

Head 102 – Ministry of Finance and Mass Media

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ministry of Finance and Mass Media for the year ended 31 December 2018 comprising the statements of financial position as at 31 December 2018 and statements 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. In terms of Sub-section 11(1) of the National Audit Act, No. 19 of 2018, the summary report including my comments and observations on the financial statements of the Ministry of Foreign Employment was issued to the Accounting Officer on 31 May 2019. In terms of Sub-section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the Ministry was issued on 30 May 2019 to the Accounting Officer. This report which should be read in conjunction with Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka is submitted to Parliament in terms of Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Ministry of Finance and Mass Media as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified 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 for the Financial Statements

The Chief 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 in terms of Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Chief Accounting Officer 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 Ministry is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Ministry.

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

1.4 Auditor's Responsibility for 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 summary 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 skepticism 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 Ministries 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 Chief 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

As required by Sub-section 6 (d) of the National Audit Act, No. 19 of 2018, I state the followings.

- As there was no requirement of preparation of financial statements by the Ministry of for the preceding year, recommendations on financial statements had not been made by the Ministry.
- As there was no requirement of preparation of financial statements by the Ministry of Finance and Mass Media for the preceding year, I could not state that the financial statements of the year under review are consistent with the preceding year.

1.6 Comments on Financial Statements

The following Observations are made.

Audit Observation	Recommendation	Comments of Chief Accounting Officer
<p>-----</p> <p>Values and information pertaining to office computers, electronic communication equipment and furniture items included in the 2018 Commodity Survey Board report are not included in the statement of non- financial assets in year</p>	<p>-----</p> <p>The relevant assets should be identified and accounted</p>	<p>-----</p> <p>Identification of relevant balances is nearing completion. As the result of that, the statement of 2018 non- financial assets not include those assets and their respective values.</p>

2018.

2. Financial Review

2.1 Expenditure Management

The following Observations are made.

Audit Observation	Recommendation	Comments of Chief Accounting Officer
(a) Although supplementary provisions of Rs. 500 Mn have been made for the expansion of the Integrated Treasury Management System up to the expenditure units, the provision had been revoked in December 2018.	The implementation of budget proposals should be considered as a priority.	In 2018, due to the lack of system development work, eliminate that expenditure item and the relevant fund have been vested in the Financial Management Efficiency project.
(b) The total net provision of Rs. 645.95Mn for 15 expenditure items had been remained.	Action should be taken to utilize the funds efficiently	Provision was made that the expenditure had not been met as expected
(c) Under the head of expenditure, capital provision of Rs. 233Mn was allocated for 04 State institutions. But, the total net provision given to 01 institution and 91 percentage to 95 percentage of the net allocation given to the remaining 03 institutions had been remained.	-Do-	Agree with observations

2.2 Approaches to Liabilities and Obligations

The following observation is made.

Audit Observation	Recommendation	Comments of Chief Accounting Officer
----- In accordance with Financial Regulation 94(1), before forming obligations without ensuring that there is sufficient allocation in the relevant expenditure item, had been approached to Rs. 83,951,284 liabilities in addition to the balance of 12 objects.	----- Should comply with Financial Regulations.	----- Due to payment of liabilities for the year 2017 from the allocated provisions of year 2018, that the provisions in the relevant objects were not sufficient.

2.3 Issue and Settlement of Advances

The following observation is made.

Audit Observation	Recommendation	Comments of Chief Accounting Officer
----- Total Debt balances over one year as at 31 December 2018 was Rs. 924,255.	----- Should be look at the outstanding debt and take immediate action.	----- According to F.R. 113, the waiver of irrevocable debts has been referred to the Department of Finance for approval and it has been referred to the Department of Legal Affairs for recovery of loans.

3. Operational Review

3.1 Delay in executing projects

The following observation is made.

Audit Observation	Recommendation	Comments of Chief Accounting Officer
----- The Ministry has provided total allocation of Rs. 2,261.5 Mn for 05 projects under foreign debt / aid. Due to inability of 03 projects to start and the performance of 02 projects slowed down, total of Rs. 1,041.16 Mn or 46 percentage provisions had been remained.	----- Management's attention should be paid to implement this pension scheme immediately.	----- Provisions had been revoked due to delay in achieving objectives as the result of legal or practical reasons, delay in commencing operations and not been initiated projects.

3.2 Procurements

The following observations are made.

Audit Observation	Recommendation	Comments of Chief Accounting Officer
----- (a) Contract to remove 04 elevators in the General Treasury building and to install for 04 new elevators was awarded to a private company for a sum of Rs. 21,005,625 and had been given Rs. 4,663,250 as an advance on 29 October 2019. Although 26 months have passed since end of the year under review, the contractor had failed to commence work on the contract.	----- According to the agreement, the contract should be expedited.	----- At the moment, all the terms of the contract are to remain unchanged advance security and performance security equal to the value of the advance paid has been obtained from the contractor and the procurement is scheduled to be completed in year

2019.

- (b) The Ministry has expect To comply with the Agree with audit
Rs.73,892,963 for making the public instructions in the observations
aware of the budget proposals 2018 Government
through electronic and print media Procurement
and the creation and production of Guidelines.
those advertisements. But, the
procurement procedure of the
government was not implemented for
establishing specifications related to
advertising, obtaining
recommendations of the Technical
Evaluation Committee.
- (c) Expenditure of Rs.20,382,180 had To be relevant to the Agree with audit
been inconsistent with the objectives of the observations
procurement procedure of the ministry and comply
government for newspaper with government
advertisements to implement media procurement
programs on media freedom change guidelines.
for two years by the ministry,
advertise on social media sites and
program production

3.3 Assets Management

The following observation is made.

Audit Observation -----	Recommendation -----	Comments of Chief Accounting Officer -----
(a) Even though the balance of property, plant and equipment is stated as Rs. 11,373.57 in the financial statements presented as at 31 December 2018, non-financial assets included in the balance of individual value had not been presented to the audit.	Dealing with Assets as per the provisions of the Circular	Unable to enter individual balance schedules in the statement of non-financial assets in year 2018.

4. Achieving Sustainable Development Goals

The following observation is made.

Audit Observation -----	Recommendation -----	Comments of Chief Accounting Officer -----
(a) At the United Nations Convention in September 2015, each state institute must comply with the United Nations 2030 agenda for Sustainable Development with the objectives and goals and at the end of year under review, the audit did not disclose that the appropriate steps had not been taken by the	Action should be taken to identify objectives and targets in scope of the ministry.	There was no comment.

ministry to be aware of how to proceed with the activities under its purview in respect of the relevant year.

5. Human Resource Management

The following observation is made.

Audit Observation	Recommendation	Comments of Chief Accounting Officer
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(a) At the end of the year under review, there are 77 total existing vacancies that are, 19 percent of the approved number of vacancies exists, including 15 number of senior level exist vacancies.	Fulfillment of vacancies should be completed expeditiously if existing vacancies are adversely affecting the efficient and effective performance of the Ministry.	That have been informed to Ministry of Public Administration to appoint officers for these vacancies, that the duties are covered on an acting basis until the completion of the senior level and to be fulfill these vacancies should be completed immediately to efficient and effective performance of the Ministry.