

## **Head - 413 - State Ministry of Money and Capital Market and Public Enterprise Reforms**

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### **1. Financial Statements**

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#### **1.1 Unqualified Opinion**

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The audit of the financial statements of the State Ministry of Money and Capital Market and Public Enterprise Reforms 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 including my comments and observations on the financial statements of the State Ministry of Money and Capital Market and Public Enterprise Reforms was issued to the Accounting officer on 24 June 2021 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. As per Section 11 (2) of the Audit Act, the Detailed Annual Management Audit Report related to the Ministry was issued to the Accounting Officer on 16 August 2021. 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, the accompanying financial statements give a true and fair view of the financial position of the State Ministry of Money and Capital Market and Public Enterprise Reforms as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### **1.2 Basis for Unqualified Opinion**

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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 and Accounting Officer for the Financial Statements**

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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 such internal control as 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 State 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.

As per Section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that effective internal control system for the financial control of the State Ministry exists 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 Responsibility for the Audit of the 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 the summary report of the Auditor General 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, misrepresentations, or the override of internal control.
- It is not intended to express an opinion on the effectiveness of the Office's internal control in order to design audit procedures that are appropriate in the circumstances.
- 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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I express the following matters in accordance with Section 6 (1) (d) of the National Audit Act, No. 19 of 2018.

Since there was no requirement for the State Ministry of Money and Capital Market and Public Enterprise Reforms to prepare financial statements for the preceding year, recommendations on the financial statements had not been made.

## 2. Financial Review

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### 2.1 Expenditure Management

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The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) Variation in the range of 99 percent to 433 percent was observed between the initial estimates and revised estimates of 18 Objects of Recurrent and Capital Expenditure during the year under review.	Provision related to the Economic Policy Development Division was included in the Expenditure Head of this Ministry by mistake in accountng the expenditure incurred under the Division by Expenditure Head 104 from January to August 2020 under the Ministry of Finance, Economic and Policy Development. As per the notification made by the Secretary of this Ministry through the letter No. SMMCM/FIN/02/02/01 and dated 17/11/2020 (Annex I), it has been notified to account the expenditure under Object 102 as per the Budget Circular of the Ministry of Finance bearing No. 06/2020 dated 30/11/2020 and it is kindly informed that the provision was saved.	Taking necessary steps to prepare the annual estimates realistically and effectively.
(b) The total provision, amounting to Rs.2,540,000 allocated from the annual budget for 3 Capital Objects and 3 Recurrent Objects was fully saved.	This State Ministry was established in August 2020 and an estimate determined by the Department of National Budget has been given for these 05 months and therefore, I kindly inform you that the provision was saved.	-Do-

- (c) During the year under review, over-provision amounted to Rs. 16,820,000 had been made for 17 Objects and after utilizing the provision, provision amounting to Rs.8,221,133 had been saved. The amount saved was in the range of 28 percent to 84 percent of the net provision made.
- This State Ministry was established in August 2020 and an estimate determined by the Department of National Budget had been given for these 05 months and therefore, I kindly inform you that provision had been saved.
- The need to control the allocation of over-provision through annual estimates.

### 3. Operational review

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#### 3.1 Performance

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##### 3.1.1 Planning

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#### Audit Observation

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The State Ministry of Money and Capital Market and Public Enterprise Reforms was established on 12 August 2020 and action plan and performance report for the year under review had not been prepared as per Public Finance Circular No. 01/2014 dated 17 February 2014.

#### Comments of the Accounting Officer

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This State Ministry was established on 12 August 2020 and I kindly inform you that due to insufficient staff and insufficient time, it was not possible to prepare an action plan and performance report for the year 2020.

#### Recommendation

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Action should be taken in accordance with the Circulars.