

## **Head 233 – Department of Government Analyst**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Department of Government Analyst for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 Summary Report containing my comments and observations on the financial statements of the Department of Government Analyst was issued to the Accounting Officer on 14 June 2021 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Department was issued to the Accounting Officer on 14 June 2021 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements prepared give a true and fair view of the Department of Government Analyst as at 31 December 2020 and its financial performance and cash flow for the year then ended, in accordance with Generally Accepted Accounting Principles.

#### **1.2 Basis for Qualified Opinion**

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My opinion is qualified based on the matters appear in Paragraph 1.6 of this report. 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 my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **1.3 Responsibilities of Chief Accounting Officer and the Accounting Officer on Financial Statements**

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The Accounting Officer is responsible for preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without material misstatements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018 .

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 annual and periodic financial statements to be prepared.

The Accounting Officer shall ensure that an effective internal control system is maintained and maintained for the financial control of the Department in terms of sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

#### **1.4 Auditor's Responsibility on Audit of Financial Statements**

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My objective is to express a reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue the Summary Report of the Auditor General 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.
- It is not intended to express an opinion on the effectiveness of internal control but an understanding of internal control was obtained in order to plan appropriate audit procedures from time to time.
- Evaluate the structure of financial statements including disclosures and content-based transactions and events the structure that the financial statements are appropriate and reasonable.
- The transactions and events underlying the structure and content of the financial statements are appropriately and fairly included in when submitting financial statements as a whole.

The Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

## 1.5 Report on Other Legal Requirements

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I declare the following matters in terms of Section 6 (1) (d) of the National Audit Act No. 19 of 2018.

- (a) The financial statements are in consistent with those of the preceding year.
- (b) Recommendations made by me regarding the financial statements of the preceding year had been implemented .

## 1.6 Comments on Financial Statements

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### 1.6.1 Statement of Financial Performance

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#### Audit Observation

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Even though the acquisition of capital assets as per the statement of financial performance was Rs. 22,960,315, thus it was Rs. 25,560,841 as per the statement of non-financial assets, there was a difference of Rs. 2,600,526 .

#### Comments of the Accounting Officer

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The value of the details of assets purchased in December 2020 has been understated in Treasury printout in a failure of uploading individual information on assets purchased to the computer system.

#### Recommendation

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Values of non-financial assets should be accounted for accurately.

### 1.6.2 Statement of Financial Position

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
<p>There was a difference of Rs. 12,807,492 in between the opening balances of 04 assets in the statement of non-financial assets in the year under review and the balances remained as at that day as per the Treasury Accounts.</p>	<p>Purchases that increase the value of existing asset balances in the New CIGAS programme which is based on the Treasury Printout and accounting for the opening balances is noted as the increase of the opening balance. Because of the actual value of purchases during the year is accounted for by account summaries, the closing balance of assets is accurately indicates from the ACA - 6 Format as well as the SA 82 account statement.</p>	<p>The differences remain in between Treasury Accounts and Financial Statements should be corrected.</p>

### 1.6.3 Reconciliation Statement on Advances to Public Officers' Accounts

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
<p>The difference of Rs. 20,660 remained in between Treasury Books and Department Books related to the debt balance receivable as at the end of the year under review had been brought forward for many years.</p>	<p>Even though the Director General of Public Finance has been informed, by the Secretary to the Ministry of Justice on 01.09.2018 to get the approval to write off this difference from the books.</p>	<p>The differences exists in between the accounts should be corrected.</p>

## 2. Financial Review

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### 2.1 Entered Into Liabilities and Commitments

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
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<p>(a) Although the balances of commitments and liabilities contained in the financial statements should be matched with the commitments and liabilities of each Head of the Treasury, in terms of the Guidelines 3.4 in relation to Paragraph 10.1 of the Public Finance Circular No. 02/2020 dated 28 August 2020, the difference in between the balances was Rs. 236,309.</p>	<p>Only the commitments entered into in accordance with Financial Regulation 94 (I) has been stated under SA 92 of the Treasury Accounts Statements. Nevertheless, the statement of commitments and liabilities should be prepared consisting of commitments entered into under the provisions of Financial Regulation 94 (II) .</p>	<p>Actions should be taken in accordance with the Circular.</p>
<p>(b) Although any liability or commitment which was not reported to the Treasury should not be settled as expenses for the preceding year, a sum of Rs. 333,809 not reported as liabilities in the financial statements for the year under review had been settled in the year 2021.</p>	<p>Since the service agreement has been signed for being valid for the year 2021, it has not been entered as a liability. Details of other vouchers are still being sought.</p>	<p>Actions should be taken in accordance with the Circular.</p>

## 2.2 Non-compliance with Laws, Rules and Regulations

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The instances of non-compliance with the provisions of the Laws, Rules and Regulations were observed.

Observation	Comments of the Accounting Officer	Recommendation
<b>Reference to Laws, Rules and Regulations</b> <hr/>	<b>Non-compliance</b> <hr/>	
<b>(a)</b> Financial Regulation 571 of the Financial Regulation of Democratic Socialist Republic of Sri Lanka	Actions had not been taken in respect of 02 lapsed deposit balances amounting to Rs. 25,931 .	Making arrangements with lapsed deposits in accordance with Financial Regulations have been commenced by now.
<b>(b)</b> Public Administration Circular No. 30/2016 dated 29 December 2016	The examinations on vehicle fuel combustion had not been carried out with regard to 24 vehicles of the Department.	Examinations on vehicle fuel combustion for the year 2021 are being carried out by now.

## 2.3 Issuance and Settlement of Advances

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Audit Observation	Comments of the Accounting Officer	Recommendation
Although the sub- imprests obtained should be settled as soon as the task is completed in terms of Public Finance Circular No. 03/2015 dated 14 July 2015, sub - imprests of Rs. 25,000 granted during the year under review had been settled with a delay of 333 days.	The limit of Rs. 5,000 has not been exceeded when the payments made from petty cash at once in terms of Public Finance Circular No. 03/2015 and these expenditures were the expenses made from the advance provided for urgent purchases.	Advances should be settled in accordance with the Circular.

### 3 Operating Review

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#### 3.1 Failure to Obtain the Desired Output Level

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
<p>The number of cases in which specialists' reports could not be submitted were 14,171 at the beginning of the year under review. Even though providing of a number of 34,689 reports were completed including 35,191 called for the year, there had been another 14,673 reports remained to be submitted. Accordingly, the number of reports that could not be provided from the amount called during the year under review was 41.69 per cent.</p>	<p>Although the number of samples submitted for analysis increases to a considerable extent during the year, this situation has occurred on the basis of not being able to recruit the staff needed for analysis for many years. Twenty eight Assistant Analysts have been recruited by now and it is expected to avoid this situation in future since a programme is also in operation to analyze the collected samples.</p>	<p>It should be identified the methods of increasing the issuing of reports as compared to the trend of increasing annual cases and providing proceedings.</p>

#### 4. Human Resources Management

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
<p>There were 31 senior and tertiary level vacancies in the staff approved for the performing of the role of the Department as at 31 December 2020 .</p>	<p>Actions are being taken to fill those vacancies.</p>	<p>The vacancies that are most essential for the effective completion of the objectives and core functions of the organization should be filled.</p>