

Head 329- Department of Information Technology Management - 2024

1. Financial Statements

1.1 Opinion

Head 329-The audit of the financial statements of the Department of Information Technology Management 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 National Audit Act, No.19 of 2018.The summery report contains my comments and observations on the financial statements of Department of Information Technology Management 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 related to the Department will be issued to the Accounting Officer on 01 August 2025 in terms of Section 11(2) of the National Audit Act, No. 19 of 2018. 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 give a true and fair view of the financial position of the Department of Information Technology Management as at 31 December 2024, and its financial performance and cash flows for the year then ended 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 (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 need of the Department of Information Technology Management the Treasury and the Parliament in accordance with Government Financial Regulations 150 and 151 and Government Accounts Guideline No. 06/2024 dated 16 December 2024, as amended on 21 February 2025. Accordingly, these financial statements may not be suitable for other purposes. My report is intended only for the use of the Department of Information Technology Management, the Treasury and the Parliament of Sri Lanka. My opinion in this regard 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 In accordance with Government Financial Regulations 150 and 151 and Government Accounts Guideline No.06/2024 dated 16 December 2024 as amended on 21 February 2025 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 Department of Information Technology Management 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 in the Department of Information Technology Management at 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 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 skepticism 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 Department'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 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 Imprest Management

Audit Issue	Comments of the Accounting Officer	Recommendation
Although the total imprest to be requested for the year 2024 was planned at Rs.1,164.9 million, an amount of Rs.1,575.1 million had been requested, which is Rs.410.1 million or 35.2 percent higher than the planned imprest and the monthly advances requested had varied within a range of Rs.-208.1 million to Rs.233.1 million when compared with the planned monthly advances. Accordingly, it was observed that the Department had not forecasted the imprest in a realistic manner.	Your observation is correct. Compared to previous years, the variance in the current year has been reduced, and relevant officers have been instructed to take necessary measures to further minimize these variances in the future.	Action should be taken to prepare the Imprest on a realistic basis.

3.2 Expenditure Management

Audit Issue	Comments of the Accounting Officer	Recommendation
During the year under review, provisions amounting to a total of Rs.50,868,250 under eight recurrent and capital expenditure subjects had been increased through 66 financial regulations, representing a range of 7 to 145 percent over the originally estimated provisions. Further, without making initial budgetary provisions, additional allocations totaling Rs.5,577,000 had been obtained through supplementary estimates and under Financial Regulation 66.	Agreed with the audit observation.	Estimates should be prepared accurately and realistically in accordance with Financial Regulation 50.

3.3 Advance Account of Public Officers

Audit Issue	Comments of the Accounting Officer	Recommendation
Although the maximum net overdraft limit authorized by the Appropriation Act was Rs.12,000,000, the actual maximum net overdraft as at the end of the year amounted to Rs.6,941,134, resulting in an unutilized overdraft limit of Rs.5,058,866 or 43 percent. Accordingly, it was observed that the estimates had not been prepared on a realistic basis.	The increase in the unutilized portion of the maximum net overdraft limit was due to factors such as the exclusion of loan balances of officers who had obtained loans and subsequently transferred from the Department, officers not requesting loan funds as anticipated, and some officers fully settling their loan balances.	Estimates should be prepared on a realistic basis.

4. Operational Review

4.1 Progress of fulfilling tasks

Audit Issue	Comments of the Accounting Officer	Recommendation
(a) According to the letter dated 22 August 2021 issued by the Director General of the Department of Information Technology Management, although 07 information systems were stated as being developed by the Department, only 01 system (the Guarantee Fund Loan Settlement Management System) (TOD) had been included under system development in the Action Plan for the year 2024.	The Action Plan for the year 2024 includes only the systems that could be developed and implemented during that year.	Action should be taken to perform the functions assigned to the Department at an optimum level.
(b) With the objective of expanding the state financial space and enhancing the efficiency of public resource management, the development of the Integrated Treasury Management Information System (ITMIS) was initiated in 2010, aiming at the automation of Treasury operations. The estimated cost of this project amounted to USD 60 million, equivalent to Rs.7,920 million, and by 31 December 2023, an expenditure of Rs.5,647 million had been incurred. Furthermore, during the year under review, agreements had been entered into with a private company for the provision, installation, operation, and maintenance of application software, system software, and information technology support infrastructure of the system, and with another institution for the provision of support services and post-warranty services. Accordingly, for the year 2023/2024, the Department had paid Rs.491 million, together with Rs.350 million to Sri Lanka Telecom for the settlement of outstanding internet connection charges for the year 2023 and	The ITMIS project had not been assigned to this Department initially; however, due to the termination of foreign loan funding, budgetary provisions were allocated to the Department, and payments related to the project have been made since 2018. The responsibility, supervision, implementation, and maintenance of the project had been carried out by the State Financial Management Efficiency Project (FMEEP) under the Ministry of Finance, while the Department had provided the necessary technical support. Since the direct supervision of the project had not been	Providing assistance for the completion of this system, as the Department also incurs expenditure in relation to it.

