

Head 11 - Finance Commission

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Finance Commission for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 containing my comments and observations on the financial statements of the Finance Commission was issued to the Chief Accounting Officer on 06 May 2021 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Commission was issued to the Chief Accounting Officer on 06 May 2021 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, the financial statements prepared give a true and fair view of the financial position of the Finance Commission as at 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for 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 opinion.

1.3 Responsibilities of Chief Accounting Officer on Financial Statements

Preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018 is the responsibility of the Chief Accounting Officer. As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Finance Commission 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.

The Chief Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Finance Commission in terms of Sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

1.4 Auditor's Responsibility on Audit of 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 skepticism throughout the audit. I also furthermore;

- Appropriate audit procedures were designed and implemented to identify and assess the risk of possibility of quantitative misrepresentations occurred in financial statements due to fraud or errors in providing a basis for the expressed audit opinion. More than the impact of quantitative misrepresentations due to misrepresentation, the effect of fraud is strong because of malpractice, forgery, intentional evasion, misrepresentation, or evasion of internal controls can lead to fraud.
- Although it is not intended to express an opinion on the effectiveness of internal control of the Commission, obtained an understanding of internal control in order to plan appropriate audit procedures occasionally.

- Evaluated the appropriateness of the accounting policies followed, fairness of accounting estimates and related disclosures made by Management.
- Evaluated whether the transactions and events underlying the structure and content of the financial statements are appropriately and fairly consisted in and presentation of financial statements including disclosures as a whole.

The Chief Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

1.5 Report on Other Legal Requirements

I declare the following matters in terms of Section 6 (1) (d) of the National Audit Act No. 19 of 2018 .

- (a) The financial statements are in consistent with those of the preceding year,
- (b) The recommendations made by me regarding the financial statements furnished for the preceding year had been implemented.

2. Financial Review

2.1 Expenditure Management

Audit Observation

Due to lack of preparation of expenditure estimates properly in accordance with Financial Regulations 50, the total provision in the expenditure object on purchase of machines and machinery amounting to Rs. 200,000 had been saved.

Comments of the Chief Accounting Officer

This amount has been provided to purchase a Network Attached Storage Computer and although bids are invited for the designed Network Attached Storage computer system on the shortage of goods in the

Recommendation

Expenditure estimates should be prepared properly.

market at the Covid epidemic prevailing in the country in the year 2020, provisions had remained under this expenditure object on the non-submission of bids by the institution.

3. Operating Review

3.1 Failure to Perform Roles

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) Although the Commission should determine its own procedure in accordance with Article 154 (R) (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka, it had not been prepared.	The Finance Commission has prepared a process to achieve the functions assigned by Articles 154 (R) (3) and (4) of the Constitution. The process is revised to suit the time needs and accordingly, the role assigned to the Finance Commission is being carried out annually.	Actions should be taken in accordance with the Article 154 (R) (6) of the Constitution.
(b) Preparation of the Commission Act which had commenced in the year 2018 had not been over even by	A Draft has also been formulated in order to prepare the proposed Finance Commission Act to prepare the	Formulating of the Act should be carried out.

the end of the year under review.

proposed Finance Commission Act with the consultation of the Attorney General's Department, Legal Draftsman's Department and the Ministry of Finance. Some of the points in the original draft should be changed as per the 20th Amendment to the Constitution and further actions will be taken in this regard as per the instructions of the new Commission.

3.2 Management Weaknesses

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>-----</p> <p>Even though the Commission had been informed on 30 September of preceding year to hand over a vehicle belonging to the Ministry of Health and Indigenous Medicine to that Ministry, it had not been so done.</p>	<p>-----</p> <p>Due to the limited number of vehicles owned by the Finance Commission, the vehicle bearing PA - 0400 is being used for the pool duties and the requests have been made to extend to transfer the relevant vehicle by the letter sent by this office to the Secretary of the Ministry of Health, Nutrition and Indigenous Medicine on 14 October 2019 until a new vehicle is obtained .</p>	<p>-----</p> <p>Appropriate actions should be taken regarding this vehicle.</p>

4. Human Resources Management

Audit Observation

There were 02 vacancies at the senior level, 15 vacancies at the secondary level and 08 vacancies at the primary level in the Commission for the year under review and the Commission had failed to fill those vacancies.

Comments of the Chief Accounting Officer

The Ministry of Public Service, Provincial Councils and the Ministry of Local Government have been informed about two vacancies at the senior level. Ten new graduate trainees have been attached to these vacancies for 15 vacancies. A written request has been made to the Department of Multi-purpose Development Task Force for the vacancies existing at the primary level.

Recommendation

Actions should be taken to fill the vacancies of essential posts.