

Head 186– Ministry of Digital Economy - 2024

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Head 186 - Ministry of Digital Economy 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 summary report containing my comments and observations on the financial statements of the Ministry of Digital Economy was issued to the Accounting Officer on 29 May 2025 in terms of Section 11(1) of the National Audit Act, No. 19 of 2018. The annual detailed management audit report in relation to the Ministry was issued to the Accounting Officer on 30 May 2025 in terms of section 11(2) of the National Audit Act, No. 19 of 2018. This report is tabled in Parliament in terms of Section 10 of the National Audit Act, No. 19 of 2018, read in conjunction with Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, the financial statements of the Ministry of Digital Economy 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 Opinion

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

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 Ministry of Digital Economy, General Treasury and Parliament in accordance with the 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 Ministry of Digital Economy, the General Treasury and the Parliament of Sri Lanka. My opinion is not modified on this matter.

1.4 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

The Accounting Officer is responsible for preparing financial statements that give a true and fair view in all materialities in accordance with the 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 in 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, 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 judgement and maintain professional scepticism 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 the Ministry's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- 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

1.6 Report on Other Legal Requirements

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

- (a) that the financial statements are consistent with those of the previous year,
- (b) that the recommendations I had made on the financial statements for the previous year had been implemented.

2. Financial Review

2.1 Expenditure Management

	Audit Observation	Recommendation	Comments of the Accounting Officer
i.	Supplementary provision amounting to Rs. 508,000,000 and provision amounting to Rs. 45,585,108 in 03 Objects, to which provision amounting to Rs. 444,700,000 was transferred under F.R. 66 had been saved.	The expenditure related to Objects should be estimated accurately and provision should be obtained.	Due to the non-operation of the Office of the state minister and due to non-implementation of the projects implemented under the ICTA Institute as a decision was taken to liquidate the Sri Lanka Information and Communication Technology Agency, the provision have been saved.
ii.	When it has been indicated that the estimates should be prepared as completely and accurately as possible with due regard to economy and efficiency in terms of F.R. 50, a total of Rs. 4,461,075,919 had been saved in 12 recurrent objects and 08 capital objects due to obtaining over-allocation according to the expenditure estimate prepared by the Ministry, and it had been in the range of 30 percent to 100 percent.	The annual expenditure related to the Objects should be estimated accurately.	Action will be taken to prepare expenditure estimates with a proper management in the future.

2.2 Entering into Liabilities and Commitments

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a)	According to National Budget Circular No. 01/2024 (12), all commitments and liabilities should be properly consolidated and reported to the General Treasury through the Treasury Information System and the new CIGAS System. However, the Ministry had not identified liabilities amounting to Rs. 324,471,887.	According to National Budget Circular No. 01/2024(12), all commitments and liabilities should be reported to the General Treasury.	It has been noted that such omissions will not occur in the future.

- (b) Although commitments and liabilities should be entered in to in terms of Financial Regulation 94 (1), the Ministry had entered in to commitments and liabilities amounting to Rs. 140,760,955 exceeding the provision in Object No. 1409. In terms of Financial Answers had not been Regulation 94 (1), submitted. commitments and liabilities should not exceed provision.
- (c) Although an amount of Rs. 9,596,543 had been paid to the Information and Communication Technology Agency under voucher number 2501/23, only Rs. 7,203,934 had been identified as liabilities in the financial statements. The value of liabilities Answers had not been should be accurately submitted. included in the financial statements.

