

Head 242 -Department of Management services - 2024

1. Financial Statements

1.1 Qualified Opinion

Head 242- The audit of the financial statements of Department of Management services 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 the National Audit Act, No.19 of 2018. The summery report containing my comments and observations on the financial statements of the Department of Project Management and Monitoring was 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 relevant to the Department was issued to the Accounting Officer on 30 July 2025 in terms of Section 11(2) of the Audit Act. 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, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements of the Department of Management services for the year ended 31 December 2024 give a true and fair view on the financial position and its financial performance and cash flows and all the materialities in compliance with the basis of preparation of the financial statements set out in Note 01 related to the financial statements.

1.2 Basis for Qualified 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 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 use of the Department of Management services, the General Treasury and the Parliament in accordance with the Government Financial Regulations, 150 and 151 and State Accounts Guideline No. 06/2024 dated 16 December 2024 as amended on 21 February 2025. Therefore, these financial statements may not be suitable for other purposes. My report is intended only for the use of the Department of Management services, the 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 true and fair view in all materialities in accordance with the Government Financial Regulations, 150 and 151 and State Accounts Guidelines No. 06/2024 dated 16 December 2024 as amended on 21 February 2025, and for determining such internal control as 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 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 of 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 due to fraud or error and to issue an Auditor General'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 scepticism 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.

1.6 Opinion on the Financial Statements

1.6.1 Non-compliance of the financial statements with circular guidelines

Although the financial statements should have been prepared in accordance with the revised State Accounts Guidelines No. 06/2024 dated 16 December 2024, as amended on 21 February 2025, an instance of deviation from those requirements was observed as follows.

Audit Observation	Comments of the Accounting Officer	Recommendation
Value of Rs. 1,011,202, which should have been stated under capital expenditure under cash flows generated from investment activities in the Statement of Cash Flows, had been stated as the acquisition and construction of physical assets and other investment acquisitions.	Agreed. According to the financial statement formats introduced by the State Accounts Department, under the ACA-C format, the value of capital expenditure has been considered as “other investment acquisitions” in ACA-C format and aggregated to the total capital expenditure amounting to Rs. 1,011,202.	Action should be taken in accordance with the State Accounts Guidelines

1.6.2 Accounting Deficiencies

(a) Recurrent Expenditure

The following deficiencies were observed in the accounting of recurrent expenditure pertaining to the financial statements.

Audit Observation	Comments of the Accounting Officer	Recommendation
(i) According to the Treasury Computer Printout SA 11, an expenditure of Rs. 582,440 incurred by other Ministries and Departments under Object 242-1-1-0-1003 (Other Allowances) of F.R. 208 had not been included in the ACA 2(ii) Expenditure Statement submitted together with the financial statement.	Agreed. Due to mistake , the amount of Rs. 582,440 relating to Object 1003 under F.R. 208 was not included in the ACA 2(ii) Expenditure Statement	The expenditure under F.R. 208 should be correctly reflected in the ACA 2(ii) Expenditure Statement in accordance with SA 11.

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| (ii) | Although the expenditure under Object 242-1-1-0-1003 in the ACA 2(ii) Expenditure Statement was Rs. 34,980,163 according to the cash book, it had been reported as Rs. 35,562,603, resulting in an overstatement of Rs. 582,440. | In accordance with the response to (i) above, since the amount of Rs. 582,440 that should have been reported under F.R. 208 is included, the total expenditure of Rs. 35,562,603 under Object 1003 according to the Treasury Computer Printout SA 10 has been reflected in the total expenditure column, and therefore, no impact has arisen on the overall total. | The ACA 2(ii) Expenditure Statement should reflect the correct amount in accordance with the cash book. |
| (iii) | Although the expenditure on other goods and services (Note 6) amounted to Rs. 42,131,393 according to the Financial Performance Statement, it had been reported as Rs. 121,455,094 in the ACA 2(ii) Expenditure Statement, therefore difference of Rs. 79,323,701 were observed. | As there is no column to present the total in Note 5 of the Financial Statements prepared according to ACA 2(ii) format of the State Accounts Department, the total has been shown under (a). | The expenditure should be correctly reflected in the Financial Performance Statement. |

