

Head 245 – Department of Public Finance

1. Financial Statements

1.1 Opinion

Head 245 - The audit of the financial statements of the Department of Public Finance for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 Department of Public Finance was issued to the Accounting Officer on 24 May 2023 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report pertaining to the Department was issued to the Accounting Officer on 30 June 2023 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, the financial statements prepared give a true and fair view of the financial position of the Department of Public Finance as at 31 December 2022 and its financial performance and cash flow 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 evidences I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of the 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 Accounting Officer.

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.

The Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Department 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 exercised 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 its internal control.
- Evaluate that the underlying transactions and events are appropriately and fairly included in the financial statements for the structure and content of the financial statements that include disclosures.
- 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.

The 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 of the preceding year had been implemented.

2. Financial Review

2.1 Expenditure Management

(a) Preparation of Estimates

Audit Observation	Comments of the Accounting Officer	Recommendation
(i) Due to estimated allocation of 03 expenditure objects were not sufficient, the an amount of provisions ranging from 4 per cent to 492 per cent totalled to 2,351,000 had been increased .	It had to transfer additional provisions exceeding the estimated provision limit under F.R. 66 due to the reasons beyond the control of the Department.	Preparation of estimates should be done accurately and realistically in terms of Financial Regulation 50 .
(ii) Due to the non-utilization of the initial estimated allocation of 03 expenditure objects, the provisions ranging from 26 per cent to 61 per cent totalled to Rs. 1,147,000 had been decreased .	The provisions saved have been transferred under F.R. 66 on the approval of the National Budget Department to cover unexpected expenses incurred beyond departmental control .	Preparation of estimates should be done accurately and realistically in terms of Financial Regulation 50 .

3. Operating Review

3.1 Performance

3.1.1 Performing of Tasks

The following observations are made.

Audit Obsevation	Comments of the Accounting Officer	Recommendation
<p>(a) Even though it had been recommended to close 13 funds as per Public Finance Circular No. 02/2018 dated 18 August 2018, and also those funds were closed after receiving an amount of Rs. 1,769,698,149 held in 10 Funds to the Treasury, it was observed that the activities were not completed even by the end of the year under review in respect of other 3 Funds.</p>	<p>Although the letters have been submitted in time to time with demand for the re-establishment of the National Botanic Gardens Fund as an independent body, according to a Decision of Cabinet of Ministers entered into, it has been informed that, notice to act as per the circulars issued, to make suitable recommendations for the continuation of the Vehicle Emission Test Trust Fund, and to make arrangements for the closure of the Plantation Self-Employment Revolving Fund.</p>	<p>Formal plans related to the performance of major functions of the Department should be prepared and implemented.</p>
<p>(b) It was observed that the drafting and adoption of the Public Finance Management Act which was commenced on a budget proposal 2015 had not been completed even by 31 December 2022 .</p>	<p>Many necessary amendments have been incorporated in the already drafted Public Finance Management Bill as per the observations/ suggestions given by the Treasury Department and the Secretary of the Treasury has arranged to appoint a Supervisory Committee and a Technical Committee to make the necessary amendments by taking necessary policy decisions for this purpose by paying attention to the matters to be</p>	<p>Actions should be taken to achieve the desired objectives of the budget proposals.</p>

discussed further. Necessary actions are being made to conduct monitoring committee meetings and technical committee meetings and send a draft to the legal draftsman even by now.

4. Human Resources Management

Audit Obsevation	Comments of the Accounting Officer	Recommendation
There were 80 approved positions in the Department and out of these, 14 posts were vacant. A number of 07 senior level posts, 01 tertiary level posts, 04 secondary level posts and 02 primary level posts therein.	Necessary actions will be taken to maintain optimal staff through a proper staff reform after a specific staff review in consultation with the Ministry of Finance, Economic Stabilization and National Policy and Department of Management Services.	Steps should be taken to fill up the vacancies in a formal manner or if there is no such effect, to revise the approved number of employees.