by 23 March 2022.

### 3.11 Head 242 – Department of Management Services

Opinion of the Auditor General on the Financial Statements

2018 – Unqualified Opinion

2019 – Qualified Opinion

2020 - Unqualified Opinion

	<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
(a)	Approval of the Schemes of Recruitment relating to the academic staff, non-academic staff, and academic assistance services of the universities had been included in the Action Plan for the year 2018. However, such Schemes had not been approved even up to May 2019.	The relevant Schemes of Recruitment should be approved.	Having examined in that connection, action is being taken for obtaining approval.	The Schemes of Recruitment for the Universities system had not been approved by the Department of Management Services even by 23 March 2022
(b)	Criteria had not been prepared with respect to the approval of cadre for the Ministries and Departments.	The criteria prepared for the approval of cadre, should be filed and well-maintained.	Due to the necessity in constantly revising the criteria in the wake of policy decisions taken by the Cabinet from time to time, the criteria could not be prepared without delay.	Criteria for approving the cadre in all Ministries and Departments had not been prepared even by 23 March 2022.
(c)	The Department should have drawn attention on the identification and achievement of sustainable development goals and indicators. However, it was observed that plans had not been prepared to achieve such relevant sustainable development goals under the Action Plan of the year 2019 as well.	Attention should be paid to identify and achieve sustainable development goals and indicators thereunder.	It is observed that the said goals and indicators are not directly relevant to the role of the Department and the role of this Department is determined under the programmes of respective Divisions of institutions, action will be taken to include the role by preparing the work plan after	Performance had not been evaluated according to sustainable development goals identified and performance indicators therefor even by 23 March 2022.

			publishing and forwarding the said institutional programmes.	
(d)	Information on public service human resources as at 31 December 2019 had not been published while the publications of the Department had not been updated by including information on public service human resources of the year 2020.	Functions planned, should be completed within the due periods.	The relevant publications could not be updated due to difficulties in obtaining information from other Ministries, Departments and statutory institutions in the backdrop of the Covid 19 pandemic.	Departmental publications had not been updated even by 23 March 2022.
(e)	Vacancies exist since the year 2019 in the Senior Level posts of Human Resource Management Specialist, Work Studies Specialist and 02 posts of Deputy Director/Assistant Director and the vacancies in Senior Level represent 40 per cent of the approved cadre of Senior Level,	Action should be taken to maintain the approved cadre of the Department properly.	The Secretary to the Ministry of Public Administration has been informed to take necessary steps to fill the vacancies in the posts of Deputy and Assistant Director. However, no officers have been provided so far.	Vacancies could not be filled even by 23 March 2022.

**3.12 Head 243 – Department of Development Finance**

Opinion of the Auditor General on the Financial Statements

2018 – Qualified Opinion

2019 – Qualified Opinion

2020 - Qualified Opinion

	<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
(a)	The provision totalling Rs.11,995,799,491 had been saved from 28 per cent to 99 per cent out of provision totalling Rs.15,988,107,000 in 21 Object Codes for recurrent expenditure.	The requirements to maximum utilization of provisions should be made.	It was also informed that this savings were made on non-receipt of imprest for provisions allocated to payment interest reliefs for senior citizens amounting to Rs.8,455 million out of this, a sum of Rs.3,541 million was for other relief payments and that it depends on the existing demand, that the subsidies requested from the Bank for the last quarter of the year would be paid in the first quarter of next year as per agreements entered into with the banks, that the remaining provisions would be allocated for the commitments of the year 2019.	Provision totalling Rs.2,072,060,400 had been made for 22 Object Codes for the year 2021 and only Rs.972,111,854 had been utilized therefrom. Accordingly, provision totaling Rs.1,099,948,546 had been saved by the end of the year. As such, the savings out of the net provision ranged between 7 per cent and 100 per cent.
(b)	According to a budget proposal in 2015, fifteen per cent annual interest would be paid on fixed deposits held by senior citizens for Rs.1.5 million or less in the licensed commercial banks and special licensed banks	Provision made should be properly utilized for the relevant purpose.	Treasury bonds amounting to Rs.59,605,490,495 were issued on 15 December 2020 for this amount to	Even though provision of Rs.31,365,500,000 had been made for the year 2021, only Rs.31,356,447,996

	<p>from 2017 onwards. The Treasury would reimburse to the relevant banks for the difference between the normal interest rate and the 15 per cent interest rate paid. The total interest subsidy payable to 07 State Banks and 22 Private Banks was Rs.50,038,492,608 as at 31 December 2019. The net provision was Rs.9,697,360,000 for the year 2019 for these payments for the year 2019 and out of it Rs.1,242,324,885 had been utilized by the end of the year. The balance was Rs.8,455,035,115.</p>		<p>be paid and the balance amount of Rs.2,262,927,825 were settled on 18 December 2020. Accordingly, it had been informed that the interest subsidy payable to the commercial banks on fixed deposits maintained for senior citizens up to second quarter 2020 (30 June 2020) had been paid to the commercial banks in full by 18 December 2020.</p>	<p>had been utilized therefrom. As such, Rs.9,052,003 had been saved out of the provision made.</p>
(c)	<p>Six of the approved cadre in the senior level had been vacant by 31 December 2020.</p>	<p>In case the existing vacancies of the staff may adversely affect the performance of the Department, it is necessary to take action to fill those vacancies and if not, it is necessary to take action to revise the said staff.</p>	<p>Officers have been transferred out from this Department without replacements by the Public Service Commission which is the Appointing Authority of officers in the senior level. However, the Ministry of Public Services, Provincial Councils and Local Government has been informed quarterly regarding vacancies existed. However, as the existing staff had performed their duties to the maximum until vacancies are filled,</p>	<p>Nine posts in the Executive Level had remained vacant even by 31 December 2021.</p>

			action could be taken in a manner of not affecting the performance of the Department despite having such vacancies. It was noted to fill these vacancies as soon as possible by informing relevant sections again.	
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**3.13 Head 244 - Department of Trade and Investment Policy**  
Opinion of the Auditor General on Financial Statements

2018 - Unqualified Opinion

2019 - Unqualified Opinion

2020 - Unqualified Opinion

	<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
(a)	According to the main functions of the Department, the write-off of tariffs in accordance with the provisions of Section 19 (a) of the Customs Ordinance and Government Policies, activities connected to waivers and granting of tariff concessions had been done by the Department of Trade and Investment. However, no action had been taken to table the Gazette notification for the year 2019 even by 05 October 2020, the date of the audit.	The requirement to take action to publish in the Gazette the relevant functions for granting duty deductions, waivers and tariff concessions in accordance with the relevant provisions and government policies.	It was informed that agrees with the observations and due to the Corona pandemic situation in the country, it could not be able to publish on the due date and the necessary steps are being taken to table it before the end of December 2020.	Even though information relating to the year 2021 had been obtained from the Department of Sri Lanka Customs, it had not been published in the Gazette even by 23 March 2022.
(b)	During the year under review, the Department had not made any financial or physical progress on the 02 Bilateral and Multilateral Trade Agreements i.e. BIMSTEC and SAFTA, which are currently in operation, signed by the Government of Sri Lanka.	Steps should be taken to achieve financial and physical progress through trade agreements.	It has been informed that several programmes planned for year 2020 under the SAFTA and BIMSTEC agreements had been postponed due to the Covid epidemic situation.	BIMSTEC Multilateral International Trade Agreement is an agreement under discussion and member countries including Sri Lanka had not signed even by 23 March 2022.
(c)	The number of approved posts of the Department is 62 and the actual staff is attached only to 53 posts. Nine posts are vacant and it was a 15 per cent of the approved cadre. It was observed that there is 01 vacancy in senior level posts.	Taking action to maintain the approved number of employees in the department in a proper manner.	Requests have been made by the Ministry of Finance on several occasions to fill these vacancies. Even though vacancies were filled from time to time at the primary, secondary and	Even though the approved cadre even by the end of the year 2021 stood at 64, the actual cadre stood at 48, thus observing 16 vacancies.

			tertiary level, there were recurrent vacancies due to internal transfers within the Department of Customs and other divisions under the Ministry.	
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**3.14 Head 245 – Department of Public Finance**

Opinion of the Auditor General on Financial Statements

2018 - Unqualified Opinion

2019 - Unqualified Opinion

2020 - Unqualified Opinion

	<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
(a)	The Cabinet approval had been obtained by recommended to close of 13 Funds as per the review report of Statutory, Non-Statutory Funds and Trust Funds presented on 31 March 2017 and the Public Finance Circular No. 02/2018 dated 18 August 2018 issued by the Department relating thereto. Steps had been taken to close only 05 Funds by 22 September 2020 and action was being taken to close 08 Funds too.	Action should be taken as per the Cabinet approval.	That, 9 funds were already closed and action is being taken to close the remaining Funds.	Although the Department had notified to Audit that 10 Statutory and Non-Statutory Funds had been liquidated, the department did not have the information that the liquidation financial statements for those funds were submitted to Audit by 23 March, 2022.
(b)	Although the drafting of the Fiscal Management Act which was initiated on a budget proposal in 2015 was started with a new appearance and spending Government funds since many years, it was observed that it had not been completed until the end of 2019.	Action should be taken in accordance with the Action Plan.	That this work will be temporarily suspended on the instructions of the Secretary to the Treasury at the Chief Staff Officers' meeting of the Department and it had been informed that the Circulars 9/2020 and 02/2020 were issued by also doing periodic amendments needed for Financial Regulations and collecting those facts after cancelling all circulars which were prepared	The Fiscal Management Act had not been passed even by 23 March 2022.

			about public finance.	
(c)	There were 12 vacancies representing 15 per cent in the approved cadre of the Department which stood at 78. The said vacancies comprised 11 posts of Additional Director General, Director and Deputy Director/Assistant Director in the Senior Level.	Action should be taken to properly maintain the approved cadre of the Department.	Action will be taken to fill vacancies in these Senior Level posts after completion of the transfer process of the relevant cadre in respect of the new organizational structure implemented in the year 2021 relating to the Department of Treasury by the Ministry of Finance.	The approved cadre of this Department by 07 February 2022 stood at 79 and the actual cadre stood at 65 and there were 07 vacancies in the senior level.

**3.15 Head 249 – Department of Treasury Operations**

Opinion of the Auditor General on Financial Statements

2018 - Unqualified Opinion

2019 - Unqualified Opinion

2020 - Unqualified Opinion

	<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
(a)	As of 31 December 2020, the total arrears related to 2017 and previous years was Rs.5,361,931,137, which was 54 per cent of the total arrears of Rs.9,896,017,350.	Action should be taken to recover the arrears of revenue.	It is agreed with the audit observation. Out of that, a sum of Rs.3,215 million has been recovered as at 31 March 2021.	A sum of Rs.3,227 million has been recovered by 31 December 2021.
(b)	According to paragraph 4 of the Fiscal Policy Circular No. 01/2015 dated 20 July 2015, although it had been stated that the arrears should be recovered, 89 per cent out of the total arrears of revenue of Rs. 9,896,017,350 as at 31 December 2020 was the arrears of revenue relating to preceding years.	Action should be taken to recover the arrears of revenue.	A sum of Rs.6,480 million relating to preceding years has been settled as at 31.03.2021.	A sum of Rs.6,493 million relating to preceding years has been recovered by 31 December 2021.
(c)	During the audit of arrears revenue relating to 2017 and preceding years, it was informed that there was uncertainty regarding the recovery of arrears of revenue of Rs.5,361,288,685 relating to 5 institutions on nonpayment of loan interest and loan installments as per the agreements. This outstanding loan represented 54 per cent of total outstanding revenue.	Action should be taken to recover the arrears of revenue.	Action is being taken to waive the loan and interest thereon of one of these institutions and legal action is being taken against another institution. The approval had been received to waive the interest of another institution and approval had been granted to capitalize and restructure the loans of the other two institutions.	The MILCO (Pvt) Limited has taken action to capitalize the outstanding sub-loan balance and to waive the interest thereon remained as at 31 December 2020. The Ceylon Fisheries Corporation has taken action to write off the outstanding loan balances and to waive the interest thereon. The Sarvodaya Movement has taken action to settle the sum of Rs.13 million during the

