

Head 280 - Department of Project Management and Monitoring - 2024

1. Financial Statements

1.1 Qualified Opinion

Head 280- The audit of the financial statements of the Department of Project Management and Monitoring 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 the Department of Project Management and Monitoring 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 Department was issued to the Accounting Officer on 25 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, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements of the Department of Project Management and Monitoring 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 Qualified 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 responsibility for the financial statements is further described in the Auditor's Responsibilities Section. 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 Project Management and Monitoring, 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 Project Management and Monitoring, 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, the Department 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.

1.6 Opinion on the Financial Statements

1.6.1 Non-compliance of Financial Statements with Circular Provisions

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) In terms of paragraph 3.1 of the State Accounts Guideline No. 06/2024 dated 16 December 2024, the final Treasury Accounts Statements obtained from the new CIGAS web application system should have been attached to the financial statements. However, the prints SA-10, SA-11, SA-12, SA-30, SA-50, SA-51, SA-70, SA-80, and SA-90 had not been attached thereto.	Out of 09 financial statement books, the final Treasury Accounts Statements obtained from the CIGAS web application system had been included in 06 books. However, such statements had not been included in the remaining 03 books, although statements to the relevant financial statements had been made.	Financial Statements should be presented for audit in accordance with the State Accounts Guidelines
(b) According to paragraph 6 of the State Accounts Guidelines dated 16 December 2024, the Cash Flow Statement should be prepared using the direct method, taking into account both cash and cross entries. However, the Department had prepared the Cash Flow Statement by considering only cash advance receipts and cash advance payments. As a result, both the advance receipts and advance payments had been understated by Rs. 2,271,629 each. Consequently, the cash flows generated from operating activities and the cash flows disbursed for operating activities were understated by the same amount.	The value of the cross entries in the advance "B" Account amounted to Rs. 2,058,119, while debits made by the reporting entities under other headings on behalf of the advance "B" Account amounted to Rs. 213,510. The aggregate of these two amounts was Rs. 2,271,629. Since there was no liquidity, it was not included in the Cash Flow Statement; however, it has been included in the Statement of Performance.	Action should be taken in accordance with the State Accounts Guidelines regarding the preparation of financial statements.

1.6.2 Accounting Deficiencies

- (a) The following deficiencies were observed in the accounting of advance receipts and payments.

	Audit Observation	Comments of the Accounting Officer	Recommendation
(i)	According to treasury printouts SA-52, the advance receipts for the year 2024 of statement of financial performance amounted to Rs. 6,313,544, but were reported as Rs. 6,162,797, and the advance payments amounted to Rs. 6,187,120, but were reported as Rs. 6,036,373. Consequently, these amounts were understated by Rs. 150,747.	An amount of Rs. 150,747 had been erroneously accounted under the Department of Fisheries and Aquatic Resources. This difference of Rs. 150,747 was identified in the course of making corrections through transfer sheets by debit and credit.	Advance receipts and payments should be accurately presented in the Statement of Financial Performance in accordance with SA-52.
(ii)	A difference of Rs. 150,747 was observed When Comparing the values indicated in Treasury printouts SA-52 with Statement of Advance B Account (ACA-5 format) submitted along with the financial statements.	This difference is reflected during correction for debit and credit. However, it was reported that the values in SA-52 and the ACA-5 format were same.	The formats relevant to the financial statements should be prepared accurately

(b) **Recurrent Expenditure**

An expenditure of Rs. 212,400, which should have been recorded under capital expenditure for asset rehabilitation and improvements, was shown as capital acquisitions in the Statement of Financial Performance	No response has been received	Advance receipts and payments should be accurately reflected in the Statement of Financial Performance in accordance with SA-52.
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(c) Property, Plant and Equipment

