

Head 240 – Department of National Budget - 2024

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Head 240 - Department of National Budget for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, 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 including my comments and observations on the financial statements of the Department of National Budget 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 was issued to the Accounting Officer on 07 August 2025 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report is tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka 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 National Budget for the year ended 31 December 2024 give a true and fair view of the financial position, financial performance and cash flows, in accordance with the basis of preparation set out in Note 1 to the financial statements, in all material respects.

1.2 Basis for Opinion

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 this 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

Attention is drawn to Note 1 of the financial statements detailing the basis for preparation of these financial statements. These financial statements have been prepared in accordance with Financial Regulations 150 and 151 of the Government and the State Accounts Guideline No. 06/2024 dated 16 December 2024, as amended on 21 February 2025, for the requirement of the Department of National Budget, General Treasury, and the Parliament. Therefore, these financial statements may not be suitable for other purposes. My report is intended solely for the use of the Department of National Budget, 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 fair view in all material respects in accordance with Financial Regulations 150 and 151 of the Government and the State 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 National Budget 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 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 Management of Revenue

Audit Observation	Comments of the Accounting Officer	Recommendation
The initial payment for the motorcycles which was made related to the programme for providing motorcycles to the field officers as per a budget proposal in the year 2015 had been accounted by the Department under the Revenue Code No. 2003.04.00 as an non-taxable income, and all the motorcycles thus provided should have been transferred to the personal possession of the respective officer by the end of the year 2020. However, the department had failed to confirm the exact amount to be fully recovered even as at 31 December 2024, and the said revenue had not been estimated in preparing the revenue estimates for the year 2024. Further, a net revenue of Rs.333,509 had been received under this revenue code during the year under review, despite not considering to forecast this revenue at the stage of revenue estimation.	A separate revenue code No. 2003.04.00 had been introduced for the purpose of crediting the initial funds collected by District Secretaries/ institutions in relation to the said programme to the Consolidated Fund. However, this revenue had been recorded in the year 2024 due to the said amounts being erroneously accounted under various Revenue Heads by the relevant institutions, as well as making accounting entries to rectify those amounts after accurately identifying the sums collected prior to the date on which the relevant instructions were issued.	Action should be taken to recover the arrears of revenue, if such revenue remains, while giving formal instructions and guidelines.

3.2 Management of Expenditure

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Due to making over provision for 10 recurrent objects and 03 capital objects during the year under review, there were savings ranging from 6 per cent to 89 per cent of the net provision after the utilization of that provision.	A considerable portion of the provisions allocated had remained unutilized due to the expenditure control carried out in accordance with the Government policies under the prevailing challenging economic environment and the National Budget Circular No. 01/2024, as well as the internal efficiency measures adopted.	Estimates should be realistically prepared for the objects in terms of Financial Regulation 50.
(b) When comparing the initial expenditure estimate with the revised expenditure estimate, variations in respect of 12 objects had ranged from a decrease of 40 per cent to an increase of 333 per cent.	Due to the maintenance works of machinery, equipment and buildings that had arisen from unavoidable circumstances, and the purchase of computers, transfers under F.R. 66 and additional provisions had been obtained. Accordingly, an increase in expenditure percentage had been reported under 02 recurrent objects as well as under a capital object.	-Do-

3.3 Non-compliance with limits

Audit Observation	Comments of the Accounting Officer	Recommendation
It was observed that, in terms of the Third Schedule to the Appropriation Act, No. 34 of 2023, the Minimum Limit of Receipts to be credited to the Advances' Accounts to Public Officers under Head 204 had not been reached.	The minimum limit of receipts had been revised to Rs. 4,850,000. However, the actual receipts amounted to Rs. 4,846,846.	Action should be taken in compliance with the limits prescribed by the Appropriation Act.

3.4 Entering in to Liabilities and Commitments

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Liabilities with a total sum of Rs. 1,460,706 relevant to the year under review, which was required to be settled by 31 December 2024, had	Bills relating to postal and telecommunications expenditures, which were required to be settled for the	Liabilities and commitments should be recorded for the relevant period in

	not been recorded in the Schedule of Liabilities for the year under review.	year under review, were received by the Department during January and February 2025. As these bills could not be recognized as liabilities at the time of preparing the accounts, the payments were made from the provisions of the year 2025.	compliance with the Financial Regulations.
(b)	A net provision of Rs. 12,000,000 had been made for the object under No. 240-1-1-1501, and expenditure had been incurred against the full provision during the year under review. However, an amount of Rs. 1,192,000 had been paid on 11 February 2025 in terms of the list dated 30 September 2024 for providing relief to persons who had lost employment due to the July 1980 strike. Although this expenditure was a liability exceeding the provisions of the year 2024, it had not been included either in the Treasury Printed SA 92 as at 31 December 2024 or in the Statement of Liabilities for the year under review.	Agreed with the observation and it is informed that steps will be taken to properly report liabilities in the coming year.	When incurring liabilities in accordance with the Financial Regulations, action should be taken within the provision limits, and proper records should be maintained.