				<p>year 2021.</p> <p>The SANASA is taking action to restructure the outstanding loan balance and if not, legal action will be taken to recover them.</p>
(d)	<p>Revenue from Government assets under Revenue Code 20.02.01.99 - The arrears of revenue from other rents as at 31 December 2019 was Rs. 147,356 and it was observed that it had increased by Rs.1,134,484 or 670 per cent as at 31 March 2020.</p>	<p>Action should be taken to recover the arrears of revenue.</p>	<p>Part of the arrears had already been recovered</p>	<p>Only a sum of Rs.450,000 of the arrears of revenue was recoverable as at 31 December 2021.</p>
(e)	<p>According to the State Accounts Circular No. 30/94 dated 20 April 1994, Revenue Code No. 30.01.01.00- Foreign Grants relating to the accounting of the foreign aid, all transactions related to foreign aid should be done by the Director General of the External Resources Department of the Treasury. However, according to the information obtained on a sample test, relevant institutions had obtained foreign grants of Rs.3,292 million directly from the year 2018 up to the end of the year 2020 without approval of the General Treasury. The details on these grants were not included in the Treasury records and action had not taken to account the grants by making allocations. It was also observed that the Treasury does not have an effective and efficient mechanism to ascertain whether such grants have been received by other Ministries / Departments as well.</p>	<p>Need to formalize the process of obtaining foreign aid and keeping accounts and strengthen the regulation and take strict action against non-compliance with circular instructions.</p>	<p>According to State Accounts Circular No. 30/94 dated 20 April 1994, all foreign aid should be received through the Director General of the Department of External Resources.</p>	<p>Action had not been taken even by 31 December 2021 to account the foreign aid so received.</p>

(f)	The value of foreign grants, received as special grants on 1 January 2020, but remained dormant till 31 December 2020 without being used for the relevant purpose, was Rs.79,716,465.	Strengthen coordination and regulation on the utilization of foreign grants for relevant purposes as strengthens the confidence of the donors.	The Chief Accounting Officers / Accounting Officers of the relevant Ministries / Departments are responsible for non-utilization of foreign grants for the intended purpose.	Information for confirming the utilization of foreign grants that remained dormant, had not been made available to Audit even by 23 March 2022.
(g)	A balance totalling Rs. 79,716,727 was remained in 19 deposit accounts maintained without any transactions included in the financial statements submitted as at 31 December 2020. These deposit accounts are related to foreign grant receipts and the opportunity to use those grants for the relevant purpose had been lost due to the deactivation of these deposits. This was further confirmed by the crediting of Rs.5,306,026 to the Government revenue during the year under review and returning of Rs.9,655,159 to donors without use for intended purposes.	Books and records should be maintained in an updated manner.	Two out of the 19 deposit accounts mentioned here are still in active condition. In another account, the relevant Ministry had been continuously informed to utilize the balance. Although balances in other accounts were used in 2018 and 2019, it had not been used in 2020. Actions will be taken to notify it again and if not, action will be taken to credit to the Government revenue or take further action.	Evidence for confirming that the unutilized deposit balances had been credited to the Government revenue, had not been made available to Audit even by 23 March 2022.
(h)	There were balances totalling Rs.118,227,633 even at the end of March 2021 in 03 imprest accounts bearing Nos. 7002 and 7003 accounts brought forward for many years.	Action should be taken in terms of Financial Regulations.	The Secretary to the Ministry had stated that the balance of one of these 03 accounts couldn't be settled due to the severe financial difficulties prevailing in the	Information on settlement of those imprest balances, had not been made available to Audit even by 23 March 2022.

			Fisheries Corporation. It had been informed that further action will be taken to settle another balance by gathering information from foreign missions and letters had been sent to the relevant Ministry advising on how to settle the other balance.	
(i)	The balance of the imprest account No. 7002-0-0-035/13 in the above mentioned accounts was Rs.91,530,099, comprising unsettled advances for the year 2013 and preceding years. Out of those advances, a sum of Rs.51,979,371 consisted of 173 secured deposits given for quarters provided to staff who went abroad for work in foreign service. A sum of Rs.4,285,061 out of that value had been over 20 years, a sum of Rs.44,284,956 between 10 and 20 years and the balance of Rs.3,409,354 was over 07 years.	Providing necessary guidelines for taking action in terms of Financial Regulations.	Details had been obtained from each of the missions to settle the outstanding advances for the year 2013 and action is being taken to recover them.	There were unsettled imprest balances even by 23 March 2022.
(j)	It was observed that out of those 173 housing guarantees/secured deposits, a sum of Rs.47,954,750 represented 165 security deposits provided as securities for houses that are not currently used by the staff of the foreign Missions.	Action should be taken in terms of Financial Regulations.	Steps had been taken by the Ministry to recover deposits placed for houses and the progress in this regard will be reported on 30.09.2021.	There were unsettled imprest balances even by 23 March 2022.
(k)	Unsettled advances of missions amounting to Rs.23,293,715 were the Ad-hoc sub-imprests and among those advances, there were Rs.9,168,655 for the period before the year 2018, Rs.813,741 for the year 2018 and Rs.3,912,255 for the	Action should be taken in terms of Financial Regulations.	The relevant missions had been instructed to recover the relevant Ad-hoc sub-imprests in due course as and when	There were unsettled imprest balances even by 23 March 2022.

	year 2019. Accordingly, in accordance with F.R. 371, the Ad – hoc sub-impresst should be settled immediately after completion of those purposes, but action had not been taken as per the Regulations accordingly.		required.	
(l)	A total sum of Rs.6,124 million in respect of 19 foreign loan agreements realized during the year 2020 and in relation to 5 foreign loan agreements realized during the year or before the year 2019 had not been accounted as foreign loans even as at 31 December 2020.	It should be regularized of public borrowing and debt service accounting.	These loans had not been accounted due to the lack of adequate budgetary provisions in the relevant Ministries and failure in certifying the expenditure by projects as at 31.12.2020.	There were unaccounted foreign loans by 31.12.2021.
(m)	The bank guarantees/relief letters amounting to Rs.1,340,612.19 million had been issued to external entities on 230 occasions by 31 December 2020 and it had expired on 31 December 2020. The period of Treasury Guarantees valued at Rs.880 million had not been extended.	The process of issuing bank guarantees and relief letters should be maintained in a formal and updated manner.	The issue of these relief letters was recommended by the Department of Development Finance and extension period for these letters will be done as soon as the recommendation of the Department is received.	Evidence that the period of bank guarantees/relief letters which was expired, had been extended, had not been made available to Audit even by 23 March 2022.
(n)	Although Mihin Lanka had windup the operation since October 2016, the aforesaid company commenced liquidation on 09 March 2018. Accordingly, although it had been pointed out under Cabinet Memorandum No.18/1001/810/005 that the liquidation process should be completed within 06 months and extensions beyond that should not be approved, it was not observed that liquidation had been completed even up to now.	Formalize the process of issuing bank guarantees and relief letters.	These relief letters were issued on the recommendation of the Department of Public Enterprises with the approval of the Cabinet.	Liquidation activities had not been completed even by 23 March 2022.
(o)	A sum of Rs. 831,400,000 had been paid as at 30 October 2020 relating to	Formalize the process of issuing	These relief letters were issued on the	The loan had not been paid even by

	a loan of Rs. 1,650 million obtained from the Bank of Ceylon and the loan amount of Rs.1,650 million has to be paid further.	bank guarantees and relief letters.	recommendation of the Department of Public Enterprises with the approval of the Cabinet.	23 March 2022.
(p)	Facilitating for process of accounting the foreign aid accounts is one of the main functions of the Department. However, according to information obtained from a sample test, foreign grants of Rs.2,026 million had been directly obtained by the relevant institutions for 77 projects by 24 institutions in the years 2018 and 2019 without making the Treasury aware of it and the details on these grants had not been included in the reports of the General Treasury. Moreover, it was observed that the General Treasury was not equipped with a system to ascertain whether such grants have been received to other ministries/departments.	The process of obtaining and accounting of foreign aid should be formalized, regulations should be strengthened and strict measures should be taken relating to deviation from circular provisions.	Action will be taken to give Instructions to Secretaries of the line Ministry to take action as follows, relating to Government institutions obtaining foreign aid directly without considering paragraph 2.0 revised by State Accounts Circular No.30/94 and provisions in Chapter XI of the Financial Regulations and without sanction of the Department of External Resources. (i) Prompt action to be taken to properly account the direct foreign aid obtained without considering the circular provisions. (ii) Action should not be taken to obtain foreign grants in future for whatever reason without the sanction of the Department	A mechanism for identification of receipt of foreign grants to other Departments and Ministries had not been prepared even by 23 March 2022.



			of External Resources and the Department of National Budget.	
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**3.16 Head 250 – Department of State Accounts**

Opinion of the Auditor General on the Financial Statements

2018 – Unqualified Opinion

2019 – Unqualified Opinion

2020 - Unqualified Opinion

	<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
(a)	A loan balance of Rs. 132,846 was recoverable on 04 December 2013 from an officer who vacated the post as at that date. Even though 07 years had lapsed after the said officer's vacation of post, recovery of the said balance had failed even by 31 December 2020.	Adequate steps should be taken to recover loan balances or to settle them.	The Attorney General's Department has filed a case under Case No.309/2018/DMR in the District Court of Colombo relating to the recovery of the balance of Rs.132,846.	The said balance could not be recovered even by 23 March 2022.
(b)	The outstanding loan balance recoverable from an officer deceased on 17 December 2008 who held a post of Public Management was Rs. 164,953. Even though 12 years had lapsed by 31 December 2020 after the death of the said officer, recovery of the said loan balance has been a failure.	Adequate steps should be taken to recover loan balances or to settle it.	The Sri Lanka Insurance Corporation, which held the property loan protection insurance at the time of obtaining the loan, and the National Insurance Trust Fund, which later held the same loan protection insurance, denied responsibility, so the recovery of the outstanding loan balance of the deceased officer has become questionable.	Recovery of the said loan balance had failed even by 23 March 2022.

(c)	<p>The arrears balance of sundry advance accounts as at 01 January 2020 amounting to Rs.160,584,098 had been Rs. 160,106,800 by the end of the year under review. Accordingly, out of that arrears balance, a sum of Rs.477,299 or only 0.30 per cent had been received during the year.</p>	<p>Adequate further action should be taken to recover the outstanding debt balances by formalizing the follow-up action.</p>	<p>A sum of Rs.477,298.72 has been collected from the relevant arrears in the year 2020 and it is accurate to state that it is 0.30 per cent of the arrears.</p>	<p>The balance of the sundry advance account as at 31 December 2021 was Rs.142,510,261. A sum of Rs.17,596,538.42 had been recovered during the year 2021 and it had represented 12.35 per cent of the outstanding loan balance.</p>
(d)	<p>The total outstanding advance balance of the sundry advance account submitted in respect of 10 District Secretariats, Ministries and Departments as at 31 December 2020 was Rs. 160,106,800 and out of that, it was observed that the outstanding balance of Rs. 153,785,015 has been in existence for more than 05 years in 09 District Secretariats and Departments.</p>	<p>Adequate further action should be taken to recover the outstanding debt balances by formalizing the follow-up action.</p>	<p>The General Treasury has provided advances directly to the District Secretaries for the purchase of paddy and sub-advances had been provided by the District Secretariats to the other institutions.</p> <p>The Department of State Accounts acts only as an intermediary and I would like to state that it has to face practical problems such as inability to recover arrears due to non-completion of legal proceedings, misplacement or destruction of files that required for recovery of advances, abolition of certain institutions,</p>	<p>Recovery of the said loan balance had failed even by 23 March 2022.</p>

			maintenance with financial difficulties etc.as well in the process of recovering these advances.	
(e)	<p>Action had been taken to recover the balance of Rs. 2,183,000 remained from the money released by the Matale District Secretary to Laggala Multipurpose Co-operative Society for the purchase of paddy in the year 2004/2005 in monthly installment of Rs. 10,000 from October 2020 . It was observed that if such a recovery is made, it would take about 18 years to recover the aforesaid arrears. However Rs. 75,000 or only 9 per cent of that had been recovered in the year 2020.</p>	<p>Adequate further action should be taken to recover the outstanding debt balances by formalizing the follow-up action.</p>	<p>The Matale District Secretary has informed me that the General Manager of the Laggala Multipurpose Co-operative Society has informed that it is operating on financial difficulties by now.</p> <p>Similarly, F.R. 109 applications have been submitted for the recommendation of the Chief Accounting Officer to write off the loss of Rs.1,464,642 occurred due to the reasons outside the control of the Laggala Multipurpose Co-operative Society.</p>	<p>A sum of Rs.100,000 had been recovered from the outstanding loan balance in the year 2021 and a sum of Rs.1,464,642 had been written off. Accordingly, a loan balance of Rs.543,358 remained as at 31 December 2021 and recovery of the said loan balance had failed even by 23 March 2022.</p>
(f)	<p>Only a sum of Rs. 1,793,880 had been received as at 31 December 2020, out of the arrears of Rs. 12,560,031 remained in the year 2014 from the advances given to the Department of Agrarian Development to purchase of paddy in the year 2006 . Accordingly, outstanding balance was</p>	<p>Adequate further action should be taken to recover the outstanding debt balances by formalizing the follow-up action.</p>	<p>Providing the advances have been done by the Department of Agrarian Development to the District Agrarian Development Offices and we</p>	<p>The outstanding loan balance has increased by Rs.1,786,614 due to rectifications made in the year 2021. Accordingly, the outstanding loan balance as at 31</p>

