

Head 280 – Department of Project Management and Monitoring

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of Project Management and Monitoring for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and statement of financial performance and cash flow statements 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. In terms of Section 11(1) 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 Project Management and Monitoring was issued to the Accounting Officer on 29 June 2021. In terms of Section 11(2) of the Audit Act, the Annual Detailed Management Audit Report of the Department was issued on 16 August 2021. 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 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 of this report, the financial statements give a true and fair view of the financial position of the Department of Project Management and Monitoring as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for 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 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 Responsibility of the Chief Accounting Officer and 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 Generally Accepted Accounting Principles and in terms of Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Accounting Officer determines 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 annual and periodic financial statements to be prepared of the Department.

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 of the Department exists and carry out periodic reviews to monitor the effectiveness of such system and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibility for the Audit of 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 summary 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, 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:

- 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 the 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.

1.5 Report on Other Legal Requirements

As required by Section 6 (1) (d) of the National Audit Act, No.19 of 2018, I state the followings:

- (a) Except for the matters described in paragraph 1.6.1(c) of this report, the financial statements are consistent with the preceding year.
- (b) Recommendations made by me on the financial statements of the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Non-revenue Receipts

Audit Observation	Comments of the Accounting Officer	Recommendation
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Even though the receipt of imprest for the year under review amounted to Rs.91,558,475, it had been indicated as Rs.91,370,000 in the statement of financial performance, thus observing a difference of Rs.188,475.	The imprest received from the Department of Treasury Operations was Rs.91,370,000. The register on imprests received from the Department of Treasury Operations was submitted to you for auditing and a copy of the said register has been attached to this letter as Annexure 1 for further confirmation.	Receipt of imprests should be accurately indicated in the financial statements.

1.6.2 Non-financial Assets

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) According to the statement of non-financial assets, the opening balance of machinery and other amounted to Rs.23,715,603 while it amounted to Rs.26,565,129 according to Treasury print outs, thus observing a difference of Rs.2,849,526.	Even though the value changes according to the type of asset, the value of total assets equals the values indicated in Formats ACA-6 and ACS-82.	In recording non-financial assets, action should be taken to record the opening balance, purchases, disposals and the closing balances accurately.

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| (b) | According to the statement of non-financial assets, the balance of acquisition of the above equipment (by transfer) had been indicated as Rs.2,763,525. However no balance is indicated according to Treasury print outs. | -do- | In recording non-financial assets, action should be taken to record the opening balance, purchases, disposals and the closing balances accurately. |
| (c) | The balance of disposal of the above equipment (by transfer) had been indicated as Rs.1,353,346 in the statement of non-financial assets and as Rs.1,439,347 according to Treasury print outs, thus observing a difference of Rs.86,001. | -do- | In recording non-financial assets, action should be taken to record the opening balance, purchases, disposals and the closing balances accurately. |
| (d) | In the reconciliation of non-financial assets as at 31 December 2020 with the Treasury print outs, it was observed that the balances of office equipment, computer accessories, electronic equipment and household equipment had changed by Rs.2,635,432, Rs.789,828, Rs.335,500 and Rs.1,510,103 respectively. | -do- | In recording non-financial assets, action should be taken to record the opening balance, purchases, disposals and the closing balances accurately. |
| (e) | Two motor cars valued at Rs.4,995,000 had been transferred to other institutions. Nevertheless, it had not been eliminated from the financial statements and as such, the statement of financial position had been overstated by that amount. | It is agreed and action will be taken to rectify the error. | Steps should be taken to account non-financial assets accurately. |
| (f) | The value of the Double Cab amounting to Rs.7,530,000 had been recorded as Rs.4,800,000 in the Register of Fixed Assets, thus understating the statement of financial position by Rs.2,730,000. | -do- | -do- |

1.6.3 Cash Flow Statements

----- Audit Observation -----	----- Comments of the Accounting Officer -----	----- Recommendation -----
(a) Even though the imprest received from the Treasury in the current year was Rs.91,558,475, the imprest received from the Treasury had been indicated in the cash flow statement as Rs.91,370,000, thus observing a difference of Rs.188,475 in the net cash flow.	It is agreed.	Cash flows should be accurately identified and accounted.
(b) Even though a balance to be settled to the Treasury had not been indicated according to Treasury books, the amount settled to the Treasury had been indicated as Rs.76,673 in the cash flow statement.	It is agreed.	-do-

1.6.4 Imprests Adjustment Account

----- Audit Observation -----	----- Comments of the Accounting Officer -----	----- Recommendation -----
(a) The balance of the Advance Account which should be adjusted to the Imprest Adjustment Account amounted to Rs.1,217,925. However, it had been adjusted as Rs.1,029,450, thus observing a difference of Rs.188,475.	A sum of Rs.188,475 had been received for settling a property loan. Such receipts are not adjusted to the Imprest Adjustment Account and only settlement of loan balances through cross entries between each department are included in the Imprest Adjustment Account. Accordingly, the Imprest Adjustment Account has been accurately prepared.	Imprest Adjustment Account should be prepared by reconciliation of Treasury print outs and Departmental books.

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| (b) | Even though a balance to be settled to the Treasury had not been indicated according to Treasury books as at 31 December 2020, a balance of Rs.76,673 had been indicated in the Imprest Account to be settled. | No balance is indicated in the Treasury books as the amount to be settled on 31.12.2020 was settled to the Treasury on that day itself. | Accurate data should be arranged in the preparation of accounts. |
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2. Financial Review

2.1 Management of Expenditure

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
Excess provision of Rs.2,900,000 had been made in the year under review relating to 09 Objects and as such, provision of Rs.909,183 had been saved after utilization. The said saving had ranged between 13 per cent and 79 per cent of the net provision.	Activities could not be performed in the manner they were planned, due to Covid 19 pandemic which broke out in the year 2020. As such, provision was saved and it was necessary to transfer provision. However, out of provision allocated to the Department, 96 per cent has been expended.	It is required to take steps to prepare annual estimates in a realistic and effective manner.

2.2 Statement of Liabilities

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) According to Treasury print out No.SA-92, liabilities of Rs.820,000 had been recorded up to 31 December 2020 and it had been recorded as Rs.535,735 in the statement of liabilities presented along with the financial statements, thus observing a difference of Rs.284,265.	It is agreed.	Liabilities and commitments should be properly recorded and presented.

- (b) Liabilities of Rs.170,000 indicated in Treasury print out No.SA-92, had not been mentioned in the statement of commitments and liabilities presented along with the financial statements. It is agreed. -do-
- (c) In terms of Financial Regulation 94(1), no commitment shall be incurred (except service and supply), exceeding provision. However, liabilities of Rs.35,160 had been entered into exceeding provision relating to an Object. It is agreed. Action should be taken in terms of Financial Regulations.

2.3 Non-compliance with Laws, Rules and Regulations

Audit Observation	Comments of the Accounting Officer	Recommendation
Reference to Laws, Rules and Regulations	Non-compliance	
(a) Paragraphs 4.5 and 4.6 of Chapter XXIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka	Action should be taken relating to recovery of loan balances of officers who had left the service. However, a balance of Rs.139,921 recoverable from an officer who had left the service of the Department, had not been recovered over a period of 05 years.	Matters on the recovery of the sum of Rs.139,921 recoverable from Mr.M.S.P.Perera who had left the service, have been commenced from 03.09.2015. Legal action is being carried out by the Attorney General's Department in this connection by now.
(b) Financial Regulation 880 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Security had not been given by officers required to give security.	Action will be taken to obtain security from officers required to give security. Action should be taken in terms of Financial Regulations.

