

Head - 6 - Public Service Commission

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Public Service Commission for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 Commission was issued to the Chief Accounting Officer on 26 May 2022 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 08 June 2022 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, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements prepared give a true and fair view of the financial position of the Public Service Commission as at 31 December 2021 and its financial performance and cash flow 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 appear in Paragraph 1.6 of this report. 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 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 Public Service 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 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 pertaining to the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Non- compliance with the Provisions of the Financial Statement Circulars

Although the financial statements should have been prepared in accordance with Guideline No. 2021/03 issued by the Department of State Accounts, an instance of deviating from those requirements are as follows.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Revenue collected by the reporting agency on behalf of other Revenue Accounting Officers should not be included in the Financial Performance Statement in accordance with Paragraph 7.2 of Circular No. 2021/03 of State Accounts Guidelines dated 26 November 2021 and that income should be adjusted in the imprest reconciliation statement. Nevertheless, that income of Rs.12,083,607 had been included in the statement of financial performance as other major ledger account receipts by the Commission.	It is kindly informed that the actions will be taken to correct this adjustment in the financial statements.	Actions should be taken in terms of the Circular.

1.6.2 Accounting Deficiencies

(a) Property Plant and Equipment

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Although the value of property plant and equipment to be shown under non-financial assets of the Commission as at 31 December of the year under review and the value of property plant and equipment reserves to be shown under net assets was 854,117,343, the Commission had stated it as Rs.815,117,344 in its financial statement.	Although the transferring and taking over of vehicles were taken place on 31.12.2021, adjustments had not been made to the financial statements 2021 as a result of non-receipt of issue orders and receipt orders.	Issue orders and receipt orders should be obtained and the accurate values should be accounted for as soon as the vehicles are transferred and taken over.

(b) Exceeding of Limits

The following observations are made in respect of the exceeding of limits in Advances to Public Officers' Account.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Although the maximum debit balance limit authorized for Account No.00601 by the Appropriation Act No. 07 of 2020 was Rs. 38,000,000, since the actual maximum debit balance was Rs.41,763,063, the maximum debit balance limit had exceeded by Rs.3,763,063 and the approval of the Parliament had not been received for the amendment of that maximum debit limit.	It has been requested by the Letter No. PSC/ ACC R04/ 01/03/2021 dated 30.11.2021 to revise the maximum debit limit up to Rs. 43,000,000. The Budget Department had informed that the letter was submitted for approval by the letter No.BD/AA/LR / 01/2022 dated 31.12.2021.	Maximum debit limit should not be exceeded. Otherwise, approval for revision of limits should be obtained.

2. Financial Review

2.1 Expenditure Management

Audit Observation

Although the Accounting Officer should specially make sure that the expenditure estimates were prepared as accurately as possible in accordance with the Financial Regulations 50, a 77 percent that was Rs. 385,380 of the provision made for buildings and construction by the Commission under the expenditure object 2104, a 21 per cent that is Rs. 649,768 of the allocation made for the purchase of furniture and office equipment under the expenditure object 2102 and a 50 per cent that was Rs.223,157 of the provision allocated for lease rents and local government taxes under the expenditure object 1404 had saved at the end of the year without being incurred and limiting the release of funds by the Treasury had also caused for these savings

Comments of the Chief Accounting Officer

Because of the Treasury has restricted the release of money under the limitation of corporate capital expenditure as much as possible, it was not possible to carry out construction works under the expenditure object 2104 . Although the procurement activities of furniture and office equipment was completed and the order was placed on 19.11.2021, the provisions of expenditure object 2102 had saved due to failure to deliver the goods on time.

As a result of issuing the Certificate of Conformity relevant to the office building was occurred on 22.02.2022 , a portion of provision under Expenditure Head 1404 had saved.

Recommendation

Actions should be taken in terms of Financial Regulation 50 .

