Head- 245 - Department of Public Finance - 2024

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 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance and cash flow statements 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 including my comments and observations on the financial statements of the Department of Public Finance was issued to the Accounting Officer on 30 May 2025 in terms of Section 11 (1) of the National Audit Act, No. 19 of 2018. The Annual Detailed Management Audit Report relating to the Department of Public Finance was issued to the Accounting Officer on 07 August 2025 in terms of Section 11 (2) of the Audit Act. This report will be tabled in Parliament in pursuance of Section 10 of the National Audit Act, No. 19 of 2018 to be read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, the financial statements give a true and fair view of the financial position of the Department of Public Finance as at 31 December 2024, and its financial performance and cash flows and on all the materialities in accordance with the basis of preparation of the financial statements set out in Note 1 to the financial statements.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). 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 Emphasis of Matter – Basis for preparing Financial Statements

The attention is drawn to the Note 1 related to the Financial Statements which describes the basis of preparing these financial statements. The financial statements have been prepared as per the Financial Regulation 150, 151 and the State Accounts Guideline No. 06/2024 dated 16 December 2024 amended on 21 February 2025 for the requirement of the Department of Public Finance, General Treasury and the Parliament. Consequently, these financial statements may not be suitable for other objectives. My report is only for the use of the Department of Public Finance, General Treasury and the Parliament of Sri Lanka. My opinion on this matter is not modified.

1.4 Responsibilities of the Accounting Officer for the Financial Statements

The Accounting Officer is responsible for the preparation of financial statements that give a true and fair view on all the materialities in accordance with the Financial Regulation 150, 151 and the State Accounts Guideline No. 06/2024 dated 16 December 2024 amended on 21 February 2025 and for such internal control as Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-section 16(1) of the National Audit Act No. 19 of 2018, the Department of public Finance 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 of the Department.

As per Sub-section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that effective internal control system for the financial control of the Department of Public Finance exists, 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.

1.5 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 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:

- 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 the 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 Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

I express the following matters in accordance with 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.

3. Financial Review

3.1 Expenditure Management

	Audit Issue	Comments of the Accounting Officer	Recommendation
(a)	The additional provisions amounting to a total of Rs. 2,950,000 equivalent to 14 percent of the original estimated provision had been made through the supplementary estimates for recurrent object number 245-1-1-0-1003 in the year under review.	As the provision provided from the initial estimate were not sufficient due to reasons beyond the control of the department, additional provisions had to be obtained.	The estimates should be prepared accurately and realistically in accordance with Financial Regulation 50.
(b)	The reductions of a total of Rs. 6,382,000 from the provision of 04 recurrent objects in a range from 10 to 28 percent, and increase of a total of Rs. 6,382,000 from the provision of 05 recurrent objects in the range from 1 to 300 percent had been transferred by the Financial Regulation 66/69 during the year under review.	Due to reasons beyond the control of the department, the additional provisions exceeding the estimated provision limit were transferred under F.R. 66, and the approval from the Department of National Budget was duly obtained.	- DO -
(c)	Out of the total allocation of Rs. 424,867,890 that had been made for 10 recurrent and capital objects to carry out the planned activities, a total of Rs. 347,172,746 had been saved, and the balance of those objects was in a range from 34 percent to 100 percent of the net provisions.	Although estimated provisions had been made for these objects, the provisions have remained due to incurring only the essential expenses under a firm control, non-accomplishment of the	The actions should be taken to utilize the funds in the most efficient manner.

	development of the procurement system within the stipulated timeframe, non-execution of the inspections and training programs expected to be carried out by third parties connected thereto.	

3.2 Entering into Liabilities and Commitments

Audit Issue	Comments of the Accounting Officer	Recommendation
Although the Annexure IV; the Statement of Liabilities Form I, which should be included in the financial statements, should be included in the financial statements and the liabilities made as per the F.R 94 (2) and (3) relating to the accounting year should be stated in accordance with the Public Accounts Guidelines No. 06/2024 dated 16 December 2024, the proceedings had not been done accordingly.	The answers have not been given related to the audit observation.	The actions should be taken in accordance with Public Accounts Guidelines Circular No. 06/2024 dated 16 December 2024.

