

## **Head 428 - State Ministry of Development of Common Infrastructure Facilities of Settlements and Canals in Mahaweli Zones**

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### **1. Financial Statement**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the State Ministry of Development of Common Infrastructure Facilities of Settlements and Canals in Mahaweli Zones 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 State Ministry of Development of Common Infrastructure Facilities of Settlements and Canals in Mahaweli Zones was issued to the Accounting Officer on 11 May 2021 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Ministry was issued to the Accounting Officer on 16 July 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 financial position of the State Ministry of Development of Common Infrastructure Facilities of Settlements and Canals in Mahaweli Zones 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 for the financial statements are 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 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements**

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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 provisions in Section 38 of the National Audit Act, No.19 of 2018 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 Ministry 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 Ministry 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.

#### **1.4 Auditor's Responsibilities for the Audit of the Financial Statements**

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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 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 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

## 1.5 Report on Other Legal Requirements

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

As the State Ministry of Development of Common Infrastructure Facilities of Settlements and Canals in Mahaweli Zones has been established in the year under review, there was no need to prepare financial statements for the previous year.

## 1.6 Comments on Financial Statements

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### 1.6.1 Non-compliance with the Provisions of the Circulars on Financial Statements

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
<p>-----</p> <p>An imprest adjustment account had not been prepared in terms of Guideline No. 06 (7) (vi) issued by the Department of State Accounts in relation to Public Finance Circular 02/2020.</p>	<p>-----</p> <p>Since the expenditure incurred in accordance with the provisions received under other public institutions expenditure objects were not mentioned under F.R. 208 in the financial statements, preparation of imprest adjustment account was not done as there was not enough information to prepare a imprest adjustment account.</p>	<p>-----</p> <p>Actions should be taken to prepare financial statements in accordance with the circular provisions.</p>

## 1.6.2 Statement of Financial Performance

### (a) Recurrent Expenditure

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(i) A difference of Rs.836,404 was observed in between the expenditure summary as per Treasury printouts and the statement of programme expenditure in the financial statements in 16 expenditure objects.	Expenditure heads 118 Development of Common Infrastructure Facilities in Mahaweli Zones was in operation until 31 August 2020 and the new ministries were restored with effect from 01 September 2020. The provisions for the expenditure of the State Ministry of Public Infrastructure Development in the Mahaweli Zones (428) were made under Expenditure Head 160. Provisions have been made under the new Expenditure Head No. 428 and the Ministry has added the supplementary estimate provision of the new Ministry to the expenditure incurred by the Ministry and budgeted for the CIGAS program of the Treasury until 31 August 2020. Because this total provision has been brought to a round up amount, there is a difference in the figures.	Steps should be taken to find the reasons for the changes and correct them.

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| <p>(ii) Even though the expenditure as per the expenditure statement of programmes with the financial statements was Rs.14,742,399, thus it was Rs.13,973,388 as per Treasury printed expenditure summary, a difference of Rs.769,011 was observed.</p> | <p>The expenditure of Rs.418,064 stated under 428-1-2-1003 was an expenditure incurred under the object 130-1-14-0-1003 for Graduate Trainees and the amount of Rs.350,947 mentioned under 428-1-2-1409 is the value of transfer sheet under expenditure object No. 020-1-1-4-1409 of the Election Office. Although these expenses should be recorded in the financial statements under F.R. 208, this difference has occurred due to the reporting under 428 by a mistake.</p> | <p>It should be accurately accounted for.</p> |
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**(b) Capital Expenditure**

**Audit Observation**

**Comments of the Accounting Officer**

**Recommendation**

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 Even though the total expenditure for the other expenditure object in the expenditure statement was Rs.1,562,892 as per the programmes in the financial statements, because no expenditure whatsoever was shown for that expenditure object, as per the Treasury printed expenditure summary, a difference of Rs. 1,562,892 was observed.

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 As this expenditure is a provision received under the 425 Ministry of Irrigation it is recorded in the Treasury printed expenditure summary of the Ministry of Irrigation 425. Although the same expenditure also should be noted under F. R. 208, this difference has occurred because it was reported under 428 by a mistake.

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 It should be accurately accounted for.

### 1.6.3 Statement of Financial Position

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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) It had been informed that if there are any non-financial assets that need to be further reported, they should be properly identified and accounted for at cost or estimated value in accordance with 8 of Guidelines No. 6 issued by the Department of State Accounts in relation to Public Finance Circular 02/2020. Nevertheless, actions had not been taken to take over 10 vehicles received from the Ministry of Irrigation on 18 December 2020 and 22 December 2020.</p>	<p>It has been noted to make arrangements in this regard and it is kindly informed that the actions would be taken to take over these ten vehicles soon.</p>	<p>Actions should be taken in accordance with circular provisions.</p>
<p>(b) Information on Fixed Assets related to Head No. 428 of the State Ministry of Development of Common Infrastructure Facilities of Settlements and Canals in Mahaweli Zones had not been entered into “CIGAS” software.</p>	<p>Fixed assets have been accounted for under the previous Ministry of Environment (160) and these assets have not yet been transferred to the State Ministry of Development of Common Infrastructure Facilities of Settlements and Canals in Mahaweli Zones. Actions will be taken to record the assets which should be recorded under 428 to the CIGAS Programme after conducting the Annual Boards of Survey.</p>	<p>Arrangements should be made to prepare in accordance with the provisions of the Finance Circular.</p>

