

## **Head 329 – Department of Information Technology Management**

### **1. Financial Statements**

#### **1.1 Opinion**

Head 329 - The audit of the financial statements of the Department of Information Technology Management 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 Information Technology Management was issued to the Accounting Officer on 16 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 Information Technology Management 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

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
Out of the initial estimated allocation for expenditure item No. 329-1-1-2103 amounted to Rs. 1,800,000, a sum of Rs.1,200,000 or 67 per cent of the allocation had been reduced and that amount had been transferred through Financial Regulation in the year under review to the expenditure object No. 329-1-1-2106 - software development expenditure where the initial estimate provision was not made.	<p>Due to suspension of capital purchases by National Budget Circular 03/2022 dated 26.04.2022 regarding control of public expenditure, the allocations saved from the provisions made under the expenditure object 329-1-1-2103 amounting to Rs. 1,200,000 has been transferred for the expenditure object No. 329-1-1-2106 for software development on the necessity.</p> <p>Likewise, since there was no need for provision at the time of preparation of the budget estimates for the year 2022 under the expenditure object No. 329-1-1-2016 software development, actions were taken to make available the provisions required for that from the expenditure object 329-1-1-2103 under F.R. 66 .</p>	Preparation of estimates should be done accurately and realistically in terms of Financial Regulation 50 .

**2.2 Entered into Liabilities and Commitments**

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
The liabilities totalling to Rs.375,107 stated as liabilities pertaining to 02 expenditure objects of the Department as at 31 December as per Treasury Paper No. SA 92 had not been in the Annexure iii of statement of liabilities of the financial statements.	Instructions were given to the relevant officials to ensure that this error will not happen in the future.	Actions should be taken to show the liabilities relating to the year under review in the statement of liabilities in the financial statements.

**2.3 Non- compliance with Laws, Rules and Regulations**

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
<b>Reference to the Laws, Rules, Regulations etc.</b>	<b>Non-compliance</b>	
Financial Regulation 880	It was observed that the officers who were supposed to deposit the securities in the Department had not deposited the securities.	Arrangements will be made to take relevant steps after verifying the legal regulations required to obtain the security deposits of officers.
		Actions should be taken in terms of Financial Regulations.

### 3. Operating Review

#### 3.1 Performance

##### 3.1.1 Failure to Perform Tasks

The following observations are made.

#### **Audit Observation**

#### **Comments of the Recommendation Accounting Officer**

The Department of Information Technology Management had been established under the Ministry of Finance as per a decision taken by the Cabinet of Ministers in the year 2012. Automating all Departments of the Treasury/Ministry of Finance was identified as a major responsibility of the Department and design, development and maintenance of IT systems in the Treasury and Ministry of Finance had been assigned to the Department. Accordingly, the following observations were made on developing information technology systems for Departments under Treasury/ Ministry of Finance by Department during the year under review.

(a) The new e-pay system had been introduced, with a view of expanding the salary payment system of the Treasury Departments for efficient and effective payment of salaries to government employees and it was observed that the system had not at functioning condition in the Departments even by 30 April 2023 .

E Pay system has been prepared in a manner of live running condition and the responsibilities for live running of this system are carried out by the Department of State Accounts.

Actions should be taken to put the system into live running status.

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| <p>(b) Even though it had been informed to the audit that a new development of the online forwarding system for duty-free vehicle import applications for government officers and carrying out the overall inspection of the system and finally the system is expected to be run in several Departments within the Ministry of Finance in the initial phase, it had not been at a formal operational condition even as at 30 April 2023.</p> | <p>Develop and update new requirements identified during the implementation of the system is being carried out by the officers of our Department furthermore.</p>                                 | <p>Actions should also be taken to develop other modules belonging to the system also and run the system.</p> |
| <p>(c) Even though the system development process established for the development of the information system of the Transport Unit of the Ministry of Finance is in functional level, the system had not in use even as at 30 April 2023.</p>   | <p>As we have completed all the works to be done by our Department for the information system developed for the transport unit, the future works should be carried out by the transport unit.</p> | <p>Actions should be taken to make use of the system.</p>   |

#### 4. Human Resources Management

The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
<p>(a) There were 57 approved posts in the Department and 10 posts out of that were vacant. Among those vacancies, there were 03 senior level posts, 01 tertiary level post, 05 secondary level posts and 01 primary level post.</p>	<p>Comments have not been given.</p>	<p>Steps should be taken to fill up vacancies properly or amend the approved cadre.</p>
<p>(b) Even though it is recognized as a major objective of the Department to coordinate information and communication technology</p>	<p>Information and Communication Technology Officer and Information and</p>	<p>Actions should be taken to recruit relevant qualified</p>

activities to achieve the concept of e-Governance and also the lack of technical staff with skills and abilities required for the implementation of e-services has been identified as a challenge in the Department since 2020, it was not observed in audit that the evidences that the challenge was overcome by the end of the year under review.

Communication Technology Assistant Officer vacancies have been notified to the Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government. officers.