(b) Property, Plant and Equipment

	Audit Observation	Comments of the Accounting Officer	Recommendation
(i)	Although the value of non-financial asset disposals was Rs. 11,340, it had been reported as Rs. 100,340, resulting in an overstatement of Rs. 89,000.	The amount of Rs. 89,000 indicated through the audit inquiry represents a double entry to correct errors made during the inclusion of assets, and in the CIGAS system, this amount is shown under Error Corrections in the disposals list.	The value of non-financial asset disposals should be correctly reflected.
(ii)	Although the value of non-financial assets transferred to the Department by other institutions was Rs. 852,800, it had been reported as Rs. 941,800, resulting in an overstatement of Rs. 89,000.	That is, of the total Rs. 100,340, the Rs. 89,000 relating to error corrections is reflected accordingly, and this amount does not affect the net balance of non-financial assets.	The value of non-financial asset transfers should be correctly reflected

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 Expenditure Management

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Out of the total estimated provisions of Rs. 5,300,000 for one recurrent object and four capital objects, Rs. 3,503,236 remained unutilized, representing a range of 35 percent to 100 percent of the allocated provision	The provisions for these objects remained unutilized due to the transfer of officers who had obtained property loans, the non-receipt of property loans by officers as expected, and measures taken to control public expenditure in accordance with National Budget Circular No. 01/2024.	The annual estimates should be prepared accurately and realistically in accordance with F.R. 50
(ii) Out of the estimated provision of Rs. 400,000 for a recurrent object, Rs. 150,000 was transferred to another object under F.R. 66. Subsequently, Rs. 127,980 remained, representing 51 percent of the net provision.	The provisions remained unutilized due to the control of public expenditure in accordance with National Budget Circular No. 01/2024 and obtaining vehicle insurance coverage under minimal cost.	-Do-
(iii) The provisions for three recurrent objects had been increased by Rs. 2,250,000, representing a range of 33 percent to 44 percent, through F.R. 66.	Due to insufficient provisions allocated for unforeseen and unplanned foreign training expenditures, vehicle repair expenses, and machinery equipment repair expenses, it was required to transfer provisions for these expenditure objects through F.R. 66.	-Do-

3.2 Issuance and settlement of advances

Audit Observation	Comments of the Accounting Officer	Recommendation
According to the Department's cash book, a total of Rs. 581,244 was disbursed in October 2024 as advances for three officers for the election. However, this payment was not recorded in the advance ledger, and the payment of the advance was not revealed during the audit.	During the disbursement and utilization of advances for payment of election duties, as indicated several relevant transactions in the advance ledger were not updated as required.	Advances issued and utilized should be properly recorded in the advance ledger.

4. Operational Review

4.1 Planning

In accordance with Section 03 of the Public Finance Circular No. 02/2020 dated 28 August 2020, the following deficiencies were observed during the preparation and implementation of the annual action plan.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The expected output and anticipated outcome for each activity in the action plan were not specified. As a result, it was not possible to monitor the progress of the activities. During the review of progress prepared by the Department, the financial progress was presented in aggregate rather than being segregated by responsibility fields and activities. Similarly, physical progress was not shown separately for each activity and was presented only as a percentage by	The overall progress of all activities under the responsibility area of Public Sector staff and Industrial Management has been presented at the institutional level.	The action plan should be prepared in accordance with the guidelines in the Public Finance Circular.

responsibility field.
Accordingly, the accuracy
of the progress calculation
could not be verified
during the audit.

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| (ii) | The progress report had not been indicated that the responsibilities for the activities under the following responsibility fields specified in the action plan had been fulfilled. | No answers were provided in accordance to the audit paragraph. | Actions should be taken in accordance with the action plan. |
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(i) Under the responsibility
area of Public Sector Staff
and Industrial
Management

- Review of staff requirements
 - Kotelawala
Defense
University
 - Provincial Council
Staff
 - School based Staff
- Approval of posts
with specialized
knowledge identified
for projects funded by
domestic and foreign
funds.

(ii) Under the responsibility field of recruitment, promotion, and standardization of staff in state corporation , boards, and statutory bodies.	It is expected that the recruitment procedures for staff in the specified institutions will be carried out in the future.	Action should be taken to approve the recruitment procedures in the specified institutions in accordance with the audit paragraph.
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- Universities
- Ceylon Petroleum Corporation
- Road Development Authority

4.2 Failure to Perform Tasks

The following observations are made.

