

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ministry of Public Services, Provincial Councils and Local Government 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 Ministry 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 relevant to the Ministry was issued to the Chief Accounting Officer on 07 June 2022 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report is presented to 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 Public Services, Provincial Councils and Local Government as at 31 December 2021, 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 responsibility 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 and the 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 Statement of Financial Performance

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
<p>(a) The total amount of building rental income that had been collected by the Department of Wildlife Conservation and the Department of Posts in the year under review was Rs.22,258,705 , the building rent income was understated due to non-crediting of that to Revenue Code of Government Building and Houses.</p> <p>The action had not been taken to compute the income that collected from circuit bungalow and holiday resorts by the Department of Labour and credit that amount to the account.</p>	<p>Public Administration Circular 20/2021 states that the revenue of all sources related to Government Building and House rent should be credited to the Revenue Code of Government Building and Houses (20.02.01.01). It has been informed that Department of Posts, Department of Labor, Department of Wildlife and Forest Conservation will credit the relevant revenue head.</p>	<p>Action should be taken to credit all revenue that should be credited to the Revenue Code of Government Building and Houses.</p>

1.6.2 Statement of Financial Position

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>The closing balance of Financial Position should be Rs.8,300,719,560 as the acquisition of financial assets during the year was Rs.379,872,930 as per the Statement of Financial Performance. However, it was</p>	<p>It has been informed to Department of Public Accounts to rectify this.</p>	<p>Keep accounts update by making corrections.</p>

observed a difference of Rs.18,625,619 as the balance of Non-financial Assets was Rs.8,282,093,941 as per treasury books.

2. Financial Review

2.1 Revenue Management

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(a) Even though the Revenue should be accurately forecast by Revenue Accounting Officer in accordance with Paragraph 05 of the Fiscal Policy Circular No.01/2015 dated on 22 July 2015, there was an increase in Rs.88,512,491 as the revised estimate for the year under review was Rs.1,200,000,000 and the Net Revenue was Rs.1,288,512,491. Although it was stated that increase in bookings of bungalows and holiday resorts due to decrease in the Covid 19 epidemic situation had been caused to this increasing, it had been stated that the reason for amending the initial estimate of Rs.1,500 million as Rs.1,200 million, was the decrease of the expected income due to the Covid 19 epidemic.</p>	<p>Due to the expectation of expecting revenue would decrease due to Covid 19 epidemic, had caused to revision of the basic revenue estimate. But as the Covid-19 pandemic subsided somewhat after mid-2021, the actual revenue was higher than the revised revenue estimate due to the increase in tourist bungalow and resort income.</p>	<p>Estimates should be prepared as per Circular No. 01/2015 dated on 22 July 2015.</p>

- (b) The arrears rent as at 31 December 2020 was Rs.309,146,648. Although the recoveries from the arrears of revenue during the year under review was Rs.78,652,447, a sum of Rs.92,352,532 had been added as arrears during the year. This was an increase of Rs.6,489,129 as compared to the preceding year. Accordingly, the action that had been taken to control the increase in deficit revenue on every year had not been sufficient. Further, action had not been taken regarding the loss to the government due to non-collection of arrears of revenue according to the Treasury Circular Letter No.320 dated on 21 July 1993.
- The relevant Heads of the Institutions and Secretaries to the Line Ministries have been informed to take immediate actions to collect the arrears. It is expected recover the arrears by regular monitoring.
- Immediate actions should be taken to recover the arrears of revenue.
- (c) A sum of Rs.188,666,723 out of this arrears revenue was the balance remained before 31 December 2018 and it was 58 per cent out of the total arrears revenue. It had been uncertain that the recovery of remaining dues as the collections during the year were only Rs.14,602,703 corresponding to this arrears.
- Non-payment of rent as per agreement, non- receipt of rent in circuits, problems during the assessments etc. are caused to not recovering the arrears before 31 December 2018 and the relevant Heads of the Institutions and Secretaries to the Line Ministries have been informed to take immediate actions to recover the arrears revenue.
- Expedite the recovery or settlement of arrears of revenue.
- (d) A sum of Rs.58,781,895 from arrears revenue or 31 per cent was arrears from government bungalows and houses in Lauries Road and the recoveries of arrears of arrears during the year under review was only Rs.2,006,587 which was 3
- It had been informed by letters to Government Ministers who were staying in the government bungalows and Lauries houses to settle the arrears rent promptly and, the recovery of rent had been delayed due to the death of some Member of Parliament,
- Expedite the recovery or settlement of arrears of revenue.

per cent as a percentage. the return of the letters as there
 Out of this outstanding is no one at the personal
 balance a sum of addresses of some of the
 Rs.7,915,908 to be collected Member of Parliament and the
 from 92 Ministers. Out of non- response to the phone.
 this Rs.5,191,050 was Even though the former
 arrears from 72 Ministers ministers informed that the
 from 2012 to 2020. house rents have been
 collected from the ministers
 where some ministers
 previously worked and there
 had been delayed in finding
 the information as the
 Ministers have changed.

