

Head 243- Department of Development Finance

1. Financial Statements

1.1 Audit Opinion

The audit of financial statements of the Department of Development Finance for the year ended 31 December 2018 and the statement of comprehensive income 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 Development Finance was issued to the Accounting Officer on 31 May 2019 in terms of Section 11(2) of the National Audit Act. This report is furnished to Parliament in terms of Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 10 of the National Audit Act No.19 of 2018.

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

1.2 Basis for the Audit 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 Responsibility 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 Section 38 of the National Audit Act No.19 of 2018.

As per Section 16(1) of the National Audit Act No.19 of 2018, the Department of Development Finance 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 by the Department of Development Finance.

The Chief Accounting Officer and the Accounting Officer should confirm that an effective system of internal control is prepared and maintained for the financial control of the Department of Development Finance in terms of Sub- section 38(1)(c) of the National Audit Act and a review on the effectiveness of the system is made from time to time and as such, necessary changes are being made to effectively carry out the system.

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

My objective is to obtain reasonable assurance but 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 assets taken on the basis of those financial statements.

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

- Identify and assess the risks of material misstatement of 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 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, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Report on Other Legal and Regulatory Requirements

I state the following in terms of Section 6(d) of the National Audit Act No.19 of 2018.

- (a) The financial statements of the year under review could not be reconciled with the preceding year on not having a requirement of preparing financial, statements relating to the preceding year.
- (b) The recommendations on the financial statements are not furnished by this report on not having a requirement of preparing financial statements relating to the preceding year by the Department of Development Finance.

2. Financial Review

2.1 Expenditure Management

The following observations are made.

Audit Issue	Recommendation	Comment of the Accounting Officer
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Savings of the net provisions relating to 12 Capital Objects and 07 Recurrent Objects were ranging from 30 per cent to 100 per cent.	That, Annual Estimates should be prepared in an authentic manner.	Most of the Recurrent and the Capital Objects had been provisions that are being provisioned for the payment of concessions and I inform that it had been instructed to prepare authentic Estimates in the future.

3. Operational Review

3.1 Assets Management

The following observations are made.

Audit Issue	Recommendation	Comment of the Accounting Officer
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Stock Books had not been maintained and updated in terms of the Financial Regulation 751.	Action should be taken to accurately note the purchases, the issuances of the year.	I inform that it had been instructed to maintain the relevant books accurately.

3.2 Management Weaknesses

The following observations are made.

Audit Issue	Recommendation	Comment of the Accounting Officer
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Even though the concessional interest for the Fixed Deposits for the Senior Citizens payable for 07 State banks and for 22 Private banks by 31 December 2018 had been a sum of Rs.33,198 million, provisions had not been made available in this connection in the year 2018 and any payment whatsoever as well, had not been made,	That, action should be taken to properly pay the relevant concessions.	Comments had not been made.

4. Human Resources Management

The following observations are made.

Audit Issue	Recommendation	Comment of the Accounting Officer
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Five vacancies of employees remained by 31 December 2018 and 4 posts out of them had been posts in the Senior Level.	Action should be taken either to fill the vacancies or to abolish those posts in the instance where remaining of vacancies adversely affects towards the performance of the Institution.	Two vacancies in the Senior Level remained by this period and I inform that Letters had been submitted relating to the filling of those posts, to the Ministry of Finance.