

Overview

As per section 35 of the National Audit Act No. 19 of 2018, it is required to submit the work programme of the Auditor General for the forthcoming year. This is the forward programme for the year 2023, design to inform the Parliament, the audit of public entities coming under the purview of the Auditor General which include the financial statement audit coverage, performance audits, special audits and environment audits planned to be carried out and other activities planned to be performed during the year 2023. Sector wise public institutions audited by the Auditor General are given in Annexures 1- 61 counted 2,008 institutions.

Financial Statement Audit

The audit of accounts and financial statements of the public sector institutions can be identified as our core function. Including Ministries, Departments, Independent Commissions, District Secretariats and special spending units, all the other institutions coming under the purview of the Auditor General prepare financial statements consisting of statement of financial performance for the year, statement of the financial position as at the end of the financial year, statement of cash flows, accounting policies applied and notes thereto which reflect the state of affairs of such institutions. Our audit provides independent assurance to Parliament as to whether the financial statements gives true and fair view of the state of affairs of the institutions. This assurance is provided in the form of expressing an opinion on the financial statements. Four types of opinion are expressed, that is, the unqualified and qualified opinion, adverse opinion and the disclaimer of opinion which is expressed in instances of material uncertainty, disagreement with management over material audit issues or limitation of work.

Our financial audit is carried out in accordance with the Sri Lanka Auditing Standards (SLAuS) which is in line with the International Auditing Standards (ISA) and International Auditing Standards for Supreme Audit Institutions (ISSAI). The application of SLAuS is provided in section 5 of the National Audit Act No. 19 of 2018.

As per section 12 of the National Audit Act, the audit report on the financial statements of the public enterprises shall state;

- (a) whether the relevant information and explanations have been obtained reasonably, which in the opinion of the Auditor-General were necessary for the purpose for the audit;
- (b) whether the financial statements have been prepared in accordance the Sri Lanka Accounting Standards as may be determined by the Auditing Standards Committee, or Sri Lanka Public Sector Accounting Standards, as the case may be, so as to give a true a fair view of the financial position of the entity and the financial performance and the cash flows thereof;
- (c) whether the consolidated financial statements have been prepared in accordance the Sri Lanka Accounting Standards as may be determined by the Auditing Standards

Committee, or Sri Lanka Public Sector Accounting Standards, as the case may be, so as to give a true a fair view of the financial position of the entity and its financial performance and the cash flows of such entity and of its subsidiaries and associates as may be applicable;

- (d) whether any member of the governing body of such entity has any direct or indirect interest in any contract entered into by such entity, and if so, the nature of such member's interest and the Auditor –General's own views and comments thereon;
- (e) the reasons for expressing a qualified, disclaimer, adverse or similar audit opinion on the annual financial statements examined by the Auditor-General;
- (f) whether the auditee entity has or has not complied with any applicable written law or other general or special directions issued by the governing body of the auditee entity;
- (g) whether the auditee entity has performed according to its powers, functions and duties;
- (h) whether the resources of the auditee entity had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws; and
- (i) any other matter the Auditor-General considers necessary to achieve the purposes of the Act.

Our risk based audit methodology is developed to cover the above wide scope and to submit the report accordingly.

Methodology

The diagram below shows how the Audit produces streamlined.

The 'Audit Tasks' on the left of the diagram are the main phases of the Audit, showing the key objectives of mobilization, building evidence and completion. Embedded in all phases are expected working practices to ensure that the audit objectives are met.