#### 1.6.4 Deposits

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##### **Audit Observation**

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Even though 05 balances amounting to Rs. 66,414 brought forward as the opening balance of the account No. 6000-0-0-013-0-174-0 had exceeded 02 years, actions had not been taken to credit to the government revenue in terms of Financial Regulations 570 (c) and 571 (3). Further, it was observed that the age analysis presented with respect to the balances of the General Deposit Account was inaccurate.

##### **Comments of the Accounting Officer**

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Due to the Covid 19 epidemic that affected the entire world by the year 2020, the activities of state institutions had also to be limited, in Sri Lanka too, the attendance of employees in all state institutions was limited to 50 per cent. Similarly, the number of employees in the Accounts Division was limited to 03 officers with the establishment of new Ministries after the election in August 2020. Because of the reasons such as these it is accepted that the amount of Rs.66,414 that had exceeded 2-5 years in the opening balance of the 6000-0-0-013-0-174-0 , it had not been credited to government revenue and it is kindly informed that it was credited to the government revenue through the Account Summary March 2021 . It is also informed that the relevant balances would be credited to the government revenue in future after 06 months.

##### **Recommendation**

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It should be accurately accounted for.

### 1.6.5 Lack of Evidence for Audit

#### Audit Observation

The expenditure summary that explains the variance between the initial and revised expenditure estimates had not been submitted with the financial statements.

#### Comments of the Accounting Officer

There has been a transfer of funds from the expenditure object 428-1-2-1409 under F.R. 66 in between the expenditure objects due to insufficiency of provisions in 428-1-2-1506. Due to the increase in interests on property loans of officers who have been transferred in to the Ministry, an excess over expenditure had occurred. It has been stated in the Note ACA-2 (i) and it is accepted that the non-submission of ACC-2 (iii) summary of accounts explaining the variance in between the original and revised accounts estimates with financial statement is a mistake.

#### Recommendation

It should be accurately accounted for.

## 2. Financial Review

### 2.1 Expenditure Management

#### Audit Observation

The entire provision made for 06 expenditure objects under Program 01 and one expenditure object under Program 02 amounting to Rs. 2,100,000 had been saved.

#### Comments of the Accounting Officer

The savings had occurred due to the reasons such as limitation of expenditure due to the prevailing epidemic situation in the country, limitation of building repairs during the period from September to December, non-receipt of bills for reimbursement.

#### Recommendation

It should be properly planned before obtaining provisions.



- (b) There was a saving ranging from 30 per cent to 93 per cent in 10 expenditure objects under Programme 01 and a saving ranging from 25 per cent to 97 per cent in 05 expenditure objects under Programme 02. Accepted. -do-

## 2.2 Entered into Liabilities and Commitments

### Audit Observation

Even though a sum of Rs. 205,568 had been paid on 25 February 2021 by the voucher No. 83 for the purchase of tires and wheel balancing of a vehicle on 30 December 2020, that expenditure had not been stated under commitments and liabilities of the accounts.

### Comments of the Accounting Officer

That expense has not been copied to the statement of commitments and liabilities by a mistake and the subject clerk has been instructed to make sure that not to happen such things again.

### Recommendation

Action should be taken in accordance with the Public Finance Circular.

## 2.3 Certifications to be made by the Accounting Officer

### Audit Observation

The Accounting Officer should ensure that an effective internal control system for the financial control of the Ministry is being carried out in accordance with the Provisions of Section 38 of the National Audit Act No. 19 of 2018 and to conduct periodic reviews to monitor the effectiveness of such systems and accordingly make any

### Comments of the Accounting Officer

The post of Auditor has been approved for this Ministry and although the letters have been sent to the Ministry of Public Service, Provincial Councils and Local Government on several occasions, the post is still in vacant and the duties in this regard and the duties

### Recommendation

Actions should be taken in accordance with the Provisions of Section 38 of the National Audit Act No. 19 of 2018 .

alterations as required for such systems to be effectively carried out and even though such reviews should be made in writing and submit a copy to the Auditor General, the statements that such reviews were made had not been furnished to audit.

of this Ministry are also covered by the Audit Committee Meeting held by the Ministry of Irrigation.

**2.4 Non-compliance with Laws, Rules and Regulations**

The following non-compliances are observed.