Rs.343 million for the year 2024, making a total payment of Rs.1,184 million. Accordingly, by the end of the year under review, a total expenditure of Rs.6,831 million had been incurred on the project. However, although 14 years had elapsed since the commencement of the project, the Department had failed to develop and implement 13 main functional areas of the system as expected.

assigned to the Department, arrangements have been made to transfer the responsibility for the payment of operational and maintenance expenses to the Ministry of Finance from the year 2025 onwards.

4.2 Procurements

Audit Issue	Comments of the Accounting Officer	Recommendation
(a) An agreement valued at Rs.84,240,000 had been entered into with a private company on 14 September 2018 for the operation and maintenance of the software and hardware of the information systems maintained by the Treasury. As the contract did not include provisions relating to services and maintenance after the warranty period, the tender had been awarded to the same company without calling for an open competitive bidding process. Furthermore, neither the Technical Evaluation Committee nor the Departmental Procurement Committee had provided a reasonable justification for entering into an agreement with the same company. Furthermore, although the Departmental Procurement Committee had approved entering into a service and maintenance agreement for a period of one year, payments amounting to Rs.46,025,492 had	In 2019, an institution had been selected under the State Financial Management Efficiency Project for Backup Recovery and Archival Solutions, and the related agreement had expired on 15 July 2022. Since the existing system was still in operation and there was insufficient time to conduct an open competitive bidding process, it was proposed to obtain a service extension. Alternative options such as purchasing a new system, upgrading the existing equipment, and adopting a hybrid method were examined, and it was decided that installing a new system for a period of three years would be the most technically and financially beneficial option. Since the service provider had agreed to maintain the existing system continuously and free of charge until the new system was established, an agreement had been entered into for a period of 40 months, and no payments had been made for the additional four months.	Well planned .and accurate procurement method should be followed when entering into service and maintenance agreements.

been made for a maintenance period of 40 months without obtaining the recommendations of the Technical Committee or the approval of the Procurement Committee for such an extension.

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| <p>(b) Based on the approval granted by the Procurement Committee on 24 October 2024, an agreement had been entered into with a private company to renew the Service Level Agreement (SLA) for the Treasury's file server and email exchange server for the period from 16 December 2023 to 15 December 2024. Accordingly, the Department had obtained the relevant services for a period of about 10 months without a formal service agreement or the approval of the Procurement Committee. A reasonable justification for the extension of the agreement had not been provided by either the Technical Evaluation Committee or the Departmental Procurement Committee, while payments amounting to Rs.12,516,369 had been made for the contracted period.</p> | <p>Information technology services related to 1,500 email accounts, 1,200 officers using the file server, and four departments using Enadoc, belonging to the Ministry of Finance and its 17 departments, are currently being operated by the existing service provider. All these systems operate interdependently on a combined hardware and software platform. Selecting a new service provider through an open bidding process would require a complete transition to a new system, which could result in a technically complex and risky situation. Therefore, extending the agreement with the existing service provider was identified as the most appropriate option to ensure the required technical continuity.</p> | <p>Well planned .and accurate procurement method should be followed when entering into service and maintenance agreements ,</p> |
| <p>(c) According to the 2024 Procurement Plan, the purchase of a Network Switcher valued at Rs.2,000,000 had been included; however, the procurement had not been carried out during the year under review.</p> | <p>The procurement could not be completed within the scheduled time frame due to the delay in receiving the recommendations from the Technical Evaluation Committee, as the officers appointed to the committee for this procurement had left the Department.</p> | <p>Action should be taken to carry out the departmental activities according to a well-structured plan in order to achieve the planned objectives.</p> |

5. Human Resource Management

Audit Issue	Comments of the Accounting Officer	Recommendation
As at 31 December 2024, 19 out of the 73 approved cadre positions of the Department, representing 26 percent of the approved posts, had been vacant. This included 6 senior-level positions, 3 tertiary-level positions, and 9 secondary-level positions that could have made a direct contribution toward achieving the Department's objective of adopting an information technology management approach similar to other departments and state institutions under the Ministry of Finance. However, by the end of the period under review, the duration of these vacancies ranged from 4 months to 2 years and 6 months, and the Department had failed to take satisfactory measures to fill the said vacancies.	No replies had been furnished in respect of the audit observation.	Action should be taken either to fill the vacancies as required or, if no impact is caused, to revise the approved cadre accordingly.