

Head 324 – Department of Management Audit

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Department of Management Audit for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and 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. In terms of 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 Department of Management Audit was issued to the Accounting Officer on 11 June 2021. In terms of Section 11(2) of the Audit Act, the Annual Detailed Management Audit Report of the Department was issued on 11 June 2021 to the Accounting Officer. This report will be presented in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, the financial statements of the Department of Management Audit give a true and fair view of the financial position of the Department 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 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 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

The 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 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 Section 16(1) of the National Audit Act, No. 19 of 2018, the Department 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 Department.

In terms of Sub-section 38(1)(c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control of the Department

exists 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

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 skepticism 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.
- 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 Department'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 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

As required by Section 6 (1) (d) of the National Audit Act, No.19 of 2018, I state the followings:

- (a) The financial statements are consistent with the preceding year.
- (b) Recommendations made by me on the financial statements of the preceding year had been implemented.

2. Operating Review

2.1 Non-achievement of expected Level of Output

According to the Annual Performance Report, instances were observed in which hundred per cent of objectives expected from the functions indicated in the Annual Action Plan, could not be achieved. Details are given below.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) The expected output of the number of training programmes for the Chief Internal Auditor, Internal Auditors and other staff for improving the capacity of the Internal Audit Staff, stood between 50 per cent and 74 per cent. However, the actual output stood below 50 per cent.	In the achievement of objectives indicated in the Annual Performance Report, the expected performance for the year 2020 is also indicated. This actual performance has been achieved within the performance range expected during the year amidst the Covid pandemic which broke out in the year 2020. As such, the maximum level of expected performance could not be achieved due to unexpected reasons.	Maximum effort is required for reaching targeted performance levels.
(b) The expected output of certifying the smooth process of the Audit and Management Committee through internal audit activities and strengthening the public sector accounting had been in the range between 50 per cent and 74 per cent. However, the actual output had been 52 per cent.	Representatives for the Audit and Management Committee were appointed at optimum level relating to 30 Ministries, 45 Departments, 25 District Secretariats, 09 Local Authorities and 10 Special Expenditure Units as planned during the year 2020. Four Audit and Management Committees were released from the requirement of being held due to the difficulty in holding Audit and Management Committees in the second quarter amidst the global Covid pandemic. Instructions were given to	-do-

hold Audit and Management Committees in the third and fourth quarters and it had been informed that representatives of the Department had participated for 241 Audit and Management Committees at the end of the year 2020 even amidst the Covid pandemic.

3. Human Resource Management

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
<p>Five of the total approved cadre representing 09 per cent had been vacant by 31 December 2020.</p>	<p>Five vacancies existed in the Primary Level employees as at 31 December 2020 and out of that, one vacancy was for the post of Office Aid. It had been informed that the said vacancy was filled and that the remaining 04 vacancies were in the Drivers' Service and as there was no requirement of filling those vacancies so far, the relevant parties were briefed on the termination thereof and action is being taken in that connection by now.</p>	<p>If vacancies in the staff in this manner makes an adverse impact on the performance of the Department, it is required to fill the said vacancy or if not to terminate those posts.</p>