- (e) The amount to be charged from 97 people who were given summit flat and Keppetipola House as at 31 December on the year under review was Rs.4,926,903. Out of that, a sum of Rs.1,756,932 from 48 people was a balance remained without charging for between year 2012 to year 2020. Also a balance to be collected from 24 people residing in Jayawadanagama houses as at 31 December of the year under review was Rs.9,043,845 and from this a balance of Rs.8,854,776 remains without charging from 21 people from the year 2012 to year 2020.
- There is arrears of rent due to delay in updating information as the house rents that had been collected from some officers by the relevant Ministry and reports have not been sent to us. It had been informed by letters and over the telephone to officers who resided in the summit flats and Chamari house regarding the arrears of rent to be charged and, efforts are being made to settle the arrears promptly by informing other officers by letters and over telephones.
- Expedite the recovery or settlement of arrears of revenue.

2.2 Management of Expenditure

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) Total provision of 7 capital expenditure objects and 2 recurrent expenditure objects were Rs.85,900,000 and Rs.900,000 respectively, and total Rs.86,800,000 had saved. A sum of Rs.85,150,000 out of the capital allocation was retained without spending within a period of 8 months and it had stated that accumulation of expenses according to the letter of Ministry of Finance No. MF/NB/07/CM/2021/163 dated on 28 August 2021.	Due to the fact that the offices were closed due to the Covid 19 epidemic, the vehicles were not driven much and the maintenance of the vehicles sparingly had caused to saving of provision. The relevant provisions had been saved in these expenditure objects according to the instructions given in the Cabinet decision No.අම/21/1596/304/134 dated on 07.09.2021 and the Ministry of Finance' letter No.MF/NB/07/CM/2021/163 dated 28.08.2021 regarding the control of public expenditure and as there were not foreign travel expenses in 2021.	Estimates should be prepared in accordance with F.R. 50(ii)
(b) The total net provision for 17 capital expenditure objects and 23 recurrent expenditure objects was Rs.1,278,727,000 and the total expenditure related to those expenditure objects at the end of year under review was Rs.620,262,014. Accordingly, saving was Rs.658,464,986 and it was ranging from 16 per cent to 96 per cent.	The provisions has been saved due to the accumulated of provisions according to the Public Expenditure Review and not incurred in operating expenses as unexpected due to the impact of the Covid 19 pandemic situation.	-Do-

2.3 Incurring of Liabilities and Commitments

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) It had been entered into liabilities amounted to Rs.2,220,029 in excess of the savings of 13 expenditure objects in contrary to the provisions of Financial Regulation 94(1)	Necessary actions will be taken to prevent such situations in the future.	Action should be taken in terms of Financial Regulations
(b) A sum of Rs.908,230,776 which was stated in the CIGAS program as liabilities had not been included in the Statement of Liabilities of the Financial Statement and, liabilities amounting to Rs.26,815,177 which stated in the Statement of Commitments and Liabilities in financial Statements had not been shown in the CIGAS program.	Liabilities amounting to Rs.908,230,776.26 which stated in CIGAS program are not relevant to this year and related to previous year liabilities and those are shown due to technical errors and action will be taken to resolve those errors in the future.	Liabilities should be shown correctly in the financial statements.

2.4 Non-compliance with Laws, Rules and Regulations

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

Reference to Laws, Rules and Regulations	Observation -----	Comments of the Chief Accounting Officer	Recommendation -----
(a) Chapter XIX of Establishments Code of the Democratic Socialist Republic of Sri Lanka			
(i) Section 4.1	Even though a single officer has a chance to get a government house, a house had been allotted to an unmarried officer since 15 September 2015 while more than 500 officers applied for housing in the waiting list.	The post of Legal Officer is a Departmental Post in this Ministry. Also, approval had been given to allot the summit house considering the service requirement as this officer was the only officer holding the position of Legal Officer in this Ministry for 10 years.	Provisions in Establishment Code should be followed
(ii) Section 6.1	Although the lease period of all houses is 5 years, a summit house had been given to an officer from 01 January 2004 to until now. After extending the period until 01 January 2010 and 01 January 2011, the house had been used for more than 12 years using the permission which had been given according to the	Although it had been informed repeatedly to hand over this house to this Ministry due to non-implementation of the relevant housing project so far, the handing over has not been done.	The provisions in the Establishments Code should be followed regarding non- return of the house.

request made on 23 August 2010 to stay until the summit house was demolished.

(iii) Section 6.2

A government house can be allotted only to a government officer. However, 2 summit houses had been given to Sri Lanka Administrative Service Association for a monthly rental of Rs.275 and Rs.1000 respectively from the year 1983 and 2001.

