

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ministry of Mass Media 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 Ministry of Mass Media was issued to the Accounting Officer on 14 September 2021 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Ministry was issued to the Chief Accounting Officer on 14 September 2021 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. 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, 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 Mass Media as at 31 December 2020 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

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities for the financial statements are further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities 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 provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per 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 the preparation of annual and periodic financial statements.

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 systems and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibilities 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 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 and its materiality depends on the influence on economic decisions taken by users on the basis of these 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:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design 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 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.
- Evaluate the overall presentation, structure and content of the financial statements including 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

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

- (a) The financial statements are consistent with the preceding year,

- (b) The recommendations made by me on the financial statements of the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

The following observation is made.

| Audit Observation ----- | Comments of the Accounting officer ----- | Recommendation ----- |
|--|--|--|
| It was observed that there were 28 vehicles belonged to the Ministry during the year under review and the value of those vehicles had not been included into the statement of non – financial assets. Therefore the value of property, plant and equipment was not accurate. | According to the letter No. MED/A/MM/A,B,C,D/2020/05 dated 06 May 2021 submitted by the National Audit Office, restated financial statements for the year 2020 were resubmitted by the letter No. MMI/7/9/92-2021 dated 19 May 2021. | Actions should be taken to include the value of vehicles belonged to the Ministry into the financial statements. |

2. Financial Review

2.1 Report of expenditure for the year 2020

The following observation is made

| Audit Observation ----- | Comments of the Accounting officer ----- | Recommendation ----- |
|--|---|---|
| According to the Gazette notification published in the Extraordinary Gazette dated 08 August 2020 the Ministry of Mass Media was established under the Head 105. The total of expenditure amounting to Rs. 805 million incurred under 73 expenditure codes of the then President Secretariat Office and 3 Ministries since January 2020 to 31 August 2020 had been taken into accounts as the expenditure of the Ministry. | According to the terms of the sections 10 and 12 of the Appropriation Act No. 6 of 2020 approved by the Parliament on 20 October 2020, expenditure from the month of January 2020 to 31 August 2020 should be absorbed to the expenditure codes under the expenditure heads mentioned in the schedule 1 of the Appropriation Act No. 6 of 2020. Accordingly, as per the instructions of the Treasury, the said task was done in accordance with the National Budget Circular No. 6/2020 dated 30 November 2020. | Expenditure should be reported accurately as per the instructions of the Circulars. |

2.2 Expenditure Management

The following observation is made.

| Audit Observation ----- | Comments of the Accounting officer ----- | Recommendation ----- |
|---|--|--|
| There were savings from 51 per cent to 100 per cent out of the net provision of 07 recurrent expenditure codes amounting to Rs. 1,237,496 and 10 capital expenditure codes amounting to Rs. 115,959,168. It was observed that this situation had been occurred due to non – utilization of provisions of the said expenditure codes properly or due to the weaknesses of preparing estimates. | Provisions of expenditure codes were saved as a result of inability of carrying out tasks as expected due to the COVID 19 outbreak of the country. | Estimates of expenditure should be prepared accurately as per the Financial Regulation 50. |

2.3 Incurring of Liabilities and Commitments

The following observations are made.

| Audit Observation ----- | Comments of the Accounting officer ----- | Recommendation ----- |
|---|--|--|
| (a) Two liabilities and commitments settled during the year 2021 amounting to Rs. 217,669 had not been entered in the financial statements for the year under review. | Although liabilities and commitments which were settled during the year 2021 amounting to Rs. 217,669 were not entered into the financial statements as liabilities and commitments because those liabilities and commitments were not reported, payment was made on the service requirements. | All the liabilities should be disclosed in the annual financial statements as per the Financial Regulations 150. |
| (b) A sum of Rs. 659,610 which had been shown as a liability to the Department of Government Printing under the expenditure code 105 – 01 -03 -1409 in the | A sum of Rs. 659,610 which was shown as a liability to the Department of Government Printing | Books of the Ministry should be maintained properly. |

year 2020 had been paid on 02 February 2021. However it had been shown as the liabilities incurred in the year 2021 without showing it in the ledger of the year 2021 as liabilities incurred in the previous year. was shown as the liabilities incurred in the year 2021 instead of showing as commitments incurred in the previous year by mistake.

2.4 Certification of Accounting Officer

According to the section 38 of the National Audit Act No. 19 of 2018, the Chief accounting officer should certify about the matter mentioned below. However actions had not been taken accordingly.

| Audit Observation ----- | Comments of the Accounting officer ----- | Recommendation ----- |
|--|---|---|
| The Chief Accounting Officer should certify that an effective internal control system was prepared and conducted for the financial control of the Ministry and the effectiveness of the said system should be reviewed from time to time and necessary changes should be done in order to carry out the system effectively. Further those reviews should be done in writing and copies of those documents should be presented to the Auditor General. However statements had not been submitted to audit to confirm that such reviews had been done. | An effective internal control system for the financial control of the Ministry was prepared and maintained and review of the effectiveness of the said system will be done and a copy will be submitted to the Auditor General in future. | Actions should be taken as per the section 38 of the National Audit Act No. 19 of 2018. |

2.5 Non-compliance with laws, Rules and Regulations

Instances of non-compliance with the provisions in laws, rules and regulations observed in the sample audit test checks are analyzed below.

| Reference to Laws, Rules and Regulations ----- | Amount Rs. ----- | Non – Compliance ----- | Comment of the Accounting Officer ----- | Recommendation ----- |
|---|------------------------|----------------------------------|--|-----------------------------------|
| Finance Ministry Circulars No. 3/2015 | 676,235 | Ad hoc imprest should be settled | A limited staff was reported for duty due | Imprests should be settled by the |

dated 14 July 2015
and 1/2020 dated 28
August 2020.

by the staff to the COVID 19 officers who had
officers who pandemic and obtained imprests.
obtain the therefore settlements
advance within of imprests were
10 days after delayed. However
finishing the actions will be taken to
intended avoid such delays in
purpose. future.
However 26
instances were
observed that
advances had
been settled in a
delay of 18 days
to 116 days.