	Rs.10,766,155 furthermore and no money whatsoever was charged during the year under review.		have been informed that, many companies have filed cases for non-receipt of money from those institutions and also it was impossible to recover the money till the end of those cases.	December 2021 had been Rs.12,552,764. Recovery of the said loan balance had failed even by 31 December 2021.
(g)	The Department had not taken action even by 31 December 2020 to recover the loan balance which had remained before 2008 amounting to Rs.349,475 related to the Kurunegala District Secretariat.	Adequate further action should be taken to recover the outstanding debt balances by formalizing the follow-up action.	The relevant institution has been notified to settle the amount of Rs. 349,477.50.	Recovery of the said loan balance had failed even by 23 March 2022.
(h)	A sum of Rs. 6,321,785 was stolen from the safe of the Anuradhapura Teaching Hospital under the Ministry of Health, Nutrition and Indigenous Medicine on 02 March 2019 and advances of Rs.6,321,785 had been issued therefor from the sundry advances account. However, recovery of the said outstanding advance balance had failed even by 31 December 2020.	Adequate further action should be taken to recover the outstanding debt balances by formalizing the follow-up action.	The relevant institution has been instructed to conduct a formal investigation promptly into the matter and take action to recover the money from those responsible and to make necessary arrangements to submit a full report to this Department after the investigation process.	Recovery of the said outstanding advance balance had failed even by 23 March 2022.
(i)	Out of the arrears to be received with regard to the Anuradhapura District Secretariat for the year 2015 amounting to Rs.38,097,815, the arrears as at 31 December 2020 was Rs. 34,033,861 and the recoveries by the end of the year 2020 were Rs.4,063,954 or 11 per cent. Accordingly, a decline in the process of recovery of the arrears was	Adequate further action should be taken to recover the outstanding debt balances by formalizing the follow-up action.	The amount to be settled from Anuradhapura District Agrarian Development Office and Multipurpose Co-operative Societies to the Anuradhapura	A sum of Rs.1,786,614 had been deducted from the outstanding loan balance due to rectification in the year 2021. As such, recovery of the outstanding loan balance of

	observed in audit.		District Secretariat were Rs.12,971,207 and Rs.21,062,654 respectively. You are informed that the arrears can be recovered only after receiving the relevant court decisions for the Agrarian Development Centers and Multipurpose Co-operative Societies where the legal actions have been taken.	Rs.32,247,248 had failed even by 31 December 2021.
(j)	The arrears balance remained as at 31 December 2020 in Polonnaruwa District Secretariat was Rs.55,927,666 and it had been the highest percentage as 35 percent out of the total arrears balance of the year under review. Even though it had been informed that the action was taken in terms of Financial Regulations 109 and 113 and sent to the Ministry of Home Affairs in respect of the losses occurred for functioning the rice mill at Kuruppu Junction of the Paddy Marketing Board in the year 2018 amounting to Rs. 769,428 and for issuing of rice to the Food Commissioner amounting to Rs. 13,018,114 out of that, action had not been taken even by 31 December 2020.	Adequate further action should be taken to recover the outstanding debt balances by formalizing the follow-up action.	The Polonnaruwa District Secretariat has forwarded applications to the Chief Accounting Officer to write off the loss for functioning the paddy mill of the Paddy Marketing Board from the books amounting to Rs.769,428 and a report containing information relevant to obtaining approval to write off the loss incurred in issuing rice to the Food Commissioner amounting to Rs.13,018,114 has been requested from the Polonnaruwa	A total of Rs.13,787,542 had been written off in the year 2021. As such, a sum of Rs.42,127,825 had been in arrears even by 23 March 2022.

			District Secretariat in writing.	
(k)	Action had not been taken even by 31 December 2020 to recover or to write off the advance balance of Rs. 2,408,460 given to the Director, General Hospital – Colombo in connection with the robbery of the salaries that took place on 22 January 2002 at the Dental Institute of the Colombo General Hospital.	Adequate further action should be taken to recover the outstanding debt balances by formalizing the follow-up action.	A case is being heard in Maligakanda Court under case number B / 67/02 in connection with the robbery of the salaries at the Colombo Dental Institute and since 5 per cent of the amount charged from the salary of the accused officer has been credited to the government revenue as per the disciplinary orders, advice has been given to withdraw the amount and to credit it to this advance account.	A sum of Rs.120,423 had been received in cash in the year 2021. A balance of Rs.2,288,037 had been outstanding even by 31 December 2021.
(l)	It had been informed that the CWE did not have the financial capacity to settle the arrears of Rs. 1,652,917 of the Trincomalee District Secretariat remaining from the year 2016 . Similarly, it was observed that the action had not been taken to comply with Financial Regulation 109 to write off the relevant balance.	Adequate further action should be taken to recover the outstanding debt balances by formalizing the follow-up action.	The Trincomalee District Secretary has informed that the necessary documents are being collected in respect of the receivables from CWE.	Action had not been taken to recover or write off the balance in arrears even by 23 March 2022.
(m)	The arrears balance of the Ampara District Secretariat as at 31 December 2020 was Rs. 45,499,095 and it was 28 per cent of the total arrears. The Department had failed so far to recover these arrears balances even by 31 December 2020.	Adequate further action should be taken to recover the outstanding debt balances by formalizing the follow-up action.	It is kindly informed that, the legal actions have been taken against the defaulted Agrarian Development Centers and it is expected to recover the	Loan balances of Rs.1,823,931 had been written off in the year 2021. As such, the loan balance in arrears as at 31 December 2021 had been Rs.43,675,164.

			<p>money through filing cases.</p> <p>The Department of Food Commissioner has been instructed to take action without delay and I took notes to take relevant follow up actions on that.</p> <p>The approval has been received to write off the receivables from the CWE and the necessary provisions have been requested from the Department of National Budget.</p>	
(n)	<p>Out of the arrears of Rs. 1,441,687 remained in the Kandy District Secretariat as at 01 January 2020, only a sum of Rs. 390,000 or 27 per cent had been recovered as at 31 December 2020. .</p>	<p>Adequate further action should be taken to recover the outstanding debt balances by formalizing the follow-up action.</p>	<p>It has been agreed to settle the amount receivable from the Kandy District Secretariat valued at Rs. 30,000 each due to the financial difficulties of maintaining the relevant Multipurpose Co-operative Society. However, advice has been given to increase this monthly installment to a considerable amount.</p>	<p>A sum of Rs.300,000 had been recovered in the year 2021. As such, arrears of Rs.751,687 remained in the loan balance by 31 December 2021.</p>
(o)	<p>There were debit balances totalling Rs. 10,943,683 relating to 04 Deposit Accounts of the District Secretariat</p>	<p>Arrangements should be made to obtain the</p>	<p>Action will be taken to write off these balances.</p>	<p>Debit balances of 02 accounts had been written off and the</p>

	(6003) and one Deposit Account of the Ministries/ Departments (6000) in the general deposit accounts.	desired output through the main functions of the Department.		Department of Treasury Operations had been notified to settle the balance in the other account.
(p)	Similarly, providing advice on taking action as per the Financial Regulations regarding deposits for more than 02 years had been identified as an another output under this. Nevertheless, it was observed that the deposit account balance of 125 deposit accounts at 46 institutions selected on sample basis had remained from 02 years to more than 05 years and the total of those accounts was Rs. 2,854,732,825 .	Arrangements should be made to obtain the desired output through the main functions of the Department.	Relevant institutions have been instructed to make arrangements to analyze the balances over 02 years in accordance with F.R. 570 and on the deposits inconsistent to that as per the F.R. 571 according to the annual reconciliation statements and age analysis reports sent to the Department of State Accounts by the Ministries, Departments and District Secretariats. Likewise, it has been planned to follow up on balances for more than 02 years based on annual reconciliation reports on deposit accounts as at 31.12.2020 .	The Department had notified in writing to take action in terms of F.R.571 relating to lapsed deposits of 187 institutions.
(q)	The opening balances of 108 deposit accounts totalled to Rs.1,937,815,718 remained within the net balance of the above general deposit accounts had remained same even by the end of the year 2020.	Arrangements should be made to obtain the desired output through the main functions of the Department.	Follow-up on balances that have been inactive for several years has been done by this Department. I also made notes to follow up on other	It has been furtehr inquierd on the requirement of lapsed deposits from 58 institutions and follow up action is being taken on institutions which



			balances. Likewise, it was noted to follow up on other balances.	had not replied.
(r)	According to the Budget Proposals for the year 2018, resolutions had been passed to prepare the financial statements on an accrual basis within the next 10 years and the approval of the Cabinet of Ministers was granted on 02 October 2018 for that. Nevertheless, timeframe for the activities included in the Road Map submitted with the approval of the Cabinet of Ministers had been amended by the Department without formal approval. The following matters are further observed in this regard.			
(i)	It had been expected to complete the functions related to identification, measurement and disclosure of state assets which were expected to be completed as per the Basic Road Map in the year 2020 and according to the Revised Road Map in the year 2022 to be completed in the year 2022 . Accordingly, under this, it had focused only on lands and buildings and it was informed to audit that the 214 central government institutions with lands and buildings and 60 of them did not have lands and buildings and, only 10 of them had been fully assessed and finalized. As such, the percentage of accounting assets of institutions in which lands and buildings exist, had been only 7 per cent.	Arrangements should be made to obtain the desired output through the main functions of the Department.	A quantitative progress is shown in identifying, measuring and disclosing state assets and accordingly, the value of non-financial assets stated in the financial statements at the end of the year 2019 was Rs. 1,355 billion and its value in the year 2020 was Rs. 1,776 billion. Accordingly, even at the situation of the epidemic in 2020, assets of Rs. 421 billion could be accounted for. Accordingly, as per the revised Road Map, this work is expected to be	The value of non-financial assets had been Rs.1,849 billion by the end of November 2021.

				completed by the end of the year 2022.	
	(ii)	The task of identifying, measuring and disclosing liabilities that were proposed to be completed by 2020 according to the Basic Map had been delayed by the Revised Map until 2022 and only the preliminary work under that had been commenced by now.	Arrangements should be made to obtain the desired output through the main functions of the Department.	Responsibility identification functions included in the Road Map have been commenced and during the Covid epidemic occurred in the year 2020, those works had to be extended until 2022 to be completed. Likewise, activities in identifying the payable items included in the Road Map have not yet been commenced and the task is expected to begin in the year 2021.	Identification of payable items is expected to be commenced.
	(iii)	Identify, measure and disclose revenue and expenditure expected to be completed by 2021 as per the Basic Road Map had been delayed beyond 2026 by the Revised Map .	Arrangements should be made to obtain the desired output through the main functions of the Department.	Identify, measure and disclose revenue and expenditure on accrual basis as per revised Road Map is expected to be implemented on a fully accrual basis at the accounting period after 2026 .	It is expected to be implemented in the stage of accounting on the basis of full accrual basis.
	(iv)	Although the progress should be reported to the Cabinet one month after the end of each year as per the above Cabinet Memorandum, a single progress had not been reported so far.	Arrangements should be made to obtain the desired output through the main functions of the Department.	It is accepted that the progress of the process has not yet been reported and it was noted at the end of this year to report the progress accordingly.	It is expected to report the progress with a revised Road Plan including the above items after reaching a policy decision.
(s)		Collection of government financial	Arrangements	The Action Plan	Action has been

<p>information formulated by the Department, Government finance statistics, collection and implementation of plans to integrate the financial information of Central Government, Provincial Councils and Local Government Institutions and all Public Sector Enterprises for 4 years from 2015 to 2018 and should have been done starting from the year 2020 as per the Action Plan 2020 provided by the International Monetary Fund Technical Assistance Mission 2019. Nevertheless, even though such activities have been initiated by the Central Government, Provincial Councils and Local Government Institutions it was not observed that such activities pertaining to local government have been commenced.</p>	<p>should be made to obtain the desired output through the main functions of the Department.</p>	<p>provided by the International Monetary Fund is was not only given for the year 2020 and due to the epidemic situation in the country in the year 2020 it was practically difficult for the local government bodies to commence work.</p>	<p>taken to obtain financial information relating to the Colombo Municipal Council among Local Authorities.</p>
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## Financial Statements of the Government

