

Head 11– Office of Finance Commission

1. **Financial Statements**

1.1 **Unqualified Opinion**

The audit of the financial statements of the Office of Finance Commission 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 Office of Finance Commission was issued to the Accounting officer in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. As per Section 11 (2) of the Audit Act, the Detailed Annual Management Audit Report related to the Office of Finance Commission was issued to the Chief Accounting Officer on 28 May 2019. This report will be tabled in Parliament in pursuance of Provisions in Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Department 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 Principles.

1.2 **Basis for Unqualified Opinion**

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

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

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

As per Sub-section 16 (1) of the National Audit Act, No. 19 of 2018, the Office 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 Section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that effective internal control system for the financial control of the Office exists and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

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

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue the summary report of the Auditor General 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 Office'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, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5. Report on Other Legal Requirements

I express the following matters in accordance with Section 6 (d) and Section 38 of National Audit Act, No. 19 of 2018.

- Since there was no need for the Office of Finance Commission 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.
- Since there was no requirement for the Office of Finance Commission to prepare financial statements for the preceding year, recommendations on the financial statements had not been made.

1.6 Comments on the Financial Statements

1.6.1 Accounting Deficiencies

Non-compliance to Laws, Rules and Regulations

Instances of non-compliance to laws, rules and regulations observed at the audit test check are analyzed and mentioned below.

Reference to Laws, Rules and Regulations	Non-Compliance	Recommendation	Comments of the Accounting Officer
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(a) Sub-section 13.6 of Chapter XXIV of the Establishment s Code	Even though festival advance has to be provided once during the period of 12 months, festival advances of Rs. 10,000 each had been provided on two occasions, on 02 February 2018 and on 18 December 2018 to one officer.	Festival advances should be provided once during the period of 12 months.	It is kindly informed that festival advances had been provided in two occasions during the period of one year by mistake and officers were made aware to avoid such mistakes in the future.
(b) Paragraph 6.2.2 of the Government Procurement Guidelines	Even though the minimum period granted to submit bids under national competitive bidding was 21 days, only 15 days each had been granted for calling bids in relation to the procurements amounting to Rs. 8 million and Rs.3 million for installing 02 passenger lifts for the new office building of the Commission and for the waste disposal system respectively.	The minimum period granted to submit bids under national competitive bidding should be 21 days.	Fifteen (15) days had been granted as it was required to immediately install the electric lift and to establish STP system which was essential items for the new office building after the completion of fundamental activities. Officers have been informed to function in order to avoid such shortcomings.
(c) Public Administration Circulars	Instances of non-compliances with Circulars are mentioned below.	Action should be taken in compliance with the Circular.	Public Administration Circular No. 02/2018 of 24 January 2018

Public
Administration
Circular No.
02/2018 of 24
January 2018

(i) Not preparation of an appropriate methodology to identify the gap between the competencies related to the responsibilities that were specifically available with the overall staff and the competencies that should prevail for achieving success in the performance of duties.

(i) Fundamental activities required for conducting a works study have been planned.

(ii) Non preparation of a human resources developmental plan specific for the institution for the minimization of the gap between competencies.

(ii) A human resources development plan is being prepared.

(iii) An opportunity for training should be guaranteed for every member of the Staff for not less than a minimum of 12 hours within the human resources developmental plan. Even though the approved cadre of the Commission as at 31 December 2018 was 85, the actual permanent staff was comprised of 52 members and the provision of training

(iii) Noted down to focus attention on this and to function accordingly in the year 2019.

opportunities during the year 2018 was limited only for 07 officers or 13 per cent.

2. Financial Review

2.1 Income Management

The following observations are made.

Audit Observation

A sum of Rs. 73,254 had been understated as Rs. 13,135,043 in the statement of Financial Performance other than stating the actual balance of Rs. 13,208,297 collected by the Office of the Commission for the other instructions under other non-income receipts in the Statement of Financial performance in the year 2018.

Recommendation

Actual and accurate information should be included in the Financial statements.

Comments of Accounting Officer

The sum of Rs. 73,254 collected under revenue code 20.03.99 had not been included in the ACA-01 format of the financial statement by mistake. Action will be taken to rectify it.

2.3 Expenditure Management

Audit Observation

Balance was Rs. 93,347,313 due to the utilization of only a sum of Rs. 195,252,687 during the year out of Rs. 288,600,000, which was the net provision made during the year due to making excess provisions for two capital objects. Percentage wise, it was amounted to 32 per cent of net provisions.

Recommendation

Estimates should be prepared with the best possible accuracy.

Comments of Accounting Officer

Provisions were saved in one Object due to carrying out repairs of vehicles of the office from the garage of the Dehiwala-Mount Lavinia Municipal Council and due to not carrying out major repairs of the vehicles and provisions had been also saved in the other Object due to non-receiving of imprest from the General Treasury even though bills amounting to Rs. 82.8 million for payment activities in relation to the construction of the office building had been submitted.

3. **Human Resources Management**

Audit Observation

The approved and actual number of employees of the Office of the Commission during the year under review was as follows. Accordingly, there are 33 vacancies with 6 vacancies in the Senior level and 17 vacancies in the Secondary level and it was not possible to fill these vacancies or to revise the approved cadre during the year under review.

Recommendation

Action should be taken to fill the relevant vacancies or to revise the approved cadre.

Comments of Accounting Officer

Admitted. – Even though requests were made from time to time from the Ministry of Public Administration, all the vacancies had not been completed.

Even though advertisements had been published in the public offices to fill the vacancies in the Development Officers' Service, it was not possible to obtain adequate number of officers for the Posts.