4. Operational Review

4.1 Non-fulfillment of duties

	Audit Issue	Comments of the Accounting Officer	Recommendation
(a)	Although the recommendation had been given to close 13 non-statutory funds in accordance with the provisions of the Public Finance Circular No. 02/2018 dated 18 August 2018, and the Public Finance Management Act No. 44 of 2024, the activities of 11 out of those had been completed and closed. However, 2 more funds had not been completed by the end of the year under review.	The notifications have been made to proceed regarding the closure of the Botanical Gardens Trust Fund. It has been decided to close the Vehicle Emissions Trust Fund, credit its balance to the Consolidated Fund and provide the necessary provisions directly to the relevant institutions through the national budget.	Completion of the proceedings related to the remaining fund in accordance with relevant Acts and Circulars.
(b)	Although the initial agreement to develop the e-GP system had been entered on 25 November 2019, as of 31 March 2025, the system had	The system is being prepared at present to enable other types of procurement, apart from the shopping method, to be carried	The formal plans should be prepared and implemented in order to complete

	been developed only for calling bids under the shopping method, and the activities of registering the number of institutions; for which the procurement activities are expected to be carried out through the e-GP system, into this system had not been completed.	out through the e-GP system. It is expected that about 2,000 institutions; that are required to use the government procurement guidelines, are available, and out of those institutions, about 730 institutions have registered in the e-GP system to date. Around 358 national level institutions out of those institutions are actively carrying out procurement activities through this system.	the contracted tasks of the department within the scheduled period.
(c)	The institutions that used the e-GP system for the procurement activities under the shopping method had not used this system for all procurements carried out under the said system. However, it was not revealed in the audit that the Department had taken formal measures to make the use of the e-GP system compulsory or to promote its use.	As per the results framework agreed upon with the World Bank, the recommendations have been given to identify and implement institutions as categories, and making the use of this system compulsory is not suitable until all the institutions are provided with training programs and relevant knowledge.	The institutions using the e-GP system should take formal actions to promote its use.
(d)	Although it had been planned to set up the system so that the procurement of goods can be carried out under national and international bidding by 31 March 2025, the said activities had not been completed by 31 March 2025.	As the system developer did not deliver the relevant developments up to the expected quality level within the agreed period, and the independent third-party organization that ensures the quality of the system rejected the system, the preparation of the system as planned was delayed.	The formal plans should be prepared and implemented to accomplish the functions of the department within the scheduled period.
(e)	Although the contract had been entered into with Theekshana Company on 25 November 2019 for Rs. 71,500,000 in terms of preparing the e-procurement system, the contractor had not shown sufficient performance even by 31 December 2021. Despite this circumstance, an addendum to the original contract had been signed with the aforesaid contractor company on 22 March 2023 in order to develop the system within a	According to the initial version of the e-GP system in 2021, more than 700 e-procurements had been carried out through the system under the shopping method, and about 210 procurement institutions and 1,600 suppliers had been registered. A new version was created by identifying the issues and requirements related to the technical and procurement process that had not been identified in the initial versions of the system. Accordingly, an addendum to the	- DO -

period of 20 months at a contract value of Rs. 152,870,000, including a sum of Rs. 81,370,000 to create a new version of this system. Even if a period of 27 months had passed since the date of the contract, due to the failure of the management of the department to get the expected task fulfilled by the system developer under the new contract, the process of adapting public procurement; which is a considerable sector of the Sri Lankan economy, to a high-performance electronic procurement system has been delayed for almost 06 years, and the task expected with money spent from government funds and project assistance funds since the year 2019 had not been accomplished. Further, as per the comments of the management dated 09.05.2025, it was observed that the ability of developing this system with required quality within the required timeframe was uncertain.	basic agreement was prepared and signed at a new price for this new scope. The delay in the system development was resulted from the system developer's weaknesses in the developments released in October 2024 and the lack of proper project management. Although the system developer agreed to accomplish the system development by 31.03.2025 enabling to execute the procurement of goods under national and international bidding, the system developer could not deliver the relevant developments within the agreed timeframe up to the required quality level. Consequently, it has been recommended to cancel the contract without further extension beyond 31.10.2025 and to select a suitable partner to carry out the remaining developments using the competitive bidding method.

4.2 **Procurements**

Audit Issue	**Comments of the Accounting Officer**	**Recommendation**
As per the Public Finance Circular No. 05/2018 dated 23 October 2018 and No. 08/2019 dated 17 December 2019 on the introduction of the e- Government Procurement system to the government institutions, it had been stated that the activities such as the registration of government procurement entities, registration of coordination officers, registration of suppliers, submission of annual procurement plan, publication of procurement notices, using the electronic procurement system for shopping method should be carried out by the government institutions. However, procurement items totaling Rs. 446,577 at 04 occasions out	Only the procurement items totaling Rs. 446,577 on 04 occasions in the year 2024 had been procured through shopping method without using the electronic procurement system.	The proceedings should be done in accordance with Public Finance Circular No. 05/2018 dated 23 October 2018 and No. 08/2019 dated 17 December 2019.

of the 19 procurements carried out in the year 2024 had been procured through shopping method without using the electronic procurement system.		

5. **Human Resource Management**

Audit Issue	**Comments of the Accounting Officer**	**Recommendation**
90 approved posts were in the Department, and 34 posts; that is 38 percent of the total posts, remained vacant. Out of those, there were 11 senior level posts, 01 tertiary level post, 16 secondary level posts and 06 primary level posts.	The observations presented in this regard are correct.	The proceedings should be made formally and the steps should be taken to fill those vacancies or to revise the approved number of employees as appropriate.