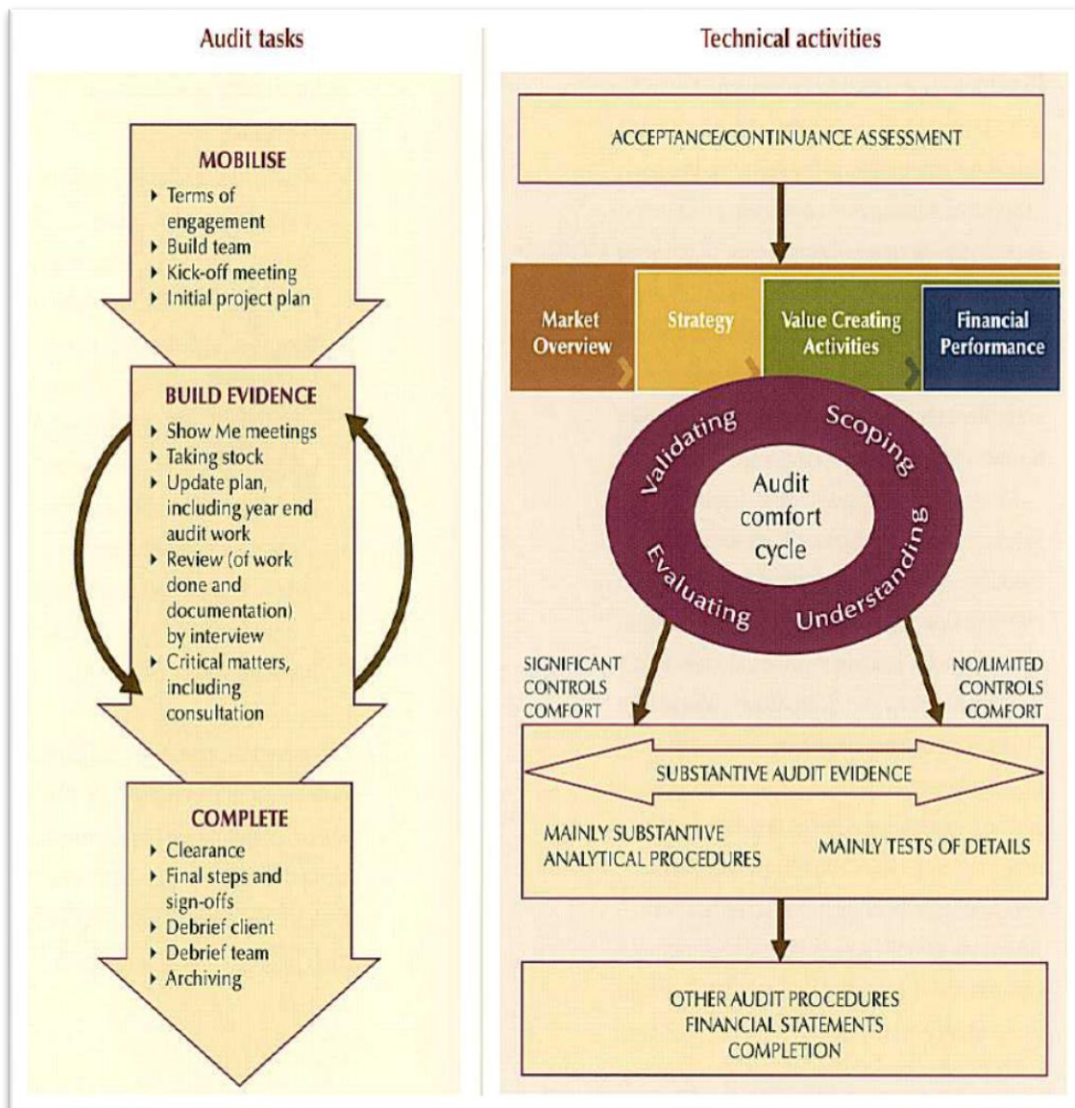
The 'Technical Activities' on the right of the diagram are the essential stages of the rigorous audit risk assessment and evidence-gathering processes.

Audit is an interactive process by which the audit team tests and retests and makes successive judgments about the reliability of management's assertions. Using the understanding of the Auditee, we form our own point of view on the business risks the client faces and evaluate the effectiveness of management controls. Throughout this process, we recalibrate our audit work to address the key risks that could result in any material misstatement of financial information.

The audit approach is designed to gain a deep understanding of clients, including:

- the environment in which they operate
- strategy and the risks
- key drivers and the performance metrics used by management.

This understanding helps us to form our point of view regarding audit risk, which drives the audit approach.



We identify, evaluate and validate management's control over the specific business and reporting risks that may affect the integrity of financial reporting. We then examine the effectiveness of the design and operation of the controls most relevant to our audit, including the reliability of the information generated from the entity's systems. The evaluation of management controls enables us to determine what additional audit procedures are necessary to reduce the risk of material misstatement to an acceptable level. This involves rigorous analytical procedures and detailed substantive tests.

The combination of controls and substantive testing provides the basis for conclusions regarding financial statements.

An effective audit is based on thorough understanding of client's business and all critical elements of management control over financial reporting. But, there is another element to the audit process, the compliance with the relevant accounting standards (Sri Lanka Accounting Standards/ Sri Lanka Public Sector Accounting Standards when preparing and presenting the entity's financial statements. This also be received considerable attention during our audit.

We consider continuous communication intrinsic to achieving a high quality audit. As a consequence, a forthright dialogue between the audit team and management is an important element of the methodology. As part of that dialogue, the audit team conveys its insights and observations about:

- the scope of audit procedures
- risk and controls
- financial reporting
- governance
- other key audit matters

through audit queries.

We have applied our own interpretations, policies and guidance on how to apply these standards in practice, and then developed a range of tools and templates, to ensure the efficient and effective application of our policies and guidance by audit teams.

Standard audit programs consist of a number of mandatory steps that must be performed on all audit engagements to demonstrate compliance with Auditing Standards, other risk management or quality standards.

The key process in audit planning is determining the appropriate audit steps for an efficient and an effective audit. The audit methodology encompasses several practice aids and steps to do this.

The ