

Head 238 – Department of Fiscal Policy - 2024

1. Financial Statements

1.1 Opinion

Head 238- The audit of the financial statements of the Department of Fiscal Policy 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 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 summery report containing my comments and observations on the financial statements of Department of Fiscal Policy was issued to the Accounting Officer on 31 May 2025 in terms of Section 11(1) of the National Audit Act, No 19 of 2018. The Annual Detailed Management Audit Report relevant to the Office was issued to the Accounting Officer on 22 July 2025 in terms of Section 11(2) of the Audit Act. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, the financial statements of the Department of Fiscal Policy for the year ended 31 December 2024 give a true and fair view on the financial position and its financial performance and cash flows and all the materialities in compliance with the basis of preparation of the financial statements set out in Note 01 related to the financial statements.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility, 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 of Preparation of Financial Statements

The attention is drawn to Note 1 to the financial statements which describes the basis of preparation of these financial statements. The financial statements have been prepared for the use of the Department of Fiscal Policy, the General Treasury and the Parliament in accordance with the Government Financial Regulations, 150 and 151 and State Accounts Guideline No. 06/2024 dated 16 December 2024 as amended on 21 February 2025. Therefore, these financial statements may not be suitable for other purposes. My report is intended only for the use of the Department of Fiscal Policy, the General Treasury and the Parliament of Sri Lanka. My opinion is not modified on this matter.

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 in all materialities in accordance with the Government Financial Regulations, 150 and 151 and State Accounts Guidelines No. 06/2024 dated 16 December 2024 as amended on 21 February 2025, and for determining such internal control as 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, Department of Fiscal Policy is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable the preparation of annual and periodic financial statements.

In terms of Sub-section 38(1) (c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists of the department 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 due to fraud or error and to issue an Auditor General'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 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 judgment and maintain professional scepticism throughout the audit. I also:

- 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 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 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 preceding year,
- (b) The recommendations made by me on the financial statements of the preceding year had been implemented.

3. Financial Review

3.1 Revenue Management

Audit Observation	Comment of the Accounting Officer	Recommendation
In terms of F.R. 128 (2) e, although it is the responsibility of the Accounting Officer of the State Revenue to ensure the expeditious collection of arrears of revenue due to the Government, no recovery had been made during the year under review in respect of arrears of Social responsibility levy amounting to Rs. 62,783,502, which had been outstanding since prior to the year 2010 and remained so as at 31 December 2024. Furthermore, as at that date, the Department had failed to take effective measures in this regard.	It was informed that the responsibility for collecting revenue arrears have been transferred to the Department of Inland Revenue and the Department of Customs which are institutions of collecting Social responsibility levy and instructions have been issued to ensure the expeditious recovery of such revenue arrears. Furthermore, the relevant institutions were notified, through letters, as well as during management audit meetings and monthly cash flow management meetings, to take expeditious action to recover these outstanding revenues.	As per the provisions of the Financial Regulations, arrears of revenue should be collected without delay.

3.2 Expenditure Management

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Out of the total net provision of Rs. 30,155,000 allocated in 2024 for 09 recurrent objects and 01 capital object, a sum of Rs. 14,234,994 had saved without been utilized. This had saved a significant , ranging from 30 percent to 97 percent of the net provision allocated for those objects.	The allocations have been saved due to drivers proceeding on no-pay foreign leave without substitutes being appointed, and as well as the existence of vacancies, the estimated training programs for staff officers and development officers not being conducted as expected, relevant repairs have been conducted by Ministry's Building control Division, and although approval had been sought since 2023 to obtain two new vehicles but the procurement of only one vehicle under the operating lease method, and non-incurrence of certain expected expenditures; the minimization of entertainment expenditures and the fact that the annual printing expenses incurred by the Department were not actually spent as anticipated.	Annual estimates should be prepared as accurately as possible in accordance with the F.R. 50.
(b) It was observed that, in respect of the capital object, the provision was increased by Rs. 1,830,000 through F.R. 66, in addition to the initial estimated provision of Rs. 600,000, therefore provision was increased by significant amount of 305 percent over the initial estimate.	In view of the nature of the duties of the Department, and due to the requirement for machinery with higher capacity to enhance operational efficiency, It was necessary to increase the provisions in order to expedite the purchase of new laptop and desktop computers.	-Do-

(c) Out of the total estimated provisions of Rs. 1,500,000 allocated for 02 recurrent objects, a sum of Rs. 1,045,000 had been transferred to other objects through Financial Regulation 66. Accordingly, provisions had been reduced by 56 percent of the initial estimated provision of one object and by 95 percent of that of the other object, representing a significant reduction.	It was observed that the relevant provisions had been transferred due to the fact that, as the Buildings Division of the Ministry of Finance had carried out the necessary renovations, the anticipated expenditure could not be incurred as expected, and further, as the anticipated expenditure on property loans had not been incurred at the stage of estimates preparation. Officers were informed to prepare more realistic estimates in future estimates preparation so as to avoid savings.	-Do-
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4. Operational Review

4.1 Planning

Audit Observation	Comment of the Accounting Officer	Recommendation
The output and outcome of the activities that should have been included in the Action Plan of the year under review in terms of Paragraph 03 of the Public Finance Circular, No. 02./2020 dated 20 August 2020, had not been mentioned. Consequently, it was not possible to evaluate the efficiency of activities as per the action plan. Furthermore, the responsible officer for the activities had not been specified. In addition, in terms of paragraph 3(e) of the Guidelines, the internal audit plan had not been included within the action plan.	In future, the operational plan will be prepared and presented in a prescribed manner, clearly specifying the outputs and outcomes of the activities, along with the details of the responsible officer.	Actions should be taken as per the Public Finance Circular.

4.2 Annual Performance Report

Audit Observation	Comment of the Accounting Officer	Recommendation
In terms of Section 16(2) of the National Audit Act, No. 19 of 2018, and Guideline No. 14 of Public Finance Circular No. 02/2020 dated 28 August 2020, the annual performance report had not been submitted for audit along with the financial statements.	Officers were instructed to submit the drafted annual performance report for audit from the next year onwards.	In terms of the Public Finance Circular and the National Audit Act, No. 19 of 2018, the performance report should be prepared and submitted for audit along with the financial statements.

4.3 Procurements

Audit Observation	Comment of the Accounting Officer	Recommendation
According to the Public Finance Circular Nos. 05/2018 dated 23 October 2018 and 08/2019 dated 17 December 2019 relating to the introduction of Government E-Procurement System to the Government institutions, the procurement entities should use the E-Procurement System when procurements are made under the shopping method. Although Out of 11 procurement occasions carried out by the Department in 2024, on 8 occasions, goods totaling Rs. 3,539,975 were procured through the shopping method without using E-procurement system.	Following the training of the relevant officers to carry out procurement activities using the Government E-Procurement System, its implementation commenced at the end of 2024, and currently, all procurement activities are being conducted through the E-procurement system.	Procurement activities should be carried out using the E-procurement system in accordance with the Circular.

5. Human Resource Management

Audit Observation	Comment of the Accounting Officer	Recommendation
As at 31 December 2024, out of 62 approved cadre posts , 14 posts, representing 22 percent of the approved posts, were vacant. Of these, 6 posts out of 22 senior-level posts, representing 27 percent of the approved senior-level posts, remained vacant.	The Ministry of Public Administration, Home Affairs, and Provincial Councils Local Government and the Ministry of Finance, Economic Planning and Economic Development have been continuously informed to take action to appoint officers to the vacant posts of the Department .by highlighting the Department's staff vacancies.	Action should be taken to fill the vacancies promptly.