3. Operating Review

3.1 Annual Performance Report

The Annual Performance Report had to be prepared in accordance with Form 14 of Guidelines issued by the Department of Public Finance in terms of Paragraph 10.2 of the Public Finance Circular No. 2/2020 dated 28 August 2020. The following observations are made in this regard.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) Only the number of functions performed by Establishment Division, Discipline Division, Appointments Division and Promotions Division of the Commission during the year under review had been included in the report. The details such as the number of complaints (tasks) received by the Division during the year under review, the number of complaints completed of those complaints (tasks) and the number of remaining had not been included. Accordingly, adequate facts to consider the level of performance of the year under review had not been included in the relevant report.	Answers have not been given.	Adequate facts which are enough to consider the level of performance of the year should be included in the report.

- (b) Even though the number of appeals received by the Appeals Division during the year under review had been quantitatively stated, when submitting the number of appeals called for reports with observations and recommendations and number of completed appeals it had been submitted including the number of appeals from the year under review and previous years. As a result, sufficient information had not been submitted to determine the performance level of the sector in the year under review.
- Although reports are called from the relevant Ministries and Departments regarding the appeals received by the Appeals Division, it is observed that, those records are not received within the same year and if the performance is measured in the year under review for that reason, it is observed that the performance is determined depending on the time taken by other government agencies to provide those reports.
- Adequate facts which are enough to consider the level of performance of the year should be included in the report.
- (c) Only the amount of activities done by the Education Services Committee and the Health Services Committee for the year under review had been mentioned in the report. The information on the activities received by the relevant committees during the year under review and the activities completed by them in the year under review had not been recorded in the report. Further, adequate information had not been submitted to review the progress of the relevant Division due to failure to submit the tasks coming from previous years and the tasks remaining at the end of the year and an age analysis of those activities in the report.
- There were 367 letters only related to the Health Services Commission at the beginning of the year under review. A number of 5264 letters were received during the year under review and actions have been taken on 5477 letters during the year.
- Adequate facts which are enough to consider the level of performance of the year should be included in the report.

3.2 Management Weaknesses

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>(a) Two vehicles owned by the Commission had remained in idle throughout the year and a sum of Rs. 37,315 had been spent on the maintenance of those vehicles during the year under review.</p>	<p>Two vehicles have been sent for repairs.</p>	<p>Assets should be fully utilized.</p>
<p>(b) Although the Key Performance Indicators (KPIs) which were adjusted with the outcomes should be prepared in terms of National Budget Circular No. 02/2017 dated 25 July 2017 the Commission had not identified the Performance Indicators.</p>	<p>As the performance is always based on the size of the work that the relevant Line Ministry will refer to the Committee as per the nature of the duties assigned to this Committee in accordance with the Extraordinary Gazette Notification No. 2004/49 and 01.02.2017, the preparation of key performance indicators cannot be practically done at the beginning of the year.</p>	<p>Performance indicators should be identified in accordance with the Circular.</p>

4. Achieving of Sustainable Development Goals

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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Although the Commission should align Sustainable Development Objectives with National Development Strategies in terms of Budget Circular No. 02/2017 dated 25 July 2017 , it had been stated that the Sustainable Development Goals were not relevant in the Performance Report submitted by the Commission.	It is not practical to apply the achieving of the Sustainable Development Goals directly to this Commission.	The arrangements should be made in accordance with the Circular .

5. Human Resources Development

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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There were 04 vacancies at the senior level, 05 vacancies at the tertiary level and 06 vacancies at the primary level of the Commission as at 31 December 2021 and actions hadnot been taken to fill those vacancies.	Arrangements have been made to conduct an interview for the recruitment of the Legal Officer. Officers have been appointed to cover the two vacancies remained in Grade I of the	Actions should be taken to fill the vacancies

Administrative Service and it has been informed to assign officers for the remaining other vacancies from new recruitments .An Acting Officer has also been appointed to the post of Assistant Director of Information and Communication.

Arrangements have been made to recruit an officer on an acting basis for the post of Technical Officer (Civil) .