

Head - 243 - Department of Development Finance - 2024

1. Financial Statements

1.1 Opinion

Head 243 - The audit of the financial statement of the Department of Development Finance 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, and notes to the financial statements, including material accounting policy information 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 Development Finance was issued to the Accounting Officer on 04 June 2025 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report pertaining to the Department was issued to the Accounting Officer on 04 August 2025 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, the financial statements prepared give a true and fair view of the financial position of the Department of Development Finance as at 31 December 2024 and its financial performance and cash flow for the year then ended in accordance with the basis of preparation of the financial statements set out in Note 1.

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 my report. I believe that the audit evidences 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

(i) Basis of preparation of financial statements

I draw attention 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 Development Finance, the Treasury and the Parliament in accordance with Government Financial Regulations 150 and 151 and Government Accounting Guidelines No. 06/2024 dated 16 December 2024, as amended on 21 February 2025. Accordingly, these financial statements may not be suitable for other purposes. My report is intended solely for the use of the Department of Development Finance, the Treasury and the Parliament of Sri Lanka.

(ii) Entered into commitments and liabilities

Attention is drawn to the Statement of Commitments and Liabilities (Annex iii) to the financial statements. The outstanding interest payable under the Senior Citizens Deposit Loan Scheme amounting to Rs.55,728,440,383 and the outstanding interest payable under the New Sapiri Rural Loan Scheme amounting to Rs.844,600,604 had not been included as liabilities in the financial statements as at 31 December 2024 and instead it had been disclosed through a note in the Statement of Commitments and Liabilities.

My opinion on these matters will not be modified.

1.4 Responsibilities of the Accounting Officer on Financial Statements

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 inadequate false statements that may result from fraud and error in accordance with In accordance with Government Finance Regulations 150 and 151 and Government Accounts Guideline No. 06/2024 dated 16 December 2024 as amended on 21 February 2025 is the responsibility of the Accounting Officer.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Department of Development Finance 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 for the financial control of the Department of Development Finance 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.

1.5 Responsibility on 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 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 exercised 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal control.
- Evaluate that the underlying transactions and events are appropriately and fairly included in the financial statements for the structure and content of the financial statements that include disclosures.
- 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.

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

2. Report on Other Legal Requirements

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) The recommendations made by me regarding the financial statements of the preceding year had been implemented.

3. Financial Review

3.1 Expenditure Management

Audit Issue	Management Comment	Recommendation
(a) During the year under review, additional provisions had been made through supplementary estimates for 04 recurrent and capital expenditure objects totaling Rs.48,823,212,000 or ranging from 14 percent to 163 percent of the estimated provision.	Agree	Actions should be taken to prepare the realistic estimates according to the need.

(b)	The transfer had been made through the total of Rs.1,065,155,600 was allocated from the allocation of 06 recurrent and capital expenditure objects, with allocation reductions ranging from 0 to 19 percent and the total of Rs.1,065,155,600 for 14 recurrent and capital expenditure objects has been increased by a range of 1 to 264 percent under Financial Regulation 66 during the year under review.	Agree	Do
(c)	During the year under review, provisions of Rs.16,180,000,000 had been made through supplementary estimates for 05 recurrent and capital expenditure objects for which there was no provision in the original estimates and Rs.5,132,600 had been made under Financial Regulation 66.	Agree	Do
(d)	Out of the total allocation of Rs.35,173,468,000 provided for 27 recurrent and capital expenditure objects to carry out the planned activities, a total of Rs.23,677,747,194 remained unspent and the balance ranged from 35 percent to 100 percent of the net allocation.	Agree	Actions should be taken to utilize the estimated provisions optimally and prepare realistic estimates in accordance with the requirements.
(e)	According to the audit test check, there were 03 vouchers with a total value of Rs.4,873,397,056 that were not signed by the approving officer using the official seal of the payment approval in accordance with F.R.137.	Actions have been taken to correct.	Actions should be taken to act as per the financial regulations

3.2 Entered into Liabilities and Commitments

	Audit Issue	Management Comment	Recommendation
(a)	Although the arrears of interest that can be charged as liabilities on deposits of senior citizens in terms of F.R.94 (2) should have been Rs.9,310,916,667, which is an average limit of 50 per cent of the amount provided during the past three years, the Department had exceeded that limit and had charged Rs.46,417,523,716 as liabilities for arrears of interest as of 31 December 2024.	Actions have been taken in accordance with government policies from time to time.	Actions should be taken to act as per the financial regulations.