3.5 Non-Compliance with Laws, Rules and Regulations

Reference	Audit Observation	Comments of the Accounting Officer	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka, 104(4)	The initial report concerning the motor vehicle bearing registration number KO-7551, which was involved in an accident on 23 September 2024, was submitted on 8 October 2024. However, the final or complete report has not been submitted up to present.	The delay in submitting the final report had arisen due to the late receipt of a written confirmation from the workshop that carried out the repairs, certifying that the full amount payable for the repairs in connection with the accident had been settled. At present, the relevant activities are in the final stage.	Action should be taken in accordance with F.R. 104(4).

4. Operating Review

4.1 Supplementary Support Services and Contingent Liabilities

Audit Observation	Comments of the Accounting Officer	Recommendation
Without any provision being made through the Annual Estimates, a sum of Rs.1,050 million had been paid during the year 2023 through the Supplementary Support Services and Contingent Liabilities Project utilizing supplementary budgetary provisions received by the Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government, for damages caused to the private immovable properties of 41 Members of Parliament due to the crisis situation prevailed in the country during the period from 31 March 2022 to 22 July 2022, and further, a sum of Rs.178 million had been paid during the year under review for damages caused to the movable properties of 32 Members of Parliament, thus making a total of Rs.1,228 million.	If it is possible to carry out a prior assessment for such damages in the preparation of the budget estimates for any future year, and if it is feasible to defer the settlement of such damages until the following year, the required provision can be included in the budget estimates of the ensuing year.	Action should be taken to make provisions through the Annual Estimates based on a realistic assessment of the possible compensations that may have to be paid by prudently considering the prevailing circumstances.

4.2 Government grants provided to Provincial Councils

Audit Observation	Comments of the Accounting Officer	Recommendation
According to the financial statements of the Provincial Councils, during the year under review, government grants amounting to Rs. 428,331 million had been provided to the 09 Provincial Councils. Excluding government grants, revenue collected by those Provincial Councils amounted to Rs. 93,077 million, of which investment income amounted to Rs. 8,355 million. As at 31 December 2024, the total cash and cash equivalents held by all Provincial Councils amounted to Rs. 41,782	When providing grants to the Provincial Councils, provisions for 2024 had been allocated taking into account the recommendations submitted by the Finance Commission in terms of Article 154(j) of the Constitution, as well as the limits of the available financial space.	A systematic review should be conducted regarding the overall cost to the Government when funds are provided as government grants to the Provincial Councils.

million, while 05 Councils held investments totaling Rs. 67,511 million. Accordingly, it was observed that the 09 Provincial Councils possessed high liquid assets amounting to Rs. 109,292 million, thereby generating higher investment income. During the audit, it was not revealed whether a systematic review had been carried out regarding this situation when funds obtained through various financial channels are provided as government grants to the Provincial Councils and the overall cost to the Government. Further, according to information from the Department, the value of grants provided by the General Treasury to the 09 Provincial Councils during the year under review amounted to Rs. 439,383 million, resulting in a difference of Rs. 11,052 million when compared with the total value of grants presented in the financial statements of the Provincial Councils.

4.3 Losses and damages

Audit Observation	Comments of the Accounting Officer	Recommendation
According to the information submitted to the audit on 09 April 2025 by the Department, a motor vehicle had been involved in an accident on 23 September 2024, and the insurance claim obtained for this vehicle had been indicated as Rs. 596,250. This amount had been paid in two installments of Rs. 323,630 and Rs. 272,620, totaling Rs. 596,250, to the workshop that repaired the vehicle during the year under review. However, the value decided for recovery had been stated as Rs. 619,300 in the Losses and Damages Register.	Action has been taken to correctly record the value in the Losses and Damages Register as Rs. 596,250.	High attention should be made when entering information in the Losses and Damages Register.

5. Human Resource Management

Audit Observation	Comments of the Accounting Officer	Recommendation
As of 31 December 2024, there were 15 vacancies, including 6 senior-level positions, 7 secondary-level positions, and 2 primary-level positions. However, action had not been taken by the Department during the year under review to conduct a staff review and fill the existing vacancies, or abolish unnecessary positions.	Action has already been taken to fill the relevant vacancies by communicating the matter to the Director General of Combined Services and to the Ministry of Public Administration.	Action should be taken to fill the vacancies or to revise the cadre.