Observation		Comments of the Accounting Officer	Recommendation
Reference to Laws, Rules and Regulations	Non – compliance		
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulation 429	Although the account books for the financial year 2020 have to be closed by 31 December 2020, actions had not been taken to close the vote ledgers of the State Ministry of Development of Common Infrastructure Facilities of Settlements and Canals in Mahaweli Zones.	Due to the Covid 19 epidemic that affected the entire world by the year 2020, the activities of state institutions had also to be limited, in Sri Lanka too, the attendance of employees in all state institutions was limited to 50 per cent. Similarly, with the establishment of the	Actions should be taken in accordance with Financial Regulations.

new Ministries after the General Elections in August 2020, there was no subject clerk for the vote ledger as the number of employees in the Accounts Division was limited to 03 officers and all work has to be done by the existing officers themselves. It is accepted that the actions have not been taken to close the vote ledgers and the relevant officers have been instructed to take actions to close the vote ledgers accurately.

<p><b>(ii)</b> Financial Regulation 756</p>	<p>The Annual Board of Survey had not been conducted.</p>	<p>The Annual Board of Survey has already begun and arrangements will be made to complete the Board of Survey activities as soon as possible.</p>	<p>Actions should be taken in accordance with Financial Regulations.</p>
<p><b>(b)</b> Section 16 (2) of National Audit Act No. 19 of 2018</p>	<p>The Annual Performance Report which should be submitted with the Annual Accounts submitted to the Auditor General in terms of Section 16 (2) of the National Audit Act No. 19 of 2018, had not been submitted for audit even by 05 April 2021.</p>	<p>Preparation of the Annual Performance Report as at 31 December 2020 has already been commenced. Actions are being taken to complete and submit as soon as possible.</p>	<p>Actions should be taken in accordance with the National Audit Act No. 19 of 2018 .</p>

## 2.5 Issuance and Settlement of Advances

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The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Even though the sub - imprests has to be settled within 10 days of the completion of the relevant task after the issuance of the sub- imprests in terms of Financial Regulations 371(5) , it was observed that there were delays in settlement of imprests ranging from 12 days to 173 days on 13 occasions .	The advance given for the entertainment have been provided for the year itself and those advances are not reimbursed monthly. Further, because of the Ministry was divided into three Divisions as two State Ministries and the Ministry of Irrigation and also the officers were directed to each Division and because of the limitation of the attendance of officers due to the Covid 19 epidemic, the settlement of these advances by those officers had delayed.	Arrangements should be made to settle the advances as soon as the task is completed.
(b) Although the issuing of sub- imprests should be made only to the staff officers in accordance with Financial Regulation 371 (2) (d), a sum of Rs.95,728 had been provided to non-staff officers as sub-imprests on 9 occasions.	There were not adequate staff officers under this Ministry and arrangements were made to make such advances to the appropriate officers on the staff at that time with the approval of the Secretary.	Actions should be taken in terms of Financial Regulations.

## 2.6 Deposit Balances

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**Audit Observation**  
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Even though the “Project on Integrated Watershed and Water Resources Management” which was implemented under the Ministry of Mahaweli Development and Environment Mahaweli Zone Canals and Settlements was taken under the custody of the Ministry of Public Infrastructure Development from September 2020 and its expenses were incurred through the General Deposit Account, a formal approval obtained to bear those expenses through the General Deposit Account was not submitted to audit.

**Comments of the Accounting Officer**  
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Although it should be handed over to the Ministry of Irrigation, due to the epidemic situation exists, the attendance of employees was limited to 50 per cent and the transfer of balances was delayed and as discussed over the phone with the Chief Financial Officer it had agreed to make further transactions through the General Deposit Account of this Ministry and the Department of National Planning also agreed. Further, the payments made for the relevant project in the deposit account were near to complete by now and there were only 08 vouchers remained to be paid further.

Subsequently, it has been informed by the end of November 2020 from the Letter No. NPD / PPPF / IWWRMP of the Department of National Planning dated 14/10/2020 that the payment of the Project should be completed and it has been stated again from the letter

**Recommendation**  
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Arrangements should be made to obtain formal written approvals when incurring expenses.

dated 27.11.2020 bearing the above numbers that all the payments of the Project should be completed by 10.12.2020 and the balance should be sent to the Department of National Planning. Accordingly, it was decided that the final works of the project would be done by this Ministry itself on the verbal instructions received from the Department of National Planning over the phone and on the verbal instructions received from the Chief Financial Officers of the Ministry of Irrigation and the activities have been completed handing over the final balance of the Project to the Department of National Planning on 10.12.2020.

**3. Operating Review**  
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**3.1 Losses and Damages**  
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**Audit Observation**  
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The statement on losses and damages and the statement on writing off from books had not been submitted with the financial statements.

**Comments of the Accounting Officer**  
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As this Ministry is a new Ministry which is being operational from September 2020, the statements of losses and damages have not been submitted on the absence of losses and

**Recommendation**  
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Actions should be taken in accordance with the Public Finance Circular.

damages to report. It is accepted that the failure of submission in the financial statements as they do not exist is a mistake.

**4. Human Resources Management**

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
Nine senior management level posts, 13 secondary level posts and 06 primary level posts had remained in vacant and there was an excess in one post.	The Ministry of Public Services, Provincial Councils and Local Government has been informed several times regarding the lastly approved and actual staff. Vacancies in Management Service Officers and Development Officers are being managed by graduate trainees.	Arrangements should be made to maintain the staff approved by the Department of Management Services.