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| <p>(b) The total of Rs.17,930,681 of 08 objects relating to the year under review had not been identified as payables in the financial statements.</p> | <p>Due to the facts that the liabilities were not recorded in the register due to an oversight, interest subsidy applications were received after the accounts were prepared and payments were entered in the ledger for the year 2025, they have not been recognized as liabilities in the financial statements. I will take steps to correct this.</p> | <p>Actions should be taken to identify all liabilities for the relevant accounting year.</p> |
| <p>(c) As per the Public Accounts Guidelines No. 06/2024 dated 16 December 2024, the financial statements should include Annex IV Statement of Liabilities Form I in the financial statements and although the liabilities incurred in accordance with Section F.R.94(2) and (3) relating to the accounting year should be indicated, actions had not been taken to proceed accordingly.</p> | <p>Actions were taken to correct.</p> | <p>Action should be taken as per circular instructions.</p> |

3.3 Deposit Balances

Audit Issue	Management Comment	Recommendation
(a) Although all overdue deposits should be credited to the relevant account or to the State Revenue or refunded as soon as possible as per Financial Regulation 571(2) and (3), a balance of Rs.1,077,683 remained in Deposit Account No. 6000-0-0-013-0-186-0 as of 31 May 2025.	Since payment for goods imported under the Indian credit facility is made up to 31.03.2025, the money deposited by the importers has been held in this deposit account until the other eligibility criteria required for issuing payment instructions are met and relevant reminder letters have been sent.	Actions should be taken to act as per the financial regulations.
(b) Although the balance in the payments column of the Department's general deposit account number 6000-0-0-013-0-186-0 was Rs.382,569,939, as it was Rs.13,206,697,892 according to the treasury books resulting there was difference of Rs.12,824,127,953.	Payments through this deposit account are made through Treasury prints and only the repayment to depositors is accounted through the CIGAS system of the Development Finance	Actions should be taken to make comparing treasury books and departmental books and make adjustments for differences.

Department, which has resulted in a difference of Rs.12,824,127,953. A request has been submitted to the Department of State Accounts to remove the notes related to payments to suppliers from the CIGAS system.

3.5 Public Officers' Advance Account

Audit Issue	Management Comment	Recommendation
Although the maximum debit balance limit of the Department authorized by the Appropriation Act was Rs.12,000,000, the actual limit at the end of the year under review was Rs.7,015,393 and the maximum debit balance limit not reached was Rs.4,984,607 or 42 percent of the approved limit. Accordingly, it is observed that the relevant estimates had not been prepared on a realistic basis.	The difference was due to the fact that several officers of the department took leave to be spent in the island and leave on abroad, the repayment of loans, the non-return of transferred officers, and the non-grant of loans to staff officers.	Actions should be taken to prepare estimates more realistically.

4. Operational Review

4.1 Delay in performing duties

Audit Issue	Management Comment	Recommendation
The Department had outstanding loan interest of Rs.1,364,636 payable to 03 financial institutions under the loan scheme implemented for organic fertilizer and organic pesticide and weedicide manufacturers as of 31 December 2024.	Audited loan subsidy applications regarding outstanding loan interest payable to the relevant banks for the year 2024 have not been sent to the Department of Development Finance by the relevant banks as of 31.12.2024.	Action should be taken to carry out the relevant tasks of the department as planned.

4.2 Procurements

Audit Issue	Management Comment	Recommendation
Although it was stated in the Public Finance Circular No. 05/2018 dated 23 October 2018 and No. 08/2019 dated 17 December 2019 regarding the introduction of the Public Electronic Procurement System to Public Institutions that the Public Procurement Entity should use the electronic procurement system when making procurements using the shopping method, the Department had procured procurement items totaling Rs.658,442 on 04 occasions in the year 2024 without taking action as per the above circular, using the shopping method.	Agree	Action should be taken as per circular instructions.

4.3 Assets Management

Audit Issue	Management Comment	Recommendation
According to the running charts of a vehicle belonging to the department, this vehicle was last driven on 29 May 2024 and it had been idle for almost a year without any repairs being carried out as of 10 April 2025.	Since this vehicle is surplus, actions are being taken to hand it over to a department that can carry out repairs.	The assets of the department should be used effectively and efficiently.

5. Human Resource Management

Audit Issue	Management Comment	Recommendation
11 out of the 59 approved posts in the Department, or 19 percent of the total posts, were vacant and 7 out of 23 approved posts at senior level, or 30 percent had been vacant herein at the end of the year under review.	Actions have been taken to fill vacancies according to the available office space.	Actions should be taken to fill vacancies or amend the cadre as appropriate.