(a) Running the Data System

As the first step of the established Department of Management Services, it had been proposed to establish common data sources within the Department of Management Services and to integrate, update and centralize the data scattered among various agencies under the Department of Management Services as per the Circular No. DMS/E/1/99 dated 05 May 1999 of Secretary of Treasury and the Secretary of Finance and Planning and the need to maintain an information system about the public sector and

At present, two data systems are in operation at the Department of Management Services to maintain information on the approved and actual staff. It operates as a combination of a manual data system and a computerized database. The necessity of establishing an efficient Management Information System (MIS) has been identified, and for that purpose.

(i) Commencement of activities related to utilizing the specialized Human Resources Module (HR-Module) of the Integrated Treasury Management Information System (ITMIS), which is currently in operation at the General Treasury, as the data

Action should be taken in accordance with the plans without delays.

provincial public service employees had been recognized as the main tasks of the Department. Nevertheless, even though about 24 years had passed since the establishment of the Department by the end of the year under review, it was unable to establish a data system and maintain the relevant updated information.

system.

(ii) Action has been initiated, in collaboration with the Information Technology Management Department (ITMD) of the Ministry of Finance, to develop a computerized data system titled Cadre Management Information System (CMIS), pertaining to the approved cadre of Provincial Councils and State Enterprises.

(b) Running the actual staff information.

Even though the Department has been entrusted with the responsibility of maintaining and updating the public sector staff data system, reflecting changes in recruitment, resignations, leaving of posts, dismissals, retirements and deaths of officers in all public institutions as per Decision of Cabinet of Ministers dated 15 August 2017, It was not confirmed that the said responsibility had been fulfilled.

The Department of Management Services has informed that the information and data relating to the approved and actual cadre positions of public institutions have been duly provided to the Ministry of Finance for the preparation of the Annual Reports for the years 2020, 2021, 2022, 2023, and 2024, subsequent to 2019. It has further been stated that these Annual Reports, which include details pertaining to the cadre of public institutions, have been submitted to the Cabinet of Ministers and the Parliament within the prescribed timeframes.

Action should be taken in accordance with the decisions of the Cabinet of Ministers.

(c) It had stipulated to identify the minimum staff required to maintain the functions of government institutions at an optimal level and to report to the Director General of Management Services and based on that information

In accordance with the Management Services Circular No. 01/2017, the approved cadre for the Provincial Health Service, District Secretariat Offices, and Divisional Secretariat Offices has been determined based on the service requirements identified during

Action should be taken in accordance with the circular instructions

to determine the optimal staff required for each institution by a Staff Review Committee as per Management Services Circular No. 01/2017 dated 21 January 2017. Nevertheless, even though as at 31 December 2024, the Department had impossible to obtain staff review reports of 765 institutions out of 1027 government institutions. the staff review. Subsequently, both the academic and non-academic staff for universities , as well as the school-based cadre academic staff for national schools and provincial council schools have been approved. It has further been informed that, during the current year, notifications have been issued and actions are being taken to obtain the necessary information for conducting staff reviews in the Agriculture and Health sectors as well as the Provincial Councils.

4.3 Procurement Plan

Audit Observation	Comments of the Accounting Officer	Recommendation
A comparison between the estimated and actual expenditure of the procurement plan revealed that the expenditure for 02 objects had exceeded the estimated cost, while 04 objects had incurred costs lower than the estimated amount. It was also observed that no expenditure had been incurred for one object, although an estimate had been made for it.	Additional allocations had to be obtained due to unforeseen maintenance activities and machinery repairs. The non-receipt of stationery within the relevant period, failure to submit requests for the repair of fixed assets, and restrictions imposed on expenditure had resulted in saved provisions.	Estimates should be prepared accurately and realistically.

5. Human Resource Management

Audit Observation	Comments of the Accounting Officer	Recommendation
There were 91 posts in the Department and out of which, 12 posts had remained in vacant and it was consisted of six senior-level positions, four secondary-level positions, and two primary-level positions, all of	It is expected to fill the vacancies through future recruitments.	Actions should be taken to fill the vacancies.

which directly affect the department's performance. Accordingly, the department had not taken action either to fill the vacancies or to revise the approved cadre