Opinion of the Auditor General on Financial Statements

2018 - Qualified Opinion

2019 - Qualified Opinion

2020 - Qualified Opinion

	<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
(a)	Non-financial assets totalling Rs. 731,732 had been stated in the financial statements of the Government of the year 2020. Provision for depreciation had not been made systematically according to the prudent accounting concept throughout the useful life of those non-financial assets. Accordingly, the carrying amount received after deducting the accumulated depreciation and accumulated impairment losses of those assets, if any, had not been fairly presented.	Financial statements should be prepared in accordance with the basic accounting practices.	All the non-financial assets owned by the Government have been identified and those are being accounted for at present. An appropriate depreciation policy is expected to be introduced once the proposed accounting framework and standards are introduced.	It had not been rectified even in the financial statements for the year 2021.
(b)	Even though Rs. 811,773 million had been stated in the financial statements as investments during the year 2020, only Rs. 42,864 million had been stated as non-financial assets in the financial statements. Accordingly, Rs. 768,909 million out of the investment expenditure shown in the financial statements had not been brought to account as non-financial assets. Similarly, as per Note No. 10 in the financial statements, a sum of Rs. 141,843 million had been stated for the acquisition of capital assets, whereas only Rs. 42,864 million had been shown as purchases during the year in Note No.16.	Only the expenditure on the purchase of assets should be reported as the capital expenditure.	Although the Government investment expenditure includes rehabilitation and improvement of capital assets, capacity development and other capital expenditure, only the expenditure under the acquisition of capital assets is capitalized under the non-financial assets.	It had not been rectified even in the financial statements for the year 2021.
(c)	Advances of the Central Bank of Sri Lanka not classified as public debt in the statements of financial position in	Disclosures in the financial statements should	Not replied.	Public debts have been classified in the financial statements of

	preceding years, had been classified as public debt in the year 2020. However, it had been accounted for contrary to the accounting system of receipt of other loans through the Consolidated Fund. As such, the value of the Consolidated Fund had been understated by Rs. 153,079 million.	be made on accurate and regular information.		the Government of the year 2021 as remained prior to the year 2020.
	(i) On the approval of the Cabinet of Ministers dated 04 August 2017 for the Cabinet Memorandum No. MPS/SEC/2017/32 dated 20 July 2017 titled “Hambantota Port Relief Agreement” submitted by the Ministry of Ports and Shipping, the General Treasury had undertaken the responsibility of repaying the outstanding balance of the loans taken by the Government for the construction of the Hambantota Port with effect from the effective date of the said relief agreement. Accordingly, the balance of debt amounting to Rs.164,602 million thus payable as at 31 December 2020 had not been included in the financial statements of the Government. Similarly, the above debt balance had also been eliminated from the financial statements of the Ports Authority as at 31 December 2020.	Public debt balance should be correctly brought to account in financial statements of the Government.	Sri Lanka Ports Authority paid the loan obtained for the construction of Hambantota Port up to 2017 and the General Treasury carries out loan servicing in accordance with the Cabinet Decision dated 04 August 2017. As the Hambantota Port is an asset of the Sri Lanka Ports Authority, the Chairman has been informed to include it in the books of the Authority.	As the Hambantota Port is an asset of the Sri Lanka Ports Authority, the Chairman has been informed to include the said responsibility in the books of the Authority. However, the said debt responsibility had not been entered in the books of the Authority even by the year 2020.
	(ii) According to the statement of financial performance, the foreign debt repayment value in the year 2020 was Rs.504,209 million, whereas the above value had been stated as Rs.489,057 million in the Note 28 to Financial Statements (Foreign Debt Balance Statements). Accordingly, the difference of Rs.15,152 million in the repayment value of that foreign debt, that is, the instalments of loans paid by the Government relating to the construction of the Hambantota	Repayment of public debt should be accurately brought to account in the Financial Statements of the Government.	Repayment of loan made to the lending agency in 2020 for the loan balance of Rs. 15,152.44 million brought to account under the Sri Lanka Ports Authority has resulted in that difference.	The Object under which the repayments relating to the said debts should be recorded had not been determined due to further action taken regarding the said debt.

	port had not been included in Note 28.			
(d)	In the conversion of the foreign debt included in the financial statements of the Government as at 31 December 2020 to the existed Closing Rate as at that date, an exchange loss of Rs. 282,565 million had been incurred. Although the above loss should have been adjusted to the statement of financial performance, that value had been adjusted to the Net Assets Adjustment Account.	Financial statements should be prepared on proper accounting policies.	As accounts are not prepared on an accrual basis, the relevant loss is not adjusted to the statement of financial performance.	It has not been rectified even in the financial statements of the year 2021.
(e)	In terms of the State Accounts Circular No. 30/94 dated 20 April 1994 relating to accounting for foreign grants, all transactions related to foreign aid should be carried out by the Director General of the External Resources Department of the General Treasury. Nevertheless, according to the information made available to the Audit in 2020, foreign grants totalling Rs. 1,266 million had been directly received by the other Ministries and Departments without the knowledge of the General Treasury. However, no steps had been taken to include those values in the financial statements by making provisions therefor. Similarly, foreign grants of Rs. 2,026 million directly obtained by 24 institutions for 77 projects without the knowledge of the General Treasury during the years 2018 and 2019 had not been brought to account even as at the end of the year under review.	The process of obtaining and accounting for foreign aid should be streamlined in accordance with the circular provisions.	In terms of State Accounts Circular No.30/94 dated 20 April 1994, all foreign aid should be obtained through the Director General of the External Resources Department.	Circulars and instructions have been issued to take action by making aware of the accurate methodology for obtaining foreign grants to all Ministries, Departments and Statutory Institutions by this Department with the coordination of other Departments of the Treasury.
(f)	Even though capital contribution totalling Rs.783 million comprising Rs.773 million under the Object No. 118-2-3-50-2301/11 of the Ministry of Agriculture and Rs.10 million under the Object No. 421-2-4-12-2301/11 of the State Ministry of Skills	Financial statements should be prepared on proper accounting policies.	As these rights have been granted in accordance with the Cabinet Decision No. 4203 / 20/0513/204/042 dated 05 March	Necessary action had been taken to make rectifications for the Paddy Marketing Board since the year 2021.

	Development, Vocational Education, Research and Innovations had been granted to the Paddy Marketing Board and the Nimithi Technology Programme during the year 2020 respectively, it had not been stated in the financial statements of the Government.		2020, it has not been included in Note No. 21 in the Government Financial Statements. Necessary corrections will be made in the year 2021.	
(g)	Although the Government capital contribution made in the Urban Development Authority amounted to Rs.1,358 million, it had been stated as Rs.1,258 million in the financial statements of the year 2020, thus understating by Rs.100 million.	The accounting of capital contributions is needed to be formalized under the correct guidance and instructions.	Although the General Treasury provided the sum of Rs. 1,257 million as a capital contribution to the institution, the Authority has identified and accounted for it as a grant received from the General Treasury. The institution will be informed in this regard.	According to accounts of the Urban Development Authority, a sum of Rs.100 million received from the General Treasury had been brought to account as an initial capital. However, the said sum of Rs. 100 million granted as an initial capital had not been accounted in the financial statements of the Government.
(h)	Even though the value of liabilities stated in Schedule IV of the financial statements of the year 2020 amounted to Rs. 152,826 million, the value of total liabilities as per the statement of liabilities submitted to Audit amounted to Rs. 181,906 million. Accordingly, liabilities in the Schedule IV of the financial statement had been understated by Rs. 29,080 million.	Financial statements should be prepared including accurate information.	That difference has occurred as a result of closures, amalgamations and changes of ministries and changes in scope in 2020.	That difference had occurred as a result of closures, amalgamations and changes of ministries and changes in scope in 2020. It has been mentioned that action will be taken to submit accurate information in ensuing years.
(i)	In terms of State Accounts Circular No. 255/2017 dated 27 April 2017, liabilities can be incurred without exceeding the savings after the utilization of provision made. On the contrary, despite not being made provisions for 619 Objects under 49 Heads of Expenditure for the year 2020 by Parliament, liabilities	Institutions should be motivated to act in accordance with the provisions in the circular issued.	Instructions have been given in the Public Accounts Circular No. 255/2017 that liabilities should be incurred within the allocation or additional	Instructions have been given in the Public Accounts Circular No. 255/2017 that liabilities should be incurred within the allocation or additional provision limit made under the

	totalling Rs. 29,369 million had been incurred under those Objects.		provision limit made under the Annual Appropriation Act.	Annual Appropriation Act.
(j)	Although the Government had incurred liabilities worth Rs. 44,253 million with 4 institutions, those values had not been disclosed in the financial statements of the Government.	Financial statements should be prepared including accurate information.	Not replied.	Instructions have been given by the Department of State Accounts taking into consideration the reporting on relevant liabilities properly to the institution is the responsibility of the Chief Accounting Officer of the relevant institution.
(k)	Due to the termination of the loan agreement bearing No. 2019011 of the Light Rail Transit Systems Project on a Government policy decision, the Consultancy Contract Agreement had been terminated and upon such termination of the agreement as at 31 December 2020, the relevant consultancy firm had made a claim of Rs. 5,896 million for losses and damages. Nevertheless, it had not been disclosed in the financial statements of the Government.	Financial statements should be prepared on the correct guidelines and instructions.	The committee appointed for this purpose has met twice and the relevant future steps are being taken.	The relevant committee had held 07 sessions and discussed on further action to be taken thereon. However, it had not been disclosed even in the financial statements of the Government of the year 2021.
(l)	Instructions had been issued to the effect that no liability could be carried forward for the succeeding year in terms of the State Accounts Circular No. 255/2017 dated 27 April 2017. As the net provisions made under 86 Objects of 42 Heads of Expenditure had been fully utilized by the end of the year under review, savings were not reported. In spite of that, liabilities amounting to Rs. 41,601 million had been incurred without having provisions under those Objects.	Institutions should be motivated to act in accordance with the provisions in the circular issued.	Instructions have been given in the State Accounts Circular No. 255/2017 that liabilities should be incurred within the allocation or additional provision limit made under the Annual Appropriation Act.	The Department of State Accounts has issued instructions required therefor by the State Accounts Circular No.255/2017.
(m)	Provision of Rs. 10,262 million had	Action should be	Instructions have	The Department of



	been saved after the utilization of net provision made for 676 Objects under 105 Heads of Expenditure. Liabilities worth Rs.80,013 million had been incurred by exceeding that savings by Rs.69,745 million.	taken in terms of instruction issued by circulars.	been given in the State Accounts Circular No. 255/2017 that liabilities should be incurred within the allocation or additional provision limit made under the Annual Appropriation Act.	State Accounts has issued instructions required therefor by the State Accounts Circular No.255/2017.
(n)	As per the information of the Central Bank of Sri Lanka, the Audit was informed that the account balances totalling Rs.13,209 million of 10 accounts relating to revolving loan schemes maintained by the Department of Regional Development of the Central Bank of Sri Lanka on behalf of the Government had not belonged to the Central Bank of Sri Lanka, but were balances of investments of the Government of Sri Lanka and refinancing loans. Nevertheless, the said account balances were not included in the financial statements of the Government.	Financial statements should be properly submitted in an updated manner including all necessary information.	It is informed that after discussing with the officials of the Central Bank of Sri Lanka regarding the account balances pertaining to these loan schemes, if there are actual account balances to be taken into Government accounts, action will be taken to credit them suitably into accounts after reaching an agreement.	These are the balances of various development loan schemes implemented by the initial investment of the Central Bank of Sri Lanka and most of them are refinancing receipts receivable and steps have been taken to reach a decision thereon by holding discussions with the Central Bank of Sri Lanka.
(o)	It was observed that balances of Rs.7,407 million relating to 10 accounts included in the financial statements of the Government- 2020 remain dormant for a long period.	Clear and updated values should be included in the financial statements.	A committee has been appointed under the chairmanship of the Additional Director General of the Treasury Operations Department to determine whether the principal ledger accounts, which have been	Action is being taken to settle those accounts by holding discussion with institutions relating to dormant accounts.

