

Head 011 - Finance Commission

1. Financial Statements

1.1 Qualified Opinion

Head 011 - The audit of the financial statements of the Finance Commission 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 Finance Commission was issued to the Chief Accounting Officer on 11 May 2023 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 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, 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 Finance Commission 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 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 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 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, obtained an understanding of internal control in order to plan appropriate audit procedures occasionally.
- Evaluate the appropriateness of the accounting policies followed, fairness of accounting estimates and related disclosures made by Management.
- Evaluate 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 furnished for the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

(a) Property, Plant and Equipment

The following deficiencies were revealed in accounting for property, plant and equipment.

Audit Observation	Comments of the Chief Accounting Officer-	Recommendation
Although the value of the property, plant and equipment as at 31 December of the year under review as per the Treasury printouts was Rs.800,142,912, as that value was shown as Rs.800,202,910 in the statement of financial position, the balance of non-financial assets as at the end of the year under review had been overstated by Rs.60,000.	The difference of Rs. 60,000 is related to the disposal of assets and although this was accurately accounted for, assets had been overstated by Rs.60,000 due to an error in the CIGAS application. Actions will be taken to focus on this in preparation of accounts in future.	The financial statements should be prepared based on final Treasury printouts.

(b) Balance of the Imprest Reconciliation Statement

The following observations made.

Audit Observation	Comments of the Chief Accounting Officer-	Recommendation
(i) Even though the Commission had collected a sum of Rs. 2,785,832 on behalf of other Revenue Heads, it had been stated as a revenue collected on behalf of the Commission by other entities in the Imprest Reconciliation Statement.	The sum of Rs.2,785,832 which was recorded by a mistake as revenue collected on behalf of the reporting entity by other entities, it should be corrected as revenue collected on behalf of other entities.	The Imprest Reconciliation Statement should be accurately prepared.
(ii) Although a sum of Rs.2,100,265 spent by the Commission for other Expenditure Heads and a sum of Rs.446,560 credited to the advances to public officers' "B" account by other Expenditure Heads had to be mentioned as additions to the Imprest Reconciliation Statement, it had been deducted and shown in the Imprest Reconciliation Statement.	It has been stated as this by a mistake.	The Imprest Reconciliation Statement should be accurately prepared.
(iii) A sum of Rs. 65,460 which had been spent on behalf of the Commission by other entities to be shown as deductions and a sum of Rs. 359,944 which had been debited to the advances to public officers' "B" account by other entities had been added and shown in the Imprest Reconciliation Statement.	It has been stated as this by a mistake.	The Imprest Reconciliation Statement should be accurately prepared.

<p>(iv) Although the balance of the Imprest Reconciliation Statement as at 31 December 2022 was a negative value of Rs.664,410 as per the above observations, it was indicated as a plus balance of Rs. 664,410. Therefore, the balance of the Imprest Reconciliation Statement was not equal to the negative balance of Rs.664,410 in the statement of financial performance.</p>	<p>The balance in the Imprest Reconciliation Statement as at 31 December 2022 should be corrected as a negative value of Rs.664,410.</p>	<p>The Imprest Reconciliation Statement should be accurately prepared.</p>
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------

2. Operating Review

2.1 Failure to Perform Tasks

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>The formulation of the Commission Act, which had been commenced in 2018, had not been completed even by the end of the year 2022.</p>	<p>Since the future works on this can be done after the amendment of new constitution which will happen in future, the instructions have been received from the Chairman of the Commission to proceed according to the provisions given in the Constitutional Law.</p>	<p>The formulation of the Act should be carried out.</p>

2.2 Management Weaknesses

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(i) The loan balance of Rs.183,440 to be collected from an officer who had left the service in December 2021 was not recovered even by the date of audit on 13 March 2023.	Necessary arrangements are being made through the Attorney General's Department regarding the recovery of the loan from this officer.	The outstanding loan balances should be recovered promptly.
(ii) Although if an officer is transferred to a Provincial Council, the loan amount should be recovered from the respective Provincial Council at once in terms of Paragraph 3.2 of Budget Circular No. 118 dated 11 October 2004, the loan balance which should be recovered from one officer who had transferred to the Central Provincial Council amounted to Rs.207,432 had not been recovered even by 13 March 2023 .	The Central Provincial Council was frequently informed about this and they have informed that as soon as the money is given from the Treasury for the Advance B Account, the money will be given for the relevant loan balance.	The outstanding loan balances should be recovered promptly.

3. Human Resources Management

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
There were 02 senior level vacancies, 02 tertiary level vacancies, 05 secondary level vacancies and 03 primary level vacancies in the Commission in the year under review.	Requests have been made from the Ministry of Public Administration to fill up the senior and tertiary level vacancies and the Ministry of Public Administration has been informed about the secondary level vacancies. A request has been made from the Prime Minister's Office for assigning from the Multi-purpose Development Task Force for the primary level vacancies.	If there are vacancies which adversely affect the performance, actions should be taken to fill them.