The current monthly free market rent of both houses has been called already from the Valuation Department

The action should be taken in terms of the Establishments Code.

(iv) Section 6.13

Although a Grade I officer of the Sri Lanka Accountants' Service had been granted foreign leave from August 2019 to July 2022, this officer had not taken action to hand over this government house.

According to the recommendations of the investigation that conducted regarding H.A.N.S. Kumara, legal procedures have been started and placed under a penalty rent from 03.02.2022 according to Section 7.2 of Chapter XIX of the Establishment Code.

Actions taken should be expedited.

3. Operating Review

3.1 Foreign Aid Projects

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Even though it had been allocated Rs.80,000,000 under 130-1-13-4-2509(13) from the Annual Estimates of year under review to the	The funds of this program was a grant of Government of Canada and no expenditure has been incurred under the expenditure head of the	The money received as grant should be shown in the financial estimates.

National Language Government of Sri Lanka
 Equality Advancement and, there is no allocated
 Project (NLEAP- provisions for this in the
 Canadian) and a sum of 2022 budget estimates.
 Rs.4,500,000 had been
 allocated from the local
 funds under 130-1-13-4-
 2509(17), the total
 amount had been saved
 and reason for the saving
 was stated as the effect of
 the epidemic. However it
 was not correct to state
 that the total amount as
 saving since accounts
 have not been made by
 obtaining information
 about the amount of
 foreign grants received
 under this program during
 the year.

3.2 Assets Management

 The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) Even though the value of motor vehicles had been stated as Rs.525,065,471 as in the financial statements of the year under review, the value of 29 vehicles out of the vehicles owned by the ministry was stated as only Rs.208,061,382 in the Fixed Assets Register.	Actions will be taken to evaluate the 31 vehicles whose value is not stated in the Fixed Assets Register.	Fixed Assets Register should be prepared after identify the value shown in the treasury books.
(b) Even though the value of circuit bungalows had stated as Rs.540,486,774 according to the treasury books, that value had not been included in the fixed	Letters have been forwarded to the valuation Department to provide a valuation report on the value of lands and buildings belonging to the Ministry. It is informed you	Fixed Assets Register should be prepared accordingly after identify the value shown in the treasury books.

assets register. that it will be corrected
 Furthermore the Ministry accordingly. Activities
 had not been able to relating to acquisition of
 acquire the ownership of lands where the circuit
 the lands of bungalows located to this
 Mahiyanganaya, ministry are being carried
 Polonnaruwa, Mihintale, out.
 Mullatuvu, Jaffna,
 Kataragama and
 Monaragala where circuit
 bungalows are located.

3.3 Management Weaknesses

 The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) Even though the value of debt balances of the transferred officers should not be shown in the books after 3 month as per the circular of the National Budget Department No.118 dated on 11 October 2004, the outstanding balance was Rs.775,976 at the 31 December of the year under review. The balance due at the date of audit was Rs.503,678.	Necessary arrangements are being made to recover the outstanding balances.	Advance account balances should be settled as per provisions of circular.
(b) The balance receivable from 10 officers who ceased their services due to various reasons was Rs.1,129,842 at the 31 December of the year under review and, out of that Rs.408,878 had exceeded 5 years.	Necessary actions and legal steps are being taken to collect receivable balances.	Action should be taken according to the Section 4.5 of Chapter XXIV of the Establishment Code.

- (c) The situation regarding the receipt of an electricity bill of Rs.228,976 for the period of not allocated 8A house for anyone from the year 2007 to year 2010 had not been resolved.
- It has been informed to the Chief Electrical Engineer Office to resolve the relevant outstanding electricity bill promptly, and reminder has also been sent on 05.05.2022
- The electricity bill should be resolved.

4. Human Resource Management

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) There were 164 vacancies in permanent staff as 20 at senior level, 8 at tertiary level, 124 at secondary level and 12 at primary level according to the Performance Report as at 31st December of the year under review.	Certain vacancies have been completed already and other posts are being completed in their respective divisions.	Action should be taken to fill the number of vacancies or amend it.
(b) The officers of the Sri Lanka Administrative Service and the Sri Lanka Accountancy Service had been employed at the same place for more than 6 years and the number of those officers was 309 and 173 respectively. Also, according to the annual transfer circular of the Sri Lanka Accountancy Service, 47 officials in the offices of the President, Prime Minister, Ministry of Finance and commissions could not be transferred without the agreement of the heads of the institutions.	34 officers are employed in the Ministry of Finance from the officers who have more than 06 years of service in same work place in the accounting service. There are 08 officers employed in the offices of the President and Prime Minister. There are 02 officers employed in the commissions. It cannot be done without the approval of the Secretary of Finance Ministry according to the letter of the Public Service Commission Secretary No.PSC/EST/05-04/01/2019 and dated 09.04.2021	Actions should be taken to transfer officers who have been working in the same place for a long time.