			dormant for a long time, should be retained in the system before they are written off from the books and action will be taken on receipt of the recommendations of that committee.	
(p)	The value of lands included in the financial statements of the Government of the 2020 relating to 51 institutions selected on sample basis had been underestimated and overestimated by Rs.130,886 million and Rs.3,016 million respectively than the value assessed by the Valuation Department.	Non-financial assets should be accounted for on correct guidance and instructions.	After the Valuation Department has assessed and reported on a land or building, it is the responsibility of the relevant institute to account for those values through the CIGAS system.	A copy of the valuation report is forwarded to the Department of State Accounts by the Head Office of the Valuation Department and letters are sent by the Department of State Accounts to relevant institution by informing that immediately after receiving the copy of the said valuation report, those assessed valued should be accounted through the CIGAS System.
(q)	The value of buildings included in the financial statements of the Government relating to 73 institutions selected on sample basis had been underestimated and overestimated by Rs. 22,936 million and Rs. 37,362 million respectively than the value estimated by the Valuation Department.	Non-financial assets should be accounted for on correct guidance and instructions.	After the Valuation Department has assessed and reported on a land or building, it is the responsibility of the relevant institute to account for those values through the CIGAS system.	A copy of the valuation report is forwarded to the Department of State Accounts by the Head Office of the Valuation Department and letters are sent by the Department of State Accounts to relevant institution by informing that immediately after receiving the copy of the said valuation

				report, those assessed valued should be accounted through the CIGAS System.	
(r)	The value of non-financial assets totalled Rs. 1,776,368 million as at 31 December 2020 as per the financial statements of the Government. As compared with the balance of nonfinancial assets as at 31 December 2020 shown in the ACA-6 Format - the “Statement of Non-financial Assets”, presented with the annual financial statements, 2020 of 102 institutions selected on sample basis from the institutions shown in Note 16 to the financial statements relating to the said amount, 05 and 06 categories of assets had been overstated and understated in accounts by Rs. 15,220 million and Rs. 26,641 million respectively. As such, the balance of non-financial assets in the financial statements of the Government had been understated in accounts by Rs. 11,421 million.	Financial Statements should be prepared by including accurate information.	When preparing financial statements, only accounts balances tallied with Treasury Books will be included in those financial statements.	Relevant institutions have been briefed that lists of individual balances of non-financial assets of institutions should be compared with Treasury Books.	
(s)	Transactions not complied with Laws, Rules, and Regulations of financial statements of the year 2020 are as follows.				
	<b>Reference to Laws, Rules, Regulations etc.</b>	<b>Non-compliance</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
(i)	Fiscal Management (Responsibility) Act, No.3 of 2003	(i) In terms of Fiscal Management (Responsibility) Act, No.3 of 2003 as amended by the Fiscal Management (Responsibility) (Amendment) Act, No.15 of 2013, the maximum value of liabilities at the end of a certain year shall not exceed 80 per cent of the estimated Gross Domestic Product of that year. However,	Action should be taken in accordance with provisions of the Act.	As the state fiscal process and the economy have been severely affected unexpecte	In terms of Section 26 of the said Act, action has been taken to inform the Parliament on 22.06.2021

			<p>when taking into consideration the foreign debts not accounted as at 31 December 2020 and the liabilities relevant to various public enterprises which had been brought to account outside the statement of financial position, it was observed that the relevant limit had been 97.7 per cent.</p> <p>* The value of guarantees and letters of comfort amounting to Rs.1,059 billion granted to the banks in respect of the borrowings made by the public enterprises upon the guarantees of the General Treasury and the values totalling Rs.153 billion included in the statements of liabilities in the annual financial statements of Ministries, Departments and Special Expenditure Units were not included in the above liabilities.</p>		<p>dly owing to the current outbreak of the Covid 19 epidemic, high expenditure has to be incurred on health and other sectors</p>	<p>on deviations from those conclusions .</p>
			<p>(ii) Nevertheless, it was observed that the Ministry of Finance had failed to maintain the estimated budget deficit of the year under review in a manner not to exceed five per cent of the estimated Gross Domestic Product and to maintain the actual budget deficit as at the end of the year under review in a manner not to exceed five per cent of the estimated Gross Domestic Product respectively.</p>	<p>Action should be taken in terms of provisions the Act.</p>	<p>The estimated budget deficit for the year 2020 is Rs. 1,266 billion, which is about Rs. 16,003 billion, or 7.9 per cent of then estimated Gross Domestic Product. The continued decrease in</p>	<p>The whole fiscal process including the revenue and expenditure of the Government has subjected to a severe threat due to the impact on the domestic economy as a result of the Easter attacks in 2019 and the Covid</p>

					economic growth since 2015 and the downfall of the economy due to the impact of the Easter attacks in 2019 and the Covid 19 epidemic have had a severe impact on the state fiscal process and the economy, thus resulting in incurring high expenditure on health and other sectors	19 epidemic in Sri Lanka from March 2020 up to now.
	(ii)	Appropriation Act, No. 06 of 2020	With the approval of the Government, the Minister may alter or modify any of the maximum limits set out in the Third Schedule to the Act and any of the minimum limits thereof on or before 31st May 2021, but according to the information submitted to the Audit, no action had been taken to alter /modify those limits of 07 institutions.	Action should be taken in terms of provisions the Act.	Requests for amendments of 06 Heads had not been submitted even by 31 December 2020 and there are	The report of the Auditor General on non-compliance with limits has tabled in Parliament.

					limits not submitted for amendments of 04 Heads.	
	(iii)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka				
	*	F.R. 373	Balances in imprest accounts of the Ministries and Departments should be settled as at 31 December of every year. Nevertheless, balances totalling Rs.118 million in 03 imprest accounts brought forward for a number of years, had not been settled as at 31 December 2020.	Necessary guidelines should be given to act in accordance with Financial Regulations	One balance of these 03 accounts could not be settled due to the severe financial difficulties prevailing in the Fisheries Corporation and it has been informed that further action will be taken by collecting information from foreign missions to settle another balance and letters have been sent to the	The approval of the Secretary to the Treasury has already been obtained to limit the issuance of annual imprests for institutions by which Imprest Account has not been settled. Accordingly, further action will be taken to limit the issuance of imprests to the said institutions.

					relevant Ministry advising on how to settle the remaining balance.	
	*	F.R. 518	Necessary action had not been taken in terms of Financial Regulations to wind up net balances totalling Rs.1,353 million in 19 Advance Accounts approved by the Treasury and brought forward for a number of years, in consultation with Ministries and Departments relating to those advance accounts.	The Department should provide necessary guidance and instructions .	The necessary guidelines have been issued by the Financial Regulations and it is informed that the relevant Heads of Expenditure should follow them.	Necessary guidance and instructions have been provided by the Department of State Accounts.
	*	F.R. 571	Although action should be taken in terms of Financial Regulations in relation to deposits older than 02 years, balances totalling Rs. 2,804.73 million in 125 deposit accounts of 46 institutions selected on sample basis had been brought forward for over a period from 02 to 05 years.	The Department should provide necessary guidance and instructions .	According to the annual reconciliation statements and age analysis reports sent to the Department of Public Accounts, the relevant institutions have been instructed to take	Necessary guidance and instructions have been provided by the Department of State Accounts.

					action as per F.R. 571 on balances older than 02 years	
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	<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
(t)	As at 31 December 2020, the Fuel Price Stabilization Fund had to pay Rs. 26,673.20 million to the Department of Treasury Operations. The face value of Treasury bills relevant to that amount was Rs. 29,200.75 million. Accordingly, this difference of Rs. 2,527.55 million had been charged on the Consolidated Fund in relation to this process.	Action should be taken in a manner that is not a charge on the Consolidated Fund.	Once the Cabinet decisions are taken, the relevant responsibilities will be the responsibility of the Treasury in the future and then action will be taken to settle 100 per cent of the relevant responsibilities.	Appropriate action had not been taken even by 23 March 2022.
(u)	In terms of National Budget Circular No. 2/2014 of 23 July 2014, the registered ownership of motor cycles provided to Field Officers is transferred to their personal names after a period of 5 years and provisions had been made relating to sale or alienation of the said motorcycles during the said period. Nevertheless, action had not been taken to transfer the legal ownership of the said motorcycles worth 17,410 million to the names of those officers although the period of 05 years was due to be expired by the year 2020.	Circular instructions should be followed.	Further action will be taken in consultation with the Department of National Budget.	Instructions have been given by the Letter No. BD/GPS/130/9/14/MC-8 dated 22.11.2019 on General Instructions, of the Department of National Budget and the relevant Heads of Institutions have been briefed to expedite these activities.
(v)	Although the period of lease of vehicles valued totalling of Rs.3,099 million purchased on financial lease for other Government institutions in terms of National Budget Circular No.150 dated 07 December 2010 had expired,	Circular instructions should be followed.	Further action will be taken in consultation with the Department of National Budget.	Transferring activities of motor vehicles are at the final stage.



	necessary arrangements had not been made to transfer them to the relevant institutions.			
(w)	Preparation of financial statements in accordance with the account format introduced from 2005 had been initiated and according to the budget proposal 254 for the year 2018, it has been decided to transform system of preparation of financial statements to the accrual basis from the enhanced cash basis which had been in use for 10 years. Although the Department of State Accounts had amended the time frame for the works included in the road map submitted with the approval of the Cabinet of Ministers, a formal approval had not been obtained for that purpose. According to the Cabinet Note, the progress of the relevant processes should be reported to the Cabinet one month after the end of each year, but no such progress had been reported even as at 05 November 2021.	Budget proposals should be implemented.	Approval is expected to be obtained in the future. It is accepted that the progress has not been reported so far on the process and a note was made to report the progress accordingly at the end of this year.	The progress is due to be reported with the revised road map after taking a policy decision on the process of transform of state accounts on accrual basis.
(x)	There was no direct correlation between the statement of financial performance and the statement of financial position contained in the Government financial statements. That is, the statement of financial performance had merely represented the actual situation relevant to the budget for the year under review.	Financial statements should be prepared on formal accounting frameworks and accounting standards.	It is expected that this situation will be corrected in the preparation of accounts in accordance with the accounting frameworks and accounting standards to be introduced in the future	It is expected that this situation will be corrected in the preparation of accounts in accordance with the accounting frameworks and accounting standards to be introduced in the future
(y)	According to the statement of financial position, the value of total external liabilities was Rs. 15,321,652 million, whereas the value of total assets amounted to Rs. 2,671,465 million. Accordingly, the total external liabilities had exceeded the total assets	Financial statements should be prepared including accurate information.	It is expected that this situation will be resolved in the preparation of consolidated accounts relevant to the entire public	The consolidated financial statements had not been prepared even by 23 March

	by Rs. 12,650,187 million.		sector, including public enterprises.	2021.
(z)	The debit balance of Rs. 12,072,662 million of the Net Asset Adjustment Account, which is included in the statutory and other funds in the Statement of Financial Position had not been stated in the statement of changes in equity.	Financial statements should be prepared including accurate information.	The nature and objectives of each reserve / fund in the equity have not been disclosed by the Financial Statement format presented. A note was made to make the necessary disclosures in the future.	The Net Asset Adjustment Account of the financial statements for the year 2021, has not been indicated in the Statement of Changes in Equity.
(aa)	The assets and liabilities included in the statement of financial position had not been classified as current and noncurrent assets and liabilities.	Accounts should be prepared on formal accounting framework and accounting standards.	It is expected to make relevant classifications in improving accounting process as per the accounting framework and accounting standards that are anticipated to be introduced in the future.	The said classification had not been shown in the financial statements submitted for the year 2021.
(ab)	A sum of Rs. 26,673.20 million recoverable to the Department of Treasury Operations from the Fuel Stabilization Fund as at 31 December 2020 had been misrepresented as fuel price stabilization account under miscellaneous accounts (stating as a negative value) in the liabilities of the financial statements of the Government for the year 2020.	Financial statements should be prepared on proper accounting policies.	It is correct to show a negative balance of 26,673,196,758 as the fuel price stabilization account under the miscellaneous accounts in the Statement of Financial Position of the Financial Statements of the Government for the year 2020. Since the account was opened in the year 2020 as the Fuel Price Stabilization Fund as a ledger	The Fuel Price Stabilization Fund Operating Committee had not taken appropriate measures even by 23 March 2022.

			account in the principal ledger to account for these transactions, the balance of that account has been shown in this manner in the Government Financial Statements for the year 2020.	
(ac)	According to the Cabinet Memorandum No. 20/0684/204/060 submitted by the Prime Minister on 31 March 2020, the Summary of the Statement of Financial Position of the Fuel Price Stabilization Fund should have been published along with the Annual Report of the Ministry of Finance. Nevertheless, it had not been so done.	Action should be taken in accordance with the Cabinet decisions.	Agreed. A summary paragraph has been included in the Ministry Annual Report 2019. A note was made to include a report in this connection for the year 2021.	The Fuel Price Stabilization Fund Operating Committee had not taken appropriate measures even by 23 March 2022.

