

## **Head 167 – Ministry of Special Assignment**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Ministry of Special Assignment for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and 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. 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 Special Assignment was issued to the Chief Accounting Officer on 23 July 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 17 July 2019 to the Chief Accounting Officer. This report 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 Special Assignment as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### **1.2 Basis for Qualified Opinion**

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I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility, under those standards is further described in the Auditor's Responsibility 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 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Financial Statement**

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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 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 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 carried out.

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

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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 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 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 Ministry'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 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

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

- (a) As there was no requirement of preparation of financial statements for the preceding year, I could not state that the financial statements of the year under review are consistent with the preceding year.
- (b) As there was no requirement of preparation of financial statements by the Ministry of Special Assignment for the preceding year, recommendations on financial statements had not been made by the Ministry.

## 1.6 Comments on Financial Statements

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### 1.6.1 Presentation of Accounts

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The Ministry had not duly submitted the following financial statements, accounts and reconciliation statements to Audit.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
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#### (a) Annual Financial Statements

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In terms of State Accounts Circular No.267/2018 of 21 November 2018, annual financial statements should be presented to the Auditor General before 28 February 2019. However, they had been presented to Audit on 06 May 2019, after a delay of 02 months.

Action should be taken in terms of circular provisions.

The preparation of these accounts could not be completed as at 28 February 2018 due to the difficulty in obtaining details of accounts.

#### (b) Reconciliation Statement on Advances to Public Officers' Account

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The reconciliation statement on Advances to Public Officers' Account should be presented to Audit before 28 February 2019 in terms of State Accounts Circular No.267/2018 of 21 November 2018. However, it

Action should be taken to present reconciliation statements to Audit in terms of provisions.

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had not been presented to Audit even by 20 June 2019.

### 1.6.2 Statement of Financial Position

The following observation is made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
<p>According to opening balances in the statement of non-financial assets, a balance of Rs.186,370,094 of passenger vehicles had been indicated. Nevertheless, according to the file of valuation and accounting of public assets, it amounted to Rs.109,450,000, thus observing a difference of Rs.76,920,094.</p>	<p>Assets should be brought to account at the correct value.</p>	<p>In case of an error in the value, the values brought to account in the financial statements according to Treasury copies, were included on the basis that they will be accurately identified in future and brought to account.</p>

### 1.6.3 Cash Flow Statement

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
<p>(a) According to the cash flow statement, non-income receipts amounting to Rs.33,757,456 had been shown. However, it amounted to Rs.32,717,179 according to monthly account summaries and other information, thus indicating a difference of Rs.1,040,277.</p>	<p>Non-income receipts should be shown correctly.</p>	<p>Non-income receipts received in cash, are accurate according to Treasury books and monthly account summaries.</p>
<p>(b) Receipts of deposits of Rs.113,640 had not been included under cash flows generated from operations.</p>	<p>The cash flow generated from investment activities should be accurately shown.</p>	<p>These matters cannot be agreed with. The sum of Rs.113,640 relating to receipts of deposits are non-income receipts.</p>

- (c) According to the value of cash flow spent for operations and information made available, a difference of Rs.2,162,450 was observed. Operations and investments should be accurately shown. As observed in Audit, there is no difference of Rs. 2,162,450.
- (d) According to the cash flow statement, it had been indicated that there is no money whatsoever generated from investments. However, according to information made available, there were recoveries of advances of Rs.5,768,519. Recovery of advances (with cross entries) should be indicated as cash flow generated from investment activities. The said amount should not be included in the cash flow statement relating to the account and it has been included in the statement of financial performance.
- (e) Even though the moneys spent for investment activities had been shown as Rs.65,014, according to the information presented, in addition to that, payment of advances amounted to Rs.7,194,182. Expenditure for investment activities should be shown accurately. The value of Advances Accounts pointed out by you is inaccurate.
- (f) According to the cash flow statement, the net difference in cash had been shown as Rs.189,850. However, a net difference in cash was not observed. The net difference in cash should be shown accurately. The reason for that had been due to crediting the sum of Rs.189,850 of the above journal entry to 167011. Even though not actual, it had been shown in the cash flow statement as a net difference in cash.

#### 1.6.4 Lack of Evidence for Audit

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The following observation is made.

##### Audit Observation

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Office equipment and household furniture amounting to Rs.8,015,792 and Rs.3,913,585 respectively remained at the beginning of the year under review, had been **shifted** to another Ministry. Nevertheless, evidence on confirming the **shifting** of assets had not been made available to Audit.

##### Recommendation

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Documents and registers relating to **shifting** of assets should be properly maintained.

##### Comments of the Chief Accounting Officer

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Household furniture and office equipment were shifted to the Ministry of Science, Technology and Research and orders of receipts relating thereto have been given by the then Chief Accountant.