

Head 242 – Department of Management Services

1 Financial Statements

1.1 Unqualified Opinion

The audit of the financial statement of the Department of Management Services for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance and cash flow statement for the year then ended, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No. 19 of 2018. The summary report including my comments and observations on the financial statements of the Department of Management Services was issued to the Accounting Officer on 31 May 2019 in terms of Section 11 (1) of the National Audit Act, No. 19 of 2018, and the Detailed Annual Management Audit Report relating to the Department in terms of Section 11 (2) of the National Audit Act, No. 19 of 2018 was issued to the Accounting Officer on 31 May 2019. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution to be read in conjunction with Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, the financial statements give a true and fair view of the financial position of the Department of Management Services as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Standards.

1.2 Basis for Unqualified Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAS). My responsibilities, under the financial statements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

The Chief Accounting Officer and the Accounting officer are responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-section 16(1) of the National Audit Act No. 19 of 2018, the Department is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

As per Sub-section 38 (1) (c) of the National Audit Act, the Chief Accounting Officer and the Accounting Officer shall ensure that effective internal control system for the financial control of the Department exists, and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, significant audit findings, any significant deficiencies in internal control and other matters that I identify during my audit.

1.5 Report on Other Legal and Regulatory Requirements

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

- (a) Since there was no need to prepare financial statements for the preceding year, it could not be stated that the financial statements presented for the year under review were consistent with the preceding year.
- (b) Since there was no requirement for the Department of Management Services to prepare financial statements for the preceding year, recommendations on the financial statements had not been made.

2. Financial Review

2.1 Imprest Management

Audit Observation	Recommendation	Comment of the Accounting Officer
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Having planned to request for imprests totalling Rs. 84.2 million in the year 2018, a sum of Rs. 100.6 million had been requested. However, the imprest issued by the Treasury for the Department amounted to Rs. 81 million.	The imprest should be properly planned and managed.	Although the imprest is planned in respect of each month, all the expenses are not presented in the same month that the planning took place, and non-presentation of invoices for payment is also beyond control of the Department. As such, it is further informed that such differences occur due to those reasons.

2.2 Management of Expenditure

The following observations are made.

Audit Observation	Recommendation	Comment of the Accounting Officer
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a) As overprovision had been made for the capital expenses, the saving after utilization represented 55 per cent of the net provision.	Action should be taken to prepare the annual estimates in a realistic manner.	The computerized information system had not been established as expected; it became unnecessary to renovate the office building and purchase of office equipment.
b) In addition to the annual provision made on 02 Objects, provision equivalent to	- Do.	Due to reasons such as, receipt of foreign training opportunities for the officers of the Department more than expected, and it became necessary to

105 per cent and 145 per cent had been obtained under supplementary estimates and transfers relating to Financial Regulation 66 respectively.

obtain additional provision for paying transport allowances for the officers who had been entitled to official vehicles but chose to use their personal vehicles.

2.3 Incurring Liabilities and Commitments

The following observation is made.

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
A comparison between the statement of liabilities and the payment vouchers of the year 2018 revealed a difference of Rs. 58,011 with respect to 05 Objects.	The Register should be maintained by including all the liabilities.	Instructions have been issued to the officers that action should be taken in the future in accordance with Circulars.

3. Operating Review

3.1 Failure to Execute Functions

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
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.

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| b) Awareness programmes in regard to personnel review reports of the Statutory Boards, had not been conducted. | Details should be maintained on the awareness programmes. | Not replied. |
| c) Criteria had not been formulated with respect to the approval of cadre for the Ministries and Departments. | The criteria formulated 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 formulated without delay. |

4. Achievement of Sustainable Development Goals

The following observation is made.

Audit Observation	Recommendation	Comment of the Accounting Officer
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The Department should have drawn attention on the identification and achievement of sustainable development goals and indicators, but it was not verified that action had been taken to achieve such goals.	Action should be taken for the prompt achievement of sustainable development goals.	Action will be taken to prepare plans under the Action Plan for the year 2019 to achieve the sustainable development goals.