### 3.17 Head 251 – Valuation Department

Opinion of the Auditor General on the Financial Statements

2018 – Qualified Opinion

2019 – Qualified Opinion

2020 - Qualified Opinion

	<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
(a)	It was observed that a sum of Rs. 457,328,864 equivalent to 98 per cent of the valuation revenue remained due as at 31 December 2020, had remained due over a period of 01 to 12 years.	The necessity to take action expeditiously for the recovery of long-outstanding dues.	Not commented.	Out of the valuation fee of Rs.692,250,571 due by 31 December 2021, a sum of Rs.459,388,974 or 66 per cent was being brought forward during a period from 01 to 13 years.
(b)	It was observed that only 02 per cent or Rs. 5,110,251 of the outstanding revenue totalling Rs. 512,531,243 by the end of the preceding year had been recovered during the year 2020.	The necessity to take action expeditiously for the recovery of long-outstanding dues.	Not commented.	Only a sum of Rs.7,657,724 or 1.63 per cent had been recovered in the year 2021 out of the outstanding revenue of Rs.467,046,699 which remained as at the end of the year 2020.
(c)	It was observed that omissions relating to the outstanding balances totalled Rs.50,092,129 during the year 2020.	Attempts should be made for recovery prior to omitting the outstanding revenue.	Not commented.	Outstanding revenue omitted even by 23 March 2022, had not been collected.
(d)	According to the report on outstanding revenue furnished as at 31 December 2020, it was observed that a revenue totaling Rs. 185,877,099 remained due over an extensive period during 2008-2017 from the institutions such as, Urban Development Authority, Sri Lanka Land Reclamation and Development Corporation, and National Savings Bank.	Prompt action should be taken to recover the outstanding revenue through discussions held with those institutions.	Not commented.	A revenue totalling Rs.252,075,609 had remained outstanding for a period from the year 2008 to the year 2020 by 31 December 2021

				from institutions such as the Urban Development Authority, Sri Lanka Land Reclamation Development Corporation and National Savings Bank.
(e)	The outstanding revenue totalled Rs. 268,108,023 with respect to the Provincial Valuation Department of Greater Colombo by the end of the year 2020, and that sum was observed to have represented 58 per cent of the total outstanding revenue as at the end of the year 2020.	Action should be taken expeditiously to recover dues without delay.	Not commented.	The revenue outstanding as at the end of the year 2021 had been Rs.478,092,636 and it had represented 69 per cent of the total outstanding revenue as at the end of the year 2021.
(f)	As 08 recurrent Objects and 04 capital Objects had been overprovisioned by Rs. 33.4 million and Rs. 20.44 million in the year 2020, savings after utilization amounted to Rs. 10.96 million and Rs. 4.7 million respectively representing 11 - 100 per cent of the net provision made.	Annual estimates of expenditure should be prepared accurately and as realistically as possible.	As the country remained locked down due to Covid 19 from March 2020, expenses could not be made as planned.	Overprovision had been made in the year 2021 for 15 recurrent Objects and 05 capital Objects.
(g)	According to the books of the Department and Treasury printouts, the balance recoverable as at the end of the year 2020 in the Advances to Public Officers B Account, amounted to Rs. 91,234,063.83, but there existed a recoverable balance of Rs. 91,165,205.83 as per the summary of individual balances. As such, a difference of Rs. 71,024 was observed. Action, necessary to identify and correct the difference, had not been taken.	Guideline 01 issued by the Department of Public Finance should be followed.	Not commented.	According to Treasury printouts and the books of the Department, a difference of Rs.71,024 was observed in the years 2018, 2019 and 2020 as well and action had not been taken even in the year 2021 to identify and settle them. Action had not been taken even

				by the end of the year 2021 to identify the difference and correct it.
(h)	Three loan balances totalling Rs. 308,614 remained due over 05-08 years from interdicted officers as at 31 December 2020, had not been recovered.	Guideline 01 issued by the Department of Public Finance should be followed.	Not commented.	No recoveries had been made even by 31 December 2021.
(i)	By 31 December 2020, there existed 9,528 general files that had not been attended along with 3,182 files relating to assessment tax.			
(j)	By 31 December 2020, matters of 9,528 general files along with 3,182 files relating to assessment tax remained to be attended to.	Work should be executed as planned.	Not commented.	Even though Provincial Offices have been notified, information had not been received even by 23 March 2022.
(k)	There existed 540 vacancies representing 49 per cent of the approved cadre by the end of the year 2020.	Action should be promptly taken to fill vacancies.	Not commented.	Forty six per cent or 512 vacancies in the approved cadre existed by 01 December 2021.

**3.18 Head 252 –Department of Census and Statistics**

Opinion of the Auditor General on the Financial Statements

2018 – Qualified Opinion

2019 – Qualified Opinion

2020 - Unqualified Opinion

	<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
(a)	Board of Survey reports relating to the books, magazines and registers totaling Rs. 9,324,361 had not been rendered to audit after being carried out the Board of Survey as at 31 December 2020 in terms of Public Administration Circular No. 02/2017 dated 04 May 2017.	Action needs to be taken in terms of Circulars.	No comments were made.	The survey had not been carried out and reports thereon submitted even by 23 March 2022.
(b)	Action had not been taken to recover loan balances totaling Rs. 553,207 relating to 12 officers who had vacated the service during the period from the year 1991 to the year 2017, even by the end of the year under review.	Action needs to be taken in terms of Guideline No. 01 issued by the Department of Public Finance.	Action will be taken to find the place of residence through the Attorney General.	Loan balances totaling Rs. 524,261 had been outstanding by 31 December 2021 from 11 officers.
(c)	Loan balances recoverable relating to 4 deceased officers totaled Rs. 165,450 by 31 December 2020.	Action needs to be taken in terms of Guideline No.01 issued by the Department of Public Finance.	Death gratuity in respect of a loan balance of Rs. 92,750 is being prepared. In order to recover the loan balance of Rs. 65,000, an error in the death gratuity has been corrected and the related documents were referred to the Department of Pensions on 17.06.2020.	Loan balances totaling Rs. 158,650 remained outstanding by 31 December 2021. relating to 02 deceased officers.
(d)	The mission of the Department is to contribute effectively to the social and economic development of the country through current and accurate data. However, according to the data issue timetable of the Department, 45 instances were observed where data was issued	Data needs to be issued on due dates.	No comments were made.	Data had been issued with a period of delay ranging from one month to one year beyond the due date in 137

	after delayed periods ranging from 01 month to 11 months, more than the specific dates.			instances according to the data issue timetable even by 06 April 2022.
(e)	Six projects valued at Rs. 130.16 million had been identified under the foreign aids projects and those projects scheduled to be commenced in January 2018 and completed in the year 2020. However, no projects whatsoever could be completed during the year 2020.	Objectives of the Department need to be achieved.	No comments were made.	Three projects had been completed by March 2022 while 03 projects had not been completed.
(f)	There had been 33 per cent or 619 vacancies from the approved cadre as at the end of the year 2020. The number of officers released from the Department on secondary basis was 03.	Cadre, required for the Department needs to be correctly estimated and included in the annual estimates.	No comments were made.	There had been 21.5 per cent or 402 vacancies from the approved cadre by 15 March 2022. The number of officers released from the Department on secondary basis was 03.
(g)	The human resource development plan prepared by the Department, had not been prepared in accordance with annex 02 of the Public Administration Circular No. 02/2018 dated 24 January 2018.	It should be prepared including the information stated in the circular.	No comments were made.	The human resource development plans from the year 2018 to the year 2022 had not been prepared even by the end of the year 2021.
(h)	Since over provisions totaling Rs.394.87 million had been made in the year 2020 for 7 recurrent objects and 9 capital objects, a provision of Rs. 218.51 million had been saved after being utilized such provisions. The savings had ranged from 20 per cent to 70.42 per cent from the net provision.	Realistic estimates should be prepared in terms of Financial Regulation 50.	Matters such as compliance with circulars, delays in giving estimates from the Department of Buildings, non-receipt of imprests, releasing provisions at the end of the year had caused these	Out of the net provision made for 19 Objects in the year 2021, provision ranging from 30 per cent to 100 per cent had been saved.



			savings.	
(i)	Even though four officers of the Department had gone abroad for studies as well as employment, they had not reported back for duties at the end of the specific period. A sum of Rs. 1,126,133 due from them had not been recovered since the periods ranging from 3 to 13 years. Furthermore, one officer who obtained study leave had not entered into an agreement.	Dues to the Government need to be recovered.	No comments were made.	Action had not been taken even by March 2022 for the recovery.

### 3.19 Head 280 - Department of Project Management and Monitoring

Opinion of the Auditor General on the Financial Statements

2018 - Qualified Opinion

2019 - Unqualified Opinion

2020 - Qualified Opinion

	<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
(a)	In the year 2018, the total number of projects was 1,398 including 1,141 local and 257 foreign projects, relating to them only 26 field inspection progress were achieved that was 1.86 percentage of total projects and it was a poor level.	When planning it should be ensured that a sufficient number of projects are covered.	Several strategies are used to monitor development projects, one of which is monitoring by field inspection. These field inspections are carried out on projects that have the most problems in project monitoring. Therefore, although the number of projects was large, fewer field inspections were made on staff shortage and time.	The progress reports including field inspections of projects implemented in the year 2021, were not made available to Audit even by 23 March 2022.
(b)	The formulation of the National Assessment Policy Framework for the implementation of the National	Action should be taken according to the Action Plan.	In order for further improvement of the draft of the additional phase of the policy	Even though the National Assessment Policy Framework was prepared, it had not

	Assessment Policy released in June 2018 had not been completed even by 31 August 2020.		framework, a committee consisting of senior officials with knowledge and experience was able to develop it and formulate a detailed policy framework.	been printed and published even by 23 March 2022.
(c)	Two motor cars valued at Rs.4,995,000 had been transferred to other institutions. Nevertheless, it had not been eliminated from the financial statements and as such, the statement of financial position had been overstated by that amount.	Steps should be taken to account non-financial assets accurately.	It is agreed and action will be taken to rectify the error.	It had not been rectified through annual financial statements 2021.
(d)	Even though the imprest received from the Treasury in the year under review was Rs.91,558,475, the imprest received from the Treasury had been indicated in the cash flow statement as Rs.91,370,000, thus observing a difference of Rs.188,475 in the net cash flow.	Cash flows should be accurately identified and accounted.	It is agreed.	It had not been rectified through annual financial statements 2021.
(e)	Even though a balance to be settled to the Treasury had	Cash flows should be	It is agreed.	It had not been rectified through

	not been indicated according to Treasury books, the amount settled to the Treasury had been indicated as Rs.76,673 in the cash flow statement.	accurately identified and accounted.		annual financial statements 2021.
(f)	In terms of Financial Regulation 880 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka, security had not been given by officers required to give security.	Action should be taken in terms of Financial Regulations.	Action will be taken to obtain security from officers required to give security.	Evidence on confirmation of obtaining securities from relevant officers, had not been made available to Audit even by 23 March 2022.
(g)	In terms of Public Administration Circular No.02/2018 of 24 January 2018, the Human Resource Plan had not been prepared and the annual performance agreement for the entire staff as well had not been signed.	Action should be taken in terms of the circular.	It is agreed that a Human Resource Plan for the year was not prepared in terms of the aforesaid circular. Nevertheless, a Human Resource Plan is being prepared for this Department.	Had not been made available to Audit even by 23 March 2022.
(h)	In terms of paragraphs 4.5 and 4.6 of Chapter XXIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka, action should be taken relating to	Action should be taken in terms of the Establishments Code.	Matters on the recovery of the sum of Rs.139,921 recoverable from Mr.M.S.P.Perera who had left the	The loan balance has not been recovered even by 23 March 2022.

	officers who had left the service. However, a balance of Rs. 139,921 recoverable from an officer who had left the service of the Department, had been brought forward for a period of 5 years.		service, have been commenced from 03.09.2015. Legal action is being carried out by the Department in this connection by now.	
(i)	In terms of Public Finance Circular No.01/2014 of 17 February 2014, the organization structure of the Department revised relating to the year, details on the approved and actual cadre and the imprest requirement plan for annual activities had not been included in the Action Plan prepared in the year under review.	Action should be taken in terms of circulars.	In preparing Action Plan for the ensuing period, action will be taken to include details indicated but not included in the Action Plan. Moreover, the organization structure of the Department has been already revised.	The said requirements had not been fulfilled even in the Action Plan submitted for the year 2022.
(j)	Even though there were 107 approved posts in the Department, the actual cadre was only 70. Accordingly, 37 posts were vacant and it represented 35 per cent of the approved cadre. It was observed that those vacancies included 09 posts in Senior Level, 04 posts in Tertiary Level and 20 posts in Secondary Level.	Action should be taken to properly maintain the approved cadre of the Department.	Action has been taken to notify the vacancies in the approved cadre of this Department. Moreover, there was no opportunity in notifying the Ministry of Public Services, Provincial Councils and Local Government again in	There were 07, 04, 14 and 03 vacancies even by 31 December 2021 in the posts of Senior Level, Tertiary Level, Secondary Level and Primary Level respectively.

