

Head 186 – Ministry of Technology

1. Financial Statements

1.1 Qualified Opinion

Head 186 - The audit of the financial statements of the Ministry of Technology 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 Ministry of Technology was issued to the Chief Accounting Officer on 31 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 Ministry was issued to the Chief Accounting Officer on 09 October 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 Ministry 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

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 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 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 annual and periodic financial statements to be prepared.

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 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 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 furthermore;

- 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 previous year,
- (b) The recommendations which I had made with regard to the financial statements of the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

(a) Property, Plant and Equipment

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(i) A sum of Rs. 700,000,000 spent in preceding years for the construction of the buildings of the Sri Lanka Nano Technology (Pvt.) Company (SLINTEC) which is an institution under the Ministry had been shown as assets within the value of property, plant and equipment totalled to Rs.713,569,740 in the statement of financial position of the Ministry.	It has been made aware to dispose the amount of Rs.700,000,000 from the computerized accounting system of the Ministry of Technology and, to inform the consent to take over through the computerized accounting system of the Ministry of Education and, we have been informed that there are no necessary access to account for the assets in the New Cigas Web Interface of the Ministry of Education and actions will be taken as soon as the relevant access is formulated by the Department of State Accounts, the value will be brought to accounts and arrangements will be made to inform us.	Arrangements should be made to show the assets only owned by the Ministry in the financial statements.

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| <p>(ii) The value of twenty (20) laptop computers purchased for Rs.5,190,000 in the year under review had not been included under property plant and equipment in the statement of financial position.</p> | <p>Arrangements have been made to enter that value in the CIGAS programme as an asset of the Ministry in March 2023 .</p> | <p>The assets purchased should be brought to accounts as assets in the relevant period itself.</p> |
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(b) Advance Account Balances

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>A sum of Rs. 4,206,720 had been paid as per to the lease agreement entered into for the establishment of the Ministry on the eleventh floor of One Golf face Tower. It had not been stated under the main ledger accounts 9188 - Rent and Work Advance Account and 9189 - Rent and Work Advance Reserve Account for each advance with the view of disclosure of advance payment of government office building rent in the Government Account according to State Accounts Circular No. 250/2016 (i) dated 03 August 2016 .</p>	<p>As you have pointed out necessary arrangements are being made to take necessary actions on the date of withdrawal of this deposit amount and measures required to be accounted for under rent, works and advance reserve account to be able to account for properly as per State Accounts Circular 250/2016 (I) .</p>	<p>Advances paid for rent should be duly recorded in the rent and work account</p>

2. Financial Review

2.1 Management of Expenditure

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>Due to deficiencies in expenditure management, provisions made for seven expenditure objects totalling to Rs.2,150,000 had been entirely saved and a sum of Rs. 950,000 out of the provision made for two other expenditure objects totalled to</p>	<p>As the Ministry of Technology functions under the Honourable President, there was no Ministerial Office or State Ministerial Staff up to September 2022. The State Minister for</p>	<p>Expenses should be properly managed by preparing accurate estimates and reserve only as much as is required.</p>

Rs.1,400,000 the provision of Rs.450,000 had been saved after transferring to other expenditure objects.

Technology was appointed from 08.09.2022 and as the relevant programmes were implemented in the latter half of the year, saving of provisions have occurred. The matters above have caused for this in general and due to the facts that control of expenditures by incurring only essential expenses under National Budget Circular No. 03/2022, lack of allocating any vehicle for the Ministry during the year, also absence of repair requirements because of functioning the Ministry in One Galleface Building, the savings have occurred in each of the Expenditure Heads.

