

## **Head 24 – National Procurement Commission**

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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 National Procurement 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 statements 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 National Procurement Commission was issued to the Chief Accounting Officer on 30 June 2021 in terms of Section 11 (1) of the National Audit Act, No. 19 of 2018. The Annual Detailed Management Audit Report relating to the Commission was issued to the Chief Accounting Officer on 11 May 2021 in terms of Section 11 (2) of the Audit Act. 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 National Procurement Commission 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**

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My opinion is qualified based on matters described in paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). 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 Responsibility of the Chief Accounting Officer and Accounting Officer for the Financial Statements**

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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 provisions in Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as management determines 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 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 of the Commission.

As per Sub-section 38 (1) (c) of the National Audit Act, the Chief Accounting Officer shall ensure that effective internal control system for the financial control of the Commission

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 audit 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:

- 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 Commission'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 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, significant audit findings, any significant deficiencies in internal control and other matters 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.

- (a) That the financial statements are consistent with the preceding year;

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

## 1.6 Comments on Financial Statements

### 1.6.1 Statement of Financial Performance

The following observations are made.

Audit Observation -----	Comments of the Chief Accounting officer -----	Recommendation -----
(a) Even though the receipt of advances according to the Treasury books as at 31 December 2020 had been Rs.3,487,279, receipt of advances had been indicated as Rs.3,014,879 in the statement of financial performance, thus understating the receipt of advances by Rs. 472,400.	Agreement thereon had been informed.	It is necessary to indicate all receipts of advances in the statement of financial performance.
(b) According to Treasury printouts (SA 52) and Format No.ACA-5, payment of advances as per Treasury books as at 31 December 2020, had been Rs.2,515,056. Nevertheless, the payment of advances had been indicated as Rs.2,267,656 in the statement of financial performance, thus understating the payment of advances by Rs.247,400.	Agreement thereon had been informed.	It is necessary to indicate all payments of advances in the statement of financial performance.

### 1.6.2 Statement of Financial Position

The following observations are made.

Audit Observation -----	Comments of the Chief Accounting officer -----	Recommendation -----
(a) According to Treasury printouts (SA 52) and Format No.ACA-5, the balance of the Advance Account as per Treasury books as at 31 December 2020, had been Rs.2,315,633. Nevertheless, the balance of the Advance Account had been indicated as Rs.2,123,133 in the statement of	Agreement thereon had been informed.	It is necessary to record the balance of the Advance Account in the statement of financial position according to Treasury books.

financial position, thus understating the balance of Advance Account by Rs.192,500.

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| (b) | Even though the imprests balance unsettled as at 31 December 2020 had been Rs. 1,222,837 according to Treasury books, the said balance had not been indicated in the statement of financial position. | Agreement thereon had been informed. | It is necessary to record the imprests balance in the statement of financial position according to Treasury books. |
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### 1.6.3 Cash Flow Statement

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
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(a) According to Departmental Books, receipt of imprests from the Tresaury had been Rs. 74,360,000. However, receipt of imprests had been indicated as Rs.79,655,747 under operating activities of the cash flow statement, thus overstating the receipt of imprests from the Treasury, by Rs. 5,295,747.	Agreement thereon had been informed.	It is necessary to prepare financial statements as per Guidelines.
(b) According to Departmental books, the non-revenue receipts during the year had been Rs.4,207,050. However, it had not been indicated under the cash flow arising from operating activites.	-do-	It is necessary to indicate the non-revenue receipts in the cash flow statement.

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| (c) | According to Departmental books, recovery of advances during the year had ben Rs.2,131,103. However, it had not been indicated under the cash flow arising from investing activities, thus understating the cash inflow by the same amount. | -do- | It is necessary to indicate the gross value of recovery of advances under investing activities of the cash flow statement. |
| (d) | According to Departmental books, payment of advances had ben Rs. 2,267,656. However, it had been indicated as Rs. 1,225,250 in the cash flow statement, thus understating the cash outflow by Rs. 1,042,406.                                | -do- | It is necessary to indicate the gross value of payment of advances in the cash flow statement.                             |

#### 1.6.4 Imprest Adjustment Account

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Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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According to Departmental books and Treasury books, the difference between the receipt and payment of advances, had been Rs.1,108,776. However, it had been adjusted as Rs.883,776 to the Imprest Adjustment Account.	Agreement thereon had been informed.	It is necessary to prepare financial statements as per Guidelines.

## 2. Financial Review

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### 2.1 Expenditure Management

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Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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The total net provision of Rs.200,000 made under the Capital Object for the purchase of furniture and office equipment of the year under review, had been saved without being utilized.	The purchase of furniture and office equipment had to be postponed due to limitation of office activities in the wake of the Covid pandemic and as it was decided to abolish the Commission, procurement activities were ceased.	It is necessary to utilize estimated provision to the maximum.

## 2.2 Issuance and Settlement of Advances

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
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(a) The balance of the Advance Account as at 31 December 2020 according to the Treasury books and Treasury printout (SA 52) and Format No. ACA – 5, had been Rs.2,315,633. However, according to the statement of reconciliation of Departmental books and Treasury printouts [F.R. 427(1)], the balance as at the end of the year, had been Rs.2,540,633, thus observing a difference of Rs.225,000.	Agreement thereon had been informed.	It is necessary to record the balance accurately as per Treasury books.
(b) According to Treasury printout (SA 52), crediting during the year through 8493-0-0-024-0-12-0 (cross entries), had been Rs.2,398,582. However, according to the statement of reconciliation of Departmental books and Treasury printouts [F.R. 427(1)], crediting the Treasury printout during the year through cross entries, had been Rs. 2,173,582, thus observing a difference of Rs.225,000.	-do-	-do-
(c) The balance of the Advance Account as at 31 December 2020 according to the Treasury books and Treasury printout (SA 52) and Format No. ACA – 5, had been Rs.2,315,633. However, according to the summary of classification of individual balances, individual balances totalled Rs.2,540,633, thus observing a difference of Rs.225,000.	-do-	-do-

### 2.3 Incurring of Liabilities and Commitments

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
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(a) Liabilities valued at Rs.48,892 relating to 02 Objects had not been indicated in Note No. (iii) to financial statements.	Agreement thereon had been informed.	All liabilities should be disclosed in the financial statements.
(b) A difference of Rs.59,780 was observed between the values of 02 items indicated as Departmental commitments and liabilities as at 31 December 2020 according to Treasury printout (SA 92) and values indicated in Note (iii) to financial statements.	-do-	-do-