3. Operational Review

3.1 Planning

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a)	Although 24 projects were planned to be fully completed by the end of the year under review as per the action plan and corresponding physical progress report, only 08 projects had been completed.	Action should be taken as per the annual action plan.	Answers had not been submitted.
(b)	Although provision amounting to Rs. 200 million had been estimated for the Electronic Payment System (GOVPAY) project, which was planned to be started in the year 2023 and completed by 31 March 2024, only an expenditure amounting to Rs. 89,000 had been incurred even by the end of the year under review.	Expenditure estimates should be prepared accurately and provision should be obtained.	As a preliminary step, 16 institutions were connected to the system and the amount spent on providing training to the 16 institutions had been Rs. 89,000 and the provision was saved due to incurring the remaining cost under the sponsorship of Lanka Pay.
(c)	Provision amounting to Rs. 531.95 million had been made to Sri Lanka Computer Emergency Readiness Team (SLCERT) for 11 projects and provision amounting to Rs. 510.48 million had been spent on 10 projects by the end of the year under review. Even though all the aforementioned 11 projects were scheduled to be completed by 31 December 2024, only 04 projects had been completed and 02 more projects were in the initial stages.	The planned tasks should be completed within the stipulated time as per the action plan.	The projects could not be completed due to the subsequent revision of the basic scope, which was the basis for one project, the absence of consultants with required qualifications for procurement, and the inability to obtain ISO 27001 certification.

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| (d) | The estimated cost for the Elevating CERT Technical Operational HR Proficiency of CERT project was Rs. 32 million and it was observed that Rs. 38.5 million, i.e. more than the estimated cost, had been allocated as provision for the year 2024. Although Rs. 35.6 million had been spent on this project as at 31 December 2024, its physical progress was 70 percent. | Expenditure should be accurately estimated and provision should be made. | Although the estimated expenditure of this at the beginning of the year had been estimated as Rs. 32 million, the procurement plan had been changed and additional provision amounting to Rs. 6.5 million had been approved by the third quarter as that provision was not sufficient. |
| (e) | Even though provision amounting to Rs. 27 million has been allocated through the annual budget for the year 2024 with the objective of initiating the Technology Diffusion Programme for a Digital Economy Project in the year 2021 under the estimated cost of Rs. 1002 million and finalizing it in the year 2024, any function had not been carried out in the year under review. | The planned work should be implemented properly as per the annual action plan. | Since there were no enough employees attached to this project in the year 2024, any level of physical progress could not be achieved. |
| (f) | Even though The ICT Solution for Government Analyst Department (GAD) project had been implemented with the objective of initiating it in the 2016 at an estimated cost of Rs. 40 million and completing it by 2018, it had been suspended when 75 percent of the project activities were completed as it was revealed that the system items created in it during the user acceptance testing phase had not been complied with the requirements of the institution. Even though it had been planned to launch this project after signing the expired contract in July 2023 to complete the remaining activities to re-implemented with KOICA grant assistance as 60 percent of those requirements were completed in the year 2023, only 05 percent of the physical progress had been reported even by the end of the year 2024, out of the remaining 15 percent that was to be completed within the first 02 quarters of the year 2024. | The functions planned according to the annual action plan should be completed within the stipulated time. | Since the consent to be received from the Government Analyst's Department had not been officially communicated, physical progress has not increased as planned even by the end of 2024. |
| (g) | Although provision amounting to Rs. 100 million has been allocated in the year 2024 for the Data Protection Authority, to which provision is made under the Ministry, its financial progress had been 6.1 percent, details of the physical progress as at 31 December 2024 related to its planned activities had not been submitted. | Reports in relation to the progress should be provided to the audit. | The recruitment activities of the staff will be carried out in the year 2025 and it is expected to utilize provision. |

3.2 Asset Management

	Audit Observation	Recommendation	Comments of the Accounting Officer
(a)	Although the balance included in the CIGAS programme as the balance of other machinery and equipment as at 31 December 2024 in the statement of non-financial assets (SA-82), has been identified, the value of 28 asset items available physically and owned by the Ministry had not been accounted.	The correct value of the asset items available physically should be accounted.	The items, received from ICTA at the time of the establishment of the Ministry, have not been included in the CIGAS system.
(b)	The Ministry has 02 pool vehicles bearing numbers PF – 2271 and KJ – 2658 and it was observed that these vehicles have been lying idly without utilizing them for about 06 and 07 months respectively.	Action should be taken to utilize the vehicles lying idly or to dispose of them with proper approval.	It was noted that one vehicle has been sent for repair work and since the engine capacity of the vehicle bearing number KJ – 2658 is 2986 CC, it cannot be used for normal pool duties.