2.2 Incurring of Liabilities and Commitments

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>Even though the commitments and liabilities valued at Rs.183,248 had not been identified and entered in the financial statements of the year 2022, payments had been made on these commitments and liabilities in the first quarter of 2023 .</p>	<p>It has been noted to maintain a register for liabilities arising in the year 2023 and take necessary steps to enter them in the final financial statements.</p>	<p>Commitments and liabilities should be properly entered in the financial statements.</p>

3. Operational Review

3.1 Abandonment of the Project.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>The Project which was commenced in the year 2016 at an estimated cost of Rs. 40 million of Sri Lanka Information and Communication Technology Agency had been suspended whilst its operation due to the revealing that there were deviations after completing about 75 per cent of the activities of the ICT Solution for Gov Analyst Dept-GAD Project at a cumulative cost of Rs.26.52 million, the items of the system thus created and the needs of the institution.</p>	<p>The approval of the Government Analyst's was obtained for the ICT Solution for Government Analyst Dept (GAD) Project commenced in 2017 for the Government Analyst Department. Accordingly, differences between the needs of the Department and the facilities provided by the developed software system were identified and actions are being taken in respect of the variances identified during the variance study conducted. Accordingly, it was decided at the meeting held on 27 March 2023 to install and implement the software system developed so far to supervise this software development activity.</p>	<p>Those projects should be implemented properly after carrying out a feasibility study and selecting projects.</p>

3.2 Assets Management

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(a) A 05 year lease agreement had been entered into with a private company from June 2021 on the basis of paying Rs. 1,878,000 for 7,512 square feet per month to function the Ministry of Technology. As 2,217 square feet out of that is underutilized, it had been returned to the relevant institution in July 2022. It was observed that the amount of Rs. 6,651,000 paid to the period was a futile expenditure.</p>	<p>After the establishment of the minimum staff for the Ministry, the Ministry has performed its duties without a proper facility in one room of ICTA without sufficient space. As the ICTA should be shifted to another building by 30 June 2021, the Ministry had to be taken to One Galleface before that date. It seemed that the functions of the Ministry of Technology will not be implemented in</p>	<p>The buildings should be selected to the Ministry as a minimum cost to suit the country's economy .</p>

future, activities of Techno Park Development Company Limited commenced under the Ministry and carrying out the preliminary works of establishment, problems has arisen on proceeding as planned. As a result of the submission of audit queries by the National Audit Office regarding the taking of the One Galleface Building on rent, attention was also paid on organizing the works as much as possible. It is further informed that, this decision has been taken considering the necessity to manage the office space maximum considering the cost to be incurred for that.

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| <p>(b) Even though the Ministry of Industry and Commerce at that time had spent Rs. 189,909,295 on construction works and equipment purchases to establish the Centre of Excellence in Robotic Applications with the aim of achieving 09 objectives, those 09 objectives had not been achieved.</p> | <p>This Center has been carried out in several Ministries from 2014 to date. As you have shown, since a wider investigation should be conducted to find out the reasons for failure of fulfilling the purpose of it, it was noted to report to you by taking steps to make arrangements to obtain a report on it.</p> | <p>Actions should be taken to achieve the objectives of the respective projects using the existing resources efficiently.</p> |
| <p>(c) Two auditoriums of about 3000 square feet were established for the Robotics Center by installing 10 air conditioners laying carpets, and setting floor plans. The Robot Arm machines installed for this in the year 2018 at a cost of Rs. 40 million had remained in idle due to non-implementation the Project.</p> | <p>It is noted to take measures so as to be properly used the Robot Arm machine equipment in future and to take necessary actions.</p> | <p>Actions should be taken to achieve the objectives of the respective projects using the existing resources efficiently.</p> |

3.3 Management Weaknesses

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>The amount of Rs. 16,755,636,726 shown as taxes on local goods and services under the Revenue in the statement of financial performance of the year under review was the value collected by the Telecommunications Regulatory Commission and remitted to the Treasury and included in the CIGAS Programme by the Treasury and besides the record with value entered in the CIGAS Programme by the Treasury, the Ministry did not have the required information to verify the accuracy of that income and a proper system had not been created between the Ministry and that institution for obtaining and regulating the said details from the respective institution.</p>	<p>Actions have been taken to give instructions to take actions to regulate the necessary regulation obtaining reports monthly, quarterly and annually for this income in future. It is noted to bring a required detailed report and to carrying out the necessary examinations for Rs.16,755,636,726 as mentioned by you.</p>	<p>Steps should be taken to obtain details of income stated in the financial statement and to regulate these activities properly.</p>