			<p>this connection in this year amidst the difficulties faced due to Covid 19 pandemic which broke out unexpectedly. Even though vacancies existed, the existing staff has made maximum effort to carry out the affairs of the Department efficiently.</p>	
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**3.20 Head 323 – Department of Legal Affairs**

Opinion of the Auditor General on Financial Statements

2018 - Unqualified Opinion

2019 - Unqualified Opinion

2020 - Unqualified Opinion

	<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
(a)	The Performance Report had not indicated the progress of functions that should have been performed in the year 2019 according to the Action Plan of the year 2019 and those functions could not be finished even by the end of the year under review.	The requirement to take action to perform the functions mentioned in the Action Plan as scheduled.	It had been informed that the drafting activities of the Institute of Certified Management Accountants (Amendment) Act, No. 23 of 2009 had been initiated by the Legal Draftsman and it was informed by the Legal Draftsman that the approval of the Cabinet has to be sought again due to the appointment of a new Government after November 2019 and it was not possible to do so during that period because there was no Parliament from February 2020 to August 2020 and action will be taken to obtain that approval in the future.	Those functions had not been completed even by 31 December 2021.
(b)	Amendment activities of 05 Bills from 2018 had not been completed until 31 December 2019.	The requirement to take action to perform the functions mentioned in the	The approval of the Board of Directors of the Securities and Exchange Commission of Sri	The said Bill could not be passed in Parliament even by 31

		Action Plan as scheduled.	Lanka has been obtained for the Bill of the Securities and Exchange Commission of Sri Lanka and the approval of the Cabinet had not been obtained. Further, future action will be taken in this regard as per the new Government policy. The Cabinet approval of the new Government should have been obtained for the Secured Transactions Bill. Even though the Sri Lanka Auditing and Accounting Standards Bill has been forwarded for the approval of the Cabinet of the new Government, it had not been received so far. Action is being taken by the Central Bank of Sri Lanka to forward the Financial Sector Regulators Information Exchange Bill with new amendments to the Cabinet for approval.	December 2021.
(c)	Even though the approved cadre of the Department as at 31 December 2020 stood at 19, the actual cadre was 14, thus observing 05 vacancies in the cadre	If vacancies existing in the cadre adversely affect the	It had been notified that the post of Director General is a post to be	There are 07 vacancies by 31 December 2021 and 04



	representing 26 per cent.	performance of the Department, it is necessary to take action to fill those vacancies speedily.	appointed by the Cabinet and 02 posts became vacant during the year 2020 and action will be taken to fill the remaining vacancies.	out of them are in the senior level.
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**3.21 Head 324 – Department of Management Audit**

Opinion of the Auditor General on Financial Statements

2018 - Unqualified Opinion

2019 - Unqualified Opinion

2020 - Unqualified Opinion

	<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
(a)	Contrary to Public Finance Circular No.03/2014 of 30 December 2014, Tablets with internet facility had been provided to Executive Officers and bills thereof valued at Rs.304,039 had been paid by the Department.	Action should be taken in compliance with provisions of relevant circulars.	Those Tablets have been provided for storing data at meetings held outside the Office. Expenses are incurred only within the approved limit and it is informed that the efficiency of officers has increased thereby.	Information that the covering approval of the Department of Public Finance had been obtained therefor, had not been made available to Audit even by 23 March 2022.
(b)	Five of the total approved cadre representing 09 per cent had been vacant by 31 December 2020.	If vacancies in the staff in this manner makes an adverse impact on the performance of the Department, it is required to fill the said vacancy or if not to terminate those posts.	Five vacancies existed in the Primary Level as at 31 December 2020 and one vacancy out of that for the post of Office Aide had been filled and the remaining 04 vacancies were in the Drivers' Service and as there was no requirement of filling those vacancies so far It has been mentioned that the relevant parties were briefed on the termination thereof and action is being taken in that connection by	Seven vacancies out of the total approved cadre existed as at 31 December 2021.

			now.	
(c)	The expected output of the number of training programmes for the Chief Internal Auditor, Internal Auditors and other staff for improving the capacity of the Internal Audit Staff, stood between 50 per cent and 74 per cent. However, the actual output stood below 50 per cent.	Maximum effort is required for reaching targeted performance levels.	In the achievement of objectives indicated in the Annual Performance Report, the expected performance for the year 2020 is also indicated. This actual performance has been achieved within the performance range expected during the year amidst the Covid pandemic which broke out in the year 2020. As such, the maximum level of expected performance could not be achieved due to unexpected reasons.	The expected output and the actual output levels had not been indicated in the draft performance report submitted for the year 2021.
(d)	The expected output of certifying the smooth process of the Audit and Management Committee through internal audit activities and strengthening the public sector accounting had been in the range between 50 per cent and 74 per cent. However, the actual output had been 52 per cent	Maximum effort is required for reaching targeted performance levels.	Representatives for the Audit and Management Committee were appointed at optimum level relating to 30 Ministries, 45 Departments, 25 District Secretariats, 09 Local Authorities and 10 Special Expenditure Units as planned during the year 2020. Four Audit and Management Committees were	Representatives of the Department had participated in 300 out of 320 Audit and Management Committee meetings held in the year 2021.

			<p>released from the requirement of being held due to the difficulty in holding Audit and Management Committees in the second quarter amidst the global Covid pandemic. Instructions were given to hold Audit and Management Committees in the third and fourth quarters and it had been informed that representatives of the Department had participated in 241 Audit and Management Committees at the end of the year 2020 even amidst the Covid pandemic.</p>	
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**3.22 Head 329 – Department of Information Technology Management**

Opinion of the Auditor General on Financial Statements

2018 - Qualified Opinion

2019 - Qualified Opinion

2020 - Qualified Opinion

	<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
(a)	The 03 indicators such as conducting awareness programmes for public officers in 25 Districts under ITMIS implementation out of the 18 performance indicators included in the Action Plan of the year 2019, conducting Application Mobile App Development Competitions as a Government supported project for Information Technology at the level of Public Services, Universities and Schools and conducting external training programmes for all staff officers had not been fully implemented.	Necessary action should be taken to achieve the planned objectives.	Due to the fact that the allocations made for the entire training program had to be spent on another training program in June 2019, that it was not possible to conduct training programs which were planned on the issue of lack of funding. Due to the financial crisis in 2019 as a result of the terrorist attack in the country in 2019 and the Presidential Election, that it was not possible to allocate funds for this tournament as per the Circulars issued for expenditure management. The remaining funds were not enough to spend to the external training programme, that there was no possibility to conduct the programme.	Implementation of the ITMIS Programme had not been completed even by 23 March 2022.
(b)	Under the implementation of the Single Window System, the infrastructure required to implement it island wide had not been adequately identified in the year	Action should be taken to achieve the expected output level.	Single Window Software will run live from 26 November 2018.	The Single Window System had not been

	2019 and process digitization had not been implemented.		The software had also been developed and added to the above system to pay online using that software. The investigations activities of Payment Gateway had been completed. However, local banks should be provided the necessary facilities for online payment. However, ICTA is in the process of launching a National Trade Portal. Once the project is implemented, that the Single Window project will be a part of it.	implemented island wide even by 23 March 2022.
(c)	FR 880 – The officers, who should give securities, had not given securities.	Action should be taken in terms of the Financial Regulations.	The officers have been informed to look into the legal background relevant to giving of securities and to get proper instructions and to take action to make officers giving securities in the future.	The officers, who should give securities, had not given securities even by 23 March 2022.
(d)	The e-payroll system had been introduced with the aim of expanding the salary payment system, and that target had been achieved only up to 70 per cent by the eight departments initially identified and the remaining six departments.	The need for completing the roles within a certain specified time period.	The activities of the eight departments (ITMD, SAD, TOD, DFD, DMA, PED, LAD, TIPD) that were initially identified to establish the e-Payroll system had been completed by 85% as at 31	The said system could not be completed even by 23 March 2022.

			December 2020, and the remaining six departments had achieved a success of 70%. Live run could not be executed as further time was required to provide new requirements and to resolve issues identified during the implementation of the system and difficulties in getting the users of the system participate owing to the Covid-19 pandemic prevailed in the country.	
(e)	Development work of the Department of Animal Production and Health (DAPH) has been completed up to 70 per cent in connection with the execution of the single window software executed with the objective of digitizing the import / export process.	The need for completing the roles within a certain specified time period.	Development activities of the software system for the Department of Animal Production and Health (DAPH) have been completed up to 70%. Action has been taken to proceed the Single Window programme spearheaded by the Department of Customs generally involved in the import-export process and this Programme is being monitored by a Committee headed by the Secretary to the General Treasury.	The System had not been fully implemented even by 23 March 2022.
(f)	The system for online submission of	The need for	In addition to the	The relevant

	applications by the Government officers for importing duty free vehicles has not been developed and implemented even by the year 2020.	completing the roles within a certain specified time period.	requirements initially identified in the system for online submission of applications for the importation of vehicles, the TIPD has provided us with new requirements and the system is being developed accordingly.	System had not been implemented even by 23 March 2022.
(g)	It was observed that the tertiary level post of Information and Communication Technology Officer had remained vacant since October 2020 and that action had not been taken to fill the said vacancy so far.	Taking action to duly maintain the approved cadre of the Department.	As the post of Information and Communication Technology Officer also belongs to the Information and Communication Technology Service of Sri Lanka, a request has been made to the Ministry of Public Services, Provincial Councils and Local Government to fill the vacancy.	The said vacancy had not been filled even by 23 March 2022.



**3.23 Head 333 –Comptroller General’s Office**

Opinion of the Auditor General on the Financial Statements

2018 - Qualified Opinion

2019 - Unqualified Opinion

2020 - Unqualified Opinion

	<b>Audit Observation</b>	<b>Recommendation of the Auditor General</b>	<b>Preventive Measures taken by the Entity</b>	<b>Current Position</b>
(a)	In terms of Guideline 06 issued by the Department of State Accounts in compliance with paragraph 10.1 of Public Finance Circular No. 02/2020, even though expenditure on personal emoluments should be indicated as Rs.29,708,387 and expenditure incurred for other Expenditure Heads, as Rs. 167,344 under the expenditure of the cash flow statement, a sum of Rs.29,875,732 had been indicated as expenditure on personal emoluments without taking action accordingly.	Payments should be indicated separately in terms of the relevant Guideline.	It had been informed that a sum of Rs.167,344 had been paid as election allowances of officers of this office, and payments had been made through imprests relating to this office and as there was a cash outflow of Rs.167,344, it has been included in the cash flow statement, thus resulting in the said difference.	The financial statements of the year 2021 included the readjustment of values of the cash flow statement relating to the year 2020.
(b)	Even though the recovery of advances during the year 2020 had been Rs.2,164,817, that value had been indicated as Rs.1,311,927 in the cash flow statement, thus understating the cash inflow by Rs.852,890.	According to the Guideline, the cash flow statement should be prepared based on gross values.	The value of recovery of advances during the year had been Rs.2,164,817, and out of the said value, a sum of Rs.1,311,927 had been recovered in cash and a sum of Rs.852,890 has been recovered through cross entries and as there was no cash inflow, it had been informed that the said value has not been included in the cash flow statement.	The financial statements of the year 2020 included the readjustment of values of the cash flow statement relating to the year 2020.

(c)	The output of developing a new software to create a centralized data base for reporting all non-financial assets belonging to the Government, had ranged between 50 per cent and 74 per cent.	It is necessary to achieve the expected targets set out in the Action Plan, to the maximum.	The relevant software should be developed under the ITMIS Project and several discussions were held by making many requests to expedite the said activity and expedition of the said activity is beyond the control of this Office.	Matters had not been completed even by February 2022.
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## Net Provision made by Parliament for each financial year and Utilization and Savings thereof

Head	Name of the Entity	2018			2019			2020				
		Rs. Millions	Net Provision	Utilization	Rs. Millions	Net Provision	Utilization	Rs. Millions	Net Provision	Utilization	Savings	
1	His Excellency the President	10,888		8,049	2,839	15,297		10,258	5,039	7,423	5,903	1,520
2	Office of the Prime Minister	1,963		951	1,012	1,721		881	840	983	903	80
24	National Procurement Commission	85		68	17	105		89	16	88	75	13
102	Ministry of Finance	6,290		4,130	2,160	6,385		3,452	2,933	39,451	37,848	1,603
413	State Ministry of Money and Capital Market and	0		0	0	0		0	0	31	19	12
237	Department of National Planning	211		122	89	438		150	288	149	143	6

249	Department of Treasury Operations	245	Department of Public Finance	244	Department of Trade Investment Policy	243	Department of Development Finance	242	Department of Management Services	241	Department of Public Enterprises	240	Department of National Budget	239	Department of External Resources	238	Department of Fiscal Policy
2,108,659	217	292	15,285	87	9,147	7,087	4,411	4,082	2,093,930	190	287	12,463	82	8,718	6,244	4,354	61
14,729	27	5	2,822	5	429	843	57	4,021	2,232,925	116	61	28,615	96	27,426	22,406	2,805	1,757
2,013,110	83	56	14,163	80	26,767	6,067	2,750	65	219,815	33	5	14,452	16	659	16,339	55	1,692
1,999,326	74	57	87,522	85	59,344	54,244	1,764	59	1,944,180	73	50	84,146	77	51,744	28,214	1,575	51
55,146	1	7	3,376	8	7,600	26,030	189	8									8