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| (c) | Public Administration Circular No.02/2018 of 24 January 2018 | The Human Resource Plan had not been prepared and the annual performance agreement for the entire staff as well had not been signed. | It is agreed that a Human Resource Plan for the year was not prepared in terms of the aforesaid circular. Nevertheless, a Human Resource Plan is being prepared for this Department. | Action should be taken in terms of the circular. |
| (d) | Paragraph 10.1 of the Treasury Circular No.2/2020 and Guideline 6 issued by the Department of State Accounts | Even though the cash flow statement should be prepared on rough basis, it had been prepared on cash basis. | It is agreed. However, the revised trilingual cash flow statement has been prepared and submitted to you along with our letter dated 12.05.2021. | -do- |
| | | (i) The non-revenue receipts according to Departmental books amounted to Rs.3,638,022. However, it had been indicated as Rs.24,059 in the cash flow statement, thus understating the net cash flow by Rs.3,613,963. | -do- | |
| | | (ii) Recurrent expenditure of the current year according to Departmental books amounted to Rs.92,329,778. However, it had been indicated as Rs.85,649,914 in the cash flow statement, thus overstating the net cash flow by Rs.6,679,864. | | -do- |

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| | <p>(iii) Advance receipts according to Departmental books amounted to Rs.4,601,462. However, it had been indicated as Rs.192,475 in the cash flow statement, thus understating the net cash flow by Rs.4,408,987.</p> | -do- | -do- |
| | <p>(iv) Payment of advances according to Departmental books amounted to Rs.3,620,362. However, it had been indicated as Rs.2,088,800 in the cash flow statement, thus overstating the net cash flow by Rs.1,531,362.</p> | | |
| <p>(e) Public Finance Circular No.05/2016 of 31 March 2016</p> | <p>Even though the report on Board of Survey relating to the preceding year should be furnished to the Auditor General before 17 March of each financial year, the report on Board of Survey relating to the year 2020 had not been furnished to the Auditor General even by 31 May 2021.</p> | <p>Activities on Board of Survey have been completed. Action will be taken to furnish the report.</p> | -do- |

3. Operating Review

3.1 Performance

3.1.1 Planning

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Action Plan In terms of Public Finance Circular No.01/2014 of 17 February 2014, the organization structure of the Department revised relating to the year, details on the approved and actual cadre and the imprest requirement plan for annual activities had not been included in the Action Plan prepared in the year under review.	In preparing Action Plan for the ensuing period, action will be taken to include details indicated but not included in the Action Plan. Moreover, the organization structure of the Department has been already revised.	Action should be taken in terms of circulars.
(b) There had been no opportunity in purchasing furniture and office equipment in the Procurement Plan prepared for the year 2020. Nevertheless, provision of Rs.500,000 had been made for purchase of furniture and office equipment under Expenditure Head 2102. An expenditure of Rs.218,320 had been incurred therefor and it represented 44 per cent of the total provision. Accordingly, the saving had been 56 per cent.	There was no requirement of purchasing furniture for the office by the time of preparing the Procurement Plan. However, this Department was established in the General Treasury building by July 2020. As such, action has been taken to purchase essential office furniture to suit the office rooms.	Steps should be taken to prepare Procurement Plans according to requirements.

3.1.2 Management Weaknesses

Audit Observation	Comments of the Accounting Officer	Recommendation
Action had not been taken to transfer the motor car bearing No.KN – 2496 used by the Department over a period of two years.	The documents relating to transfer of the motor car bearing No.KN – 2496 has been submitted to the Department of Motor Traffic.	Action should be taken to manage non-financial assets properly.

4. Human Resource Management

4.1 Attached Cadre, Actual Cadre and Expenditure on Personal Emoluments

Audit Observation	Comments of the Accounting Officer	Recommendation
Even though there were 107 approved posts in the Department, the actual cadre was only 70. Accordingly, 37 posts were vacant and it represented 35 per cent of the approved cadre. It was observed that those vacancies included 09 posts in Senior Level, 04 posts in Tertiary Level and 20 posts in Secondary Level.	Action has been taken to notify the vacancies in the approved cadre of this Department. Moreover, there was no opportunity in notifying the Ministry of Public Services, Provincial Councils and Local Government again in this connection in this year amidst the difficulties faced due to Covid 19 pandemic which broke out unexpectedly. Even though vacancies existed, the existing staff has made maximum effort to carry out the affairs of the Department efficiently.	Action should be taken to properly maintain the approved cadre of the Department.