2.6 Issuance and Settlement of Advances

The following observations are made

| Audit Observation | Comments of the Accounting officer | Recommendation |
|---|--|--|
| ----- | ----- | ----- |
| (a) It had been informed by the Chief Accountant to avoid giving of advances to 3 officers who had failed to settle the advances obtained properly. Contrary to this advances of Rs. 258,950 had been issued at 14 instances. | The Chief Accountant had noted in the advance register that advances should not be given until the advances obtained by officers are settled. Nevertheless after the advances were settled by the said officers, advances were issued for the name of the staff officer. | Actions should be taken to issue advances after confirming that the advances issued are settled. |
| (b) Advances of Rs. 335,408 had been issued in 20 instances to 4 officers before settling the previous advance. | Advances have to be issued frequently for urgent matters taken place in the Ministry (Committee meetings, purchasing of goods). Further there were limited staff officers in the Ministry during the year 2020 and advances are issued only for the name of those staff | Actions should be taken to issue advances after confirming that the advances issued are settled. |

officers. Therefore there are some instances of which advances have to be issued before settling the advances obtained.

2.7 Balances of the Advance Accounts

The following observations are made.

| Audit Observation ----- | Comments of the Accounting officer ----- | Recommendation ----- |
|--|--|--|
| There was a receivable balance of Rs. 231,188 from 3 officers who had vacated posts as at 31 December 2020 and an age analysis regarding such amount had not been presented to audit. Any action had not been taken to recover the said outstanding amount even up to 31 March 2021. | A preliminary investigation was done on 29 April 2021 based on the appeal submitted by an officer who was issued the notice of vacated posts on 23 July 2021. Actions will be taken to recover the amount which should be recovered from the said officer in future. | Actions should be taken to recover the outstanding balances without delay. |

3. Operating Review

3.1 Non- performance of Functions

The following observations are made

| Audit Observation ----- | Comments of the Accounting officer ----- | Recommendation ----- |
|---|--|---|
| Progress of performance relating to 3 activities for the expenditure of Rs. 9.235 million which had been included in the action plan prepared for the year 2020 under 2 main divisions of the Ministry had not been reported. | Actions couldn't be taken as planned due to the COVID 19 pandemic spread out throughout the country. | Action should be taken to fulfill the activities properly as planned. |

3.2 Procurement

The following observations are made.

| Audit Observation ----- | Comments of the Accounting officer ----- | Recommendation ----- |
|--|--|---|
| (a) According to the 4.2.1 (e) of the Procurement Guideline, the procurement plan should be updated regularly within a period not more than 6 months. However the procurement plan of the Ministry had not been updated accordingly. | It was noted to update the procurement plan regularly within a period not more than 6 months as per the 4.2.1 (e) of the Procurement Guideline. | Actions should be taken according to the Procurement Guideline. |
| (b) According to the 4.2.2 (a) of the Procurement Guideline, a procurement time table should be prepared describing all the steps systematically from the beginning to the end of the procurement activity. However a detailed procurement plan had not been prepared by the Ministry. | According to the 4.2.2 (a) of the Procurement Guideline, although a procurement time table should be prepared describing all the steps systematically from the beginning to the end of the procurement activity, a detailed procurement plan could not be prepared because the provisions was not made available for procurement activities through the Vote on Account for the year 2020. | Actions should be taken as per the Procurement Guideline. |

3.3 Management Inefficiencies

The following observations are made

| Audit Observation ----- | Comments of the Accounting officer ----- | Recommendation ----- |
|--|--|---|
| The cab no. PD- 9625 belonged to the Department of Government Information had been used by the Ministry and it had met with an | Driving of vehicle by the relevant officer has happened without the knowledge of the Ministry. After the | Actions should be taken as to keep the security of public property. |

accident on 26 December 2016. At the time of the accident the cab had been driven by the coordinating secretary of the then Minister instead of the driver who attached to the vehicle and the Department of Motor Traffic had informed by the letter dated 27 June 2019 that a driving license had not been belonged to him. Further according to the F.R. 104 (1), even though investigations should be commenced to determine the amount and reasons for the damage and to determine the individuals those who are responsible for the damage as soon as the damage or loss taken place, a committee had been established by the Ministry to conduct an investigation after 1 ½ year of the accident. Further it had been taken two years to carry out the preliminary investigation and issue the report thereon.

investigation it was decided that the officer was responsible for and legal actions are being proceeded to recover the loss from him. Further actions were taken for F.R. 104 investigation to be done without delay.

4. Human Resources Management

The following observations are made.

| Audit Observation | Comments of the Accounting officer | Recommendation |
|--|--|---|
| ----- | ----- | ----- |
| The approved cadre in the year 2020 was 158 and the actual cadre was 105. As a result there were 53 vacancies and actions had not been taken to fill these vacancies even up to the date of this report. | Actions were taken to inform the relevant authorities to fill the vacancies of Senior, tertiary and secondary levels. Actions are being taken to fill the vacancies relating to primary level by the Ministry level. | Actions should be taken to fill the vacancies properly. |