	333	329	324	323	280	252	251	250
	Comptroller General's Office	Department of Information Technology Management	Department of Management Audit	Departmen t of Legal Affairs	Department of Project Management and Monitoring	Department of Census and Statistics	Valuation Department	Department of State Accounts
	47	271	53	12	104	998	807	57
<b>2,171,053</b>								
	23	130	49	12	98	911	519	54
<b>2,141,445</b>								
	24	141	4	0	6	87	288	3
<b>29,608</b>								
	48	404	57	14	104	1,064	652	92
<b>3,342,588</b>								
	27	340	52	13	99	1,028	641	62
<b>2,080,233</b>								
	21	64	5	1	5	36	11	30
<b>262,355</b>								
	35	465	56	16	98	1,332	672	83
<b>2,253,357</b>								
	31	407	52	13	94	1,072	645	66
<b>2,157,381</b>								
	4	58	4	3	4	260	27	17
<b>95,976</b>								

## Annexure 02

## Estimated Revenue, Actual Revenue and Excess or Deficit of the Estimated Revenue for each Financial Year

Head	Revenue Code	Revenue	2018			2019			2020					
			Estimated Rs. Millions	Actual Rs. Millions	Difference Rs. Millions	Estimated Rs. Millions	Actual Rs. Millions	Difference Rs. Millions	Estimated Rs. Millions	Actual Rs. Millions	Difference Rs. Millions			
241	20.03.02.20	Accounting and Auditing Standards Cess Levy	0	0	0	0	0	0	0	0	0	0	0	0
241	20.02.05.00	Transferring Surplus Funds from Public Enterprises	0	0	0	0	0	0	0	0	0	0	0	0
241	20.02.04.00	Dividends	5,600	4,598	1,002	6,100	5,024	1,076	3,500	2,855	645			
241	20.02.03.00	Profits	50,000	37,230	12,770	63,900	22,833	41,067	16,500	14,768	1,732			
240	20.03.04.00	Public Officer's Motor Cycle Premium	0	39	(39)	0	7	(7)	0	1	(1)			
238	20.05.01.00	Central Bank Profits	10,000	15,000	(5,000)	15,000	0	15,000	24,000	24,009	(9)			
238	10.02.10.00	Social Responsibility Levy	0	0	0	0	172	(172)	0	16	(16)			

249											249	241
20.03.03.02	20.03.02.99	20.03.01.00	20.02.02.99	20.02.02.01	20.02.01.99	10.03.07.07	10.03.06.00	20.06.01.00				
Fines and Forfeits - Other	Sundries	Departmental Sales	Other Rental	Interest on Lending	Other Rental	Levy on Rooms of Five Star Hotels	Environment Conservation Levy	Transfer Tax				
2,100	11,500	117	1,300	4,300	120	0	0	0				0
1,582	8,643	162	1,928	6,213	1,792	0	0	107,883				
518	2,857	(45)	(628)	(1,913)	(1,672)	0	0	(107,883)				
1,700	10,000	170	3,000	7,000	2,350	0	0	0				0
1,779	6,689	117	7,119	6,700	956	0	0	3,111				
(79)	3,311	53	(4,119)	300	1,394	0	0	(3,111)				
1,100	7,000	100	1,500	5,500	8,800	0	0	0				0
1,744	5,694	88	1,514	5,783	8,555	0	0	0				0
(644)	1,306	12	(14)	(283)	245	0	0	0				0

	333	333	249	249	249	249	249	249	249
	20.06.02.02	20.06.02.01	30.01.01.00	20.06.04.00	20.05.99.00	20.03.99.00	20.03.05.00		
	Other	Vehicles	Foreign Grants	Recovery of Loans	National Lotteries Board and Other Transfers	Other Receipts	Treasury Bonds Premium		
<b>Total</b>									
	31	135	10,000	16,800	2,000	15,000	1		
	27	313	12,486	25,584	3,261	37,456	582		
	4	(178)	(2,486)	(8,784)	(1,261)	(22,456)	581		
	50	350	13,000	28,000	4,000	47,500	880		
	2,686	188	7,909	18,271	3,141	10,484	1,700		
	(2,636)	162	5,091	9,729	859	37,016	(820)		
	25	175	8,000	15,000	3,000	8,500	5,000		
	56	201	5,348	19,429	2,959	11,701	5,536		
	(31)	(26)	2,652	(4,429)	41	(3,201)	(536)		



**Balances in Imprest Accounts remained as at the end of each Financial Year**

Head	Name of the Entity	2018	2019	2020
		Rs.	Rs.	Rs.
1	His Excellency the President	21,378	68	0
2	Office of the Prime Minister	0	0	0
24	National Procurement Commission	49,289	0	1,222,837
102	Ministry of Finance	21,984,435	1,136,016	0
413	State Ministry of Money and Capital Market and State Enterprise Reforms	0	0	460
237	Department of National Planning	93,099	15,227	912
238	Department of Fiscal Policy	305,024	310,093	4,373
239	Department of External Resources	27,815	31,925	944,817
240	Department of National Budget	83,325	635,608	347,871
241	Department of Public Enterprises	132,085	516,088	0
242	Department of Management Services	161,288	607,023	134,677
243	Department of Development Finance	0	212,059	0
244	Department of Trade Investment Policy	12,188	523,285	37,670
245	Department of Public Finance	436,066	1,045,734	0
249	Department of Treasury Operations	15,301	824,983	14,810
250	Department of State Accounts	333,273	161,972	3,600
251	Valuation Department	821	1,761,830	46,982,051
252	Department of Census and Statistics	3,192,199	464,931	307,874
280	Department of Project Management and Monitoring	0	0	0
323	Department of Legal Affairs	231,695	128,335	0
324	Department of Management Audit	124	200	15,309
329	Department of Information Technology Management	1,027,515	204,040	316,061
333	Comptroller General's Office	697	4,985	29,983
	<b>Total</b>	<b>28,107,617</b>	<b>8,584,402</b>	<b>50,363,305</b>

## Balances of Deposit Accounts remained as at the end of each Financial Year

Head	Name of the Entity	2018	2019	2020
		Rs.	Rs.	Rs.
1	His Excellency the President	626,517,845	625,196,063	303,949,862
2	Office of the Prime Minister	28,056,950	31,648,944	31,827,802
24	National Procurement Commission	330,107	320,487	0
102	Ministry of Finance	48,720,172	123,286,374	113,767,918
413	State Ministry of Money and Capital Market and State Enterprise Reforms	0	0	0
237	Department of National Planning	0	0	7,450
238	Department of Fiscal Policy	41,027	41,400	41,400
239	Department of External Resources	0	0	0
240	Department of National Budget	227,604,740	177,534,240	10,877,272
241	Department of Public Enterprises	0	44,875	6,200
242	Department of Management Services	0	12,845	100
243	Department of Development Finance	32,318,374	16,364,247	734,614
244	Department of Trade Investment Policy	0	0	0
245	Department of Public Finance	0	0	0
249	Department of Treasury Operations	5,807,376,835	6,358,801,170	2,564,194,998
250	Department of State Accounts	0	0	4,525
251	Valuation Department	51,374,420	12,232,291	50,217,219
252	Department of Census and Statistics	24,981,663	12,496,478	8,398,545
280	Department of Project Management and Monitoring	0	0	1,000
323	Department of Legal Affairs	0	0	0
324	Department of Management Audit	0	0	0
329	Department of Information Technology Management	0	0	211,739
333	Comptroller General's Office	0	0	0
	<b>Total</b>	<b>6,847,322,133</b>	<b>7,357,979,414</b>	<b>3,084,240,644</b>

**Balances in the Advances to Public Officers Account as at the end of each Financial Year**

Head	Name of the Entity	2018	2019	2020
		Rs.	Rs.	Rs.
1	His Excellency the President	105,165,600	105,985,040	78,285,473
2	Office of the Prime Minister	41,127,609	47,892,354	51,226,288
24	National Procurement Commission	1,754,777	3,287,856	2,315,634
102	Ministry of Finance	79,203,551	63,782,908	80,546,572
413	State Ministry of Money and Capital Market and State Enterprise Reforms	0	0	4,671,114
237	Department of National Planning	16,838,169	14,335,196	14,042,155
238	Department of Fiscal Policy	9,862,527	9,218,710	7,056,670
239	Department of External Resources	19,554,496	22,254,524	21,153,730
240	Department of National Budget	27,082,353	26,471,732	24,914,348
241	Department of Public Enterprises	14,941,519	14,422,449	12,966,600
242	Department of Management Services	16,191,148	15,040,803	13,054,062
243	Department of Development Finance	8,587,968	7,718,269	6,947,352
244	Department of Trade Investment Policy	9,994,410	10,249,669	8,941,045
245	Department of Public Finance	12,411,833	12,584,017	13,319,385
249	Department of Treasury Operations	24,391,967	25,280,777	23,258,233
250	Department of State Accounts	9,812,741	9,458,570	8,614,721
251	Valuation Department	90,197,826	93,119,762	91,234,604
252	Department of Census and Statistics	117,571,630	118,554,297	97,583,284
280	Department of Project Management and Monitoring	12,540,163	12,865,279	10,666,254
323	Department of Legal Affairs	2,289,838	2,384,254	2,179,936
324	Department of Management Audit	9,173,835	9,344,776	9,321,799
329	Department of Information Technology Management	5,827,473	6,683,138	5,832,058
333	Comptroller General's Office	4,799,510	6,194,948	5,987,908
	<b>Total</b>	<b>639,320,943</b>	<b>637,129,328</b>	<b>594,119,225</b>

## Non-financial Assets remained as at each Financial Year

Head	Name of the Entity	2018	2019	2020
		Rs. Millions	Rs. Millions	Rs. Millions
1	His Excellency the President	648	41,506	41,554
2	Office of the Prime Minister	19,740	19,877	19,900
24	National Procurement Commission	0	23	0
102	Ministry of Finance	11,374	13,169	14,323
413	State Ministry of Money and Capital Market and State Enterprise Reforms	0	0	20
237	Department of National Planning	101	103	87
238	Department of Fiscal Policy	43	33	33
239	Department of External Resources	118	114	143
240	Department of National Budget	24,897	21,737	21,744
241	Department of Public Enterprises	33	35	35
242	Department of Management Services	42	40	33
243	Department of Development Finance	1,636	1,706	1,712
244	Department of Trade Investment Policy	57	59	59
245	Department of Public Finance	35	35	63
249	Department of Treasury Operations	40	38	71
250	Department of State Accounts	37	37	38
251	Valuation Department	0	392	392
252	Department of Census and Statistics	2,773	2,915	2,942
280	Department of Project Management and Monitoring	54	67	68
323	Department of Legal Affairs	7	7	7
324	Department of Management Audit	25	25	25
329	Department of Information Technology Management	0	42	43
333	Comptroller General's Office	0	10	12
	<b>Total</b>	<b>61,660</b>	<b>101,970</b>	<b>103,304</b>

## Opinion of the Auditor General on Financial Statements submitted for each Financial Year

Head	Name of the Entity	Audit Opinion		
		2018	2019	2020
1	His Excellency the President	Qualified Opinion	Unqualified Opinion	Unqualified Opinion
2	Office of the Prime Minister	Qualified Opinion	Unqualified Opinion	Unqualified Opinion
24	National Procurement Commission	Unqualified Opinion	Unqualified Opinion	Qualified Opinion
102	Ministry of Finance	Qualified Opinion	Unqualified Opinion	Unqualified Opinion
413	State Ministry of Money and Capital Market and State Enterprise Reforms	-	-	Unqualified Opinion
237	Department of National Planning	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion
238	Department of Fiscal Policy	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion
239	Department of External Resources	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion
240	Department of National Budget	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion
241	Department of Public Enterprises	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion
242	Department of Management Services	Unqualified Opinion	Qualified Opinion	Unqualified Opinion
243	Department of Development Finance	Qualified Opinion	Qualified Opinion	Qualified Opinion
244	Department of Trade Investment Policy	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion
245	Department of Public Finance	Unqualified Opinion	Qualified Opinion	Unqualified Opinion
249	Department of Treasury Operations	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion
250	Department of State Accounts	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion
251	Valuation Department	Qualified Opinion	Qualified Opinion	Qualified Opinion
252	Department of Census and Statistics	Qualified Opinion	Qualified Opinion	Unqualified Opinion
280	Department of Project Management and Monitoring	Qualified Opinion	Unqualified Opinion	Qualified Opinion
323	Department of Legal Affairs	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion
324	Department of Management Audit	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion
329	Department of Information Technology Management	Qualified Opinion	Qualified Opinion	Qualified Opinion
333	Comptroller General's Office	Qualified Opinion	Unqualified Opinion	Unqualified Opinion
-	Financial Statements of the Government	Qualified Opinion	Qualified Opinion	Qualified Opinion