Audit Observation	Comments of the Accounting Officer	Recommendation
(i) According to the audited financial statements of the previous year, the value of non-financial assets at the end of that year was Rs. 64,604,642. However, the corresponding opening balance for the year under review was reported as zero value.	Due to a technical error in the Consolidated Government Accounting System (CIGAS), the opening balance for the year was shown as zero value . This situation is beyond the control of the Department	The opening balances of non-financial assets should be accurately accounted..
(ii) During the year under review, assets purchased totaling Rs. 27,411 and assets handed over to the Department by other entities totaling Rs. 582,017 were reported as added values for opening balances amounting to Rs. 609,428, instead of being presented under purchases and transfers-in in the non-financial assets statement.	All asset transfers have been included as Opening Balances in the asset statement, and the corresponding values have also been included. Measures will be taken in the future to record these assets under Transfers-In.	Asset purchases and transfers should be accurately accounted.
(iii) During the period under review, the values of each assets transferred to and from the Department were not properly reported in the asset transfer sheets. Accordingly, the values of 07 out of 09 assets received and 07 out of 08 assets transferred were not recorded in the asset transfer sheets.	The values of the assets transferred to the Department were not recorded in the asset transfer sheets. However, they were communicated through covering letter. Measures will be taken in future goods transfers to ensure that the values are duly recorded.	The values of transferred and received assets should be systematically recorded in the respective asset transfer sheets.

2. Report on Other Legal Requirements

In accordance with Section 6(1)(d) of the National Audit Act, No. 19 of 2018

- (a) The financial statements submitted for audit were not consistent with the preceding year's financial statements based on the following audit observation.

Audit Observation

Reference to the paragraph in this report

Although the value of non-financial assets for the preceding year was Rs. 64,604,642, the opening balance for the year under review was reported as zero value.

1.6.2 C (i)

- (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 Observation	Comments of the Accounting Officer	Recommendation
(a) Out of the total estimated provision of Rs. 5,500,000 for 04 objects, Rs. 3,984,978 remained saved without unutilized. This unutilized amount represented between range of 57 percent and 89 percent of the estimated provision for those objects.	In terms of the Expenditure Control Circular issued by the Ministry of Finance and the Expenditure Management Circular issued by the Presidential Secretariat, savings had occurred due to the utilization of provisions being lower than the estimated provisions as a result of expenditure management by the Department. Although provision was made for software development, 89% of that provision remained saved because the software had not yet been developed.	Expenditure estimates should be accurately prepared in accordance with the F.R.50.

(b) Without obtaining sufficient provisions, an additional provision of Rs. 100,000 was obtained through F.R. 66, in addition to the original estimated provision of Rs. 450,000. However, the entirety of the transferred provision, that is 100%, remained saved without unutilized.	At the end of the year, a fuel test was carried out for the vehicles in pool, and as the air-conditioners by the Ministry had to be maintained under this Department, it became necessary to enter into the relevant service agreements. Consequently, provisions had to be transferred to meet these requirements. Provisions remained saved as a result of expenditure management carried out in accordance with the expenditure control circulars issued by the Department of National Budget.	-Do-
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4. Operational Review

4.1 Planning

Audit Observation	Comments of the Accounting Officer	Recommendation
The Department had not prepared the Action Plan in accordance with the format shown in the guidelines mentioned in paragraph 03 of Public Finance Circular No. 02/2020 dated 28 August 2020. contradictions were observed between the data presented in the revised Action Plan and the Progress Report. prepared by the Department . Further, the Progress Report had not been prepared in a manner that numerically presents the expected physical targets and the targets achieved in respect of the activities for the year 2024.	It was observed that the Action Plan had been prepared in accordance with Paragraph 03 of Public Finance Circular No. 02/2020 and the model format given on the Department's official website. However, in presenting the data of the Action Plan for the year 2024 and its quarterly progress reports, although the information had been disclosed in percentage form, numerical data had also been used in certain instances. Furthermore, in the occasions of the progress report, the presentation of numerical data with regard to certain activities	The action plan should be prepared in accordance with the Public Finance Circular. The progress report should be prepared in a manner that allows it to be compared with the Action Plan.

was not effective, as an example , in respect of activities numbered 06 to 08 relating to the Administration and Accounts Divisions, the progress had been presented in percentage form and more appropriate method of representation

4.2 Performance of the functions

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) During the year under review, 226 large and mega scale development projects were implemented under various line ministries. Among this , 120 projects were financed through domestic funds and loans, while 106 projects were financed by foreign loans and grants. However, out of the 110 projects scheduled for completion during the year under review, only 23 projects had been completed. By the end of the year, 02 projects had been suspended due to performance issues, while 85 projects could not be completed as expected. although a total provision of Rs. 705 billion had been allocated for these projects during the year 2024, by the end of the year only about Rs. 402 billion, representing approximately 57 percent of the provision, had been utilized. Accordingly, it was observed that the Department had failed to manage these	The Department conducts monthly reviews of the physical and financial progress of large and mega scale projects and quarterly informs the Cabinet of Ministers regarding such progress and the issues encountered. Decisions made by the Cabinet of Ministers in this regard are communicated to the Secretaries of the Line Ministries, while the Department refers the issues identified by itself and those submitted by the Line Ministries to the National Operations Centre for resolution. Utilizing the relevant facilities, the process of capturing the physical and financial progress of the projects in accordance with the expected targets is the responsibility of the Secretary of the Ministry. The responsibility for project implementation has been delegated to the line ministry, while this department closely supervise the execution of the	Resources should be utilized efficiently to achieve the expected development results within the agreed timeframe and cost.

activities in such a manner as projects.
to fully achieve its intended
objectives of enhancing the
anticipated developmental
outcomes.

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| (b) According to the performance report for the year under review, 79 field project inspection visits were targeted; however, only around 41 projects were covered. | No responses were provided. | Conducting field inspections as expected. |
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4.3 Procurements.

(a) Procurement Planning

Audit Observation	Comments of the Accounting Officer	Recommendation
(i) As per Paragraph 04 of Public Finance Circular No. 02/2020 dated 28 August 2020, the Procurement Plan should be prepared prior to 10th December of the preceding year and approved by the Chief Accounting Officer. However, the Procurement Plan relating to the year 2024 had not been prepared and approved within the stipulated time. Furthermore, the progress relating to the prepared plan had not been reported to the Audit.	There was a delay in preparing the procurement plan relating to the year 2024 and in obtaining the approval of the Chief Accounting Officer.	As per the Public Finance Circular, Procurement Plan should be prepared.
(ii) Although an estimated provision of Rs. 2,000,000 had been allocated for software development and Rs. 2,000,000 for software maintenance, totaling Rs. 4,000,000, this had not been included in the procurement plan during the year under review.	As our Department expected to establish an information system under foreign aids, provisions had been allocated for software development and maintenance. However, since it was not implemented, it was not included in the procurement plan, and the entire provision remained unutilized.	All procurements should be included in the procurement plan.

- (iii) 89 percent of the estimated provisions for software development and entire provision for software maintenance also remained saved without unutilized.

Actions should be taken to utilize the provisions in the most efficient manner.

(b) E- Procurement

Audit Observation	Comments of the Accounting Officer	Recommendation
According to the Public Finance Circular No. 05/2018 dated 23 October 2018 and No. 08/2019 dated 17 December 2019 regarding the introduction of the public e-procurement system to public institutions, All the public institutions should carry out accordingly in respect of registration of public procurement entities, registration of coordination officers, registration of suppliers, submission of annual procurement plan, publication of procurement notices, use of e-procurement system for price comparison, etc. However during the year under review, tires and batteries valued at Rs. 1,449,546 were supplied in a shopping method.	During the year 2024, only tires and batteries were purchased through the shopping method and steps will be taken in the coming year to implement the E-Procurement System for vehicles as well.	As per the provisions of circular, procurements should be conducted using the E-Procurement System.

4.4 Uneconomic transactions

Audit Observation	Comments of the Accounting Officer	Recommendation
In 2021, a contract worth Rs. 135,720,000 (including taxes) was awarded through an open tender to a company for the establishment of a web-based Project Monitoring System using new technology for the National Development Information System (NDIS), to be utilized as the main means for collecting and evaluating essential data for monitoring and managing project progress, which is the core function of the department. Due to the contractor's poor performance, this contract was terminated on 31 August 2022, and as at 31 December 2024, the department had still failed to update the relevant information system. Accordingly, it was observed that during project management, the processes of review, reporting, coordination, and implementation, as well as the resolution and coordination of issues arising in these stages, were carried out with minimum efficiency.	Under JICA assistance, the National Procurement Department has initiated the development of a new information system, and based on this system, discussions are currently underway to launch an information system for project monitoring. Accordingly, the implementation of this information system will enable the National Procurement Department, the Department of Budget, the Department of External Resources, and the Project Management and Monitoring Department, therefore it will allow all four of these departments to derive benefits.	The National Development Information System must be expeditiously prepared for utilization.

4.5 Management deficiencies

Public Officers' Advance Account

Audit Observation	Comments of the Accounting Officer	Recommendation
As per Sections 4.5 and 4.6 of Chapter XXIV of the Establishments Code, action should have been taken to recover the loan balances from officers who had left the service. However,	This officer was granted retirement on grounds of inefficiency, with the concurrence provided by the Secretary of the Ministry of Public Administration, Home	Action should be taken in accordance with the provisions of the Establishments Code.

as at the end of the year under review, the Department had not recovered the loan balance of Rs. 139,921, which had been outstanding for nine years from an officer who had left the service. Affairs, Provincial Councils and Local Government through a letter dated 02.09.2024. Accordingly, the outstanding loan balance from the officer could have been recovered before the end of the year.

5 Progress towards achieving the Sustainable Development Goals

The following observations are made on the progress of the roles identified by the department in terms of monitoring and indicating the progress of achieving the desired results of the projects and programs implemented by the government to achieve sustainable development goals.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Since the web-based National Development Information System is not operational, no progress has been made in relation to 03 achievement indicators for achieving the sustainable development objectives identified by the department.	Currently, the physical and financial progress of ongoing large and mega scale projects is submitted to the Cabinet for approval in quarterly, and upon receiving Cabinet approval, it is published on the Department's website. Accordingly, any stakeholder has access to this information and can obtain the required details. Under JICA	The web-based National Development Information System (NDIS) should be made operational, and the Department must take necessary actions to achieve the relevant Sustainable Development Goals (SDGs) under its purview.
(i) Number of parties with access to the web-based National Development Information System .	assistance, the National Procurement Department has initiated the development of a new information system, and discussions are currently	
(ii) Reports on the restrictions encountered in accessing the web-based National Development Information System .	underway to establish a project monitoring information system based on this platform. Two pilot assessments have already been conducted, and arrangements	
(iii) Reports on the access restrictions encountered when attempting to access the web-	findings on the departmental website until the web-based National Development	

- based National Development Information System is fully established. Among the 06 expected development parties, only the World Bank, the Asian Development Bank, the United Nations, the United States Agency for International Development (USAID), and the European Union consented during 2024 to conduct a joint project review. As a result, it was possible to achieve only 50% of the expected progress
- (b) The reaching to the objectives of achievement indicators 03 to achieve the sustainable development objectives to be fulfilled and facilitated by the department was less than 50 percent.
- (i) Easy access to assessment disclosures.
- (ii) Number of joint project reviews conducted with development parties.
- (iii) Access to information held by development parties.

6. Human Resource Management

Audit Observation	Comments of the Accounting Officer	Recommendation
Out of the Department's 101 approved posts, 34 posts, present 34, were vacant, including 10 senior-level posts that have a direct impact on the Department's performance. Accordingly, the department had not taken steps to fill up the vacant posts or to amend the approved staff in accordance with operational requirements.	The Ministry of Public Administration, Provincial Councils, and Local Government have been informed about existing vacancies	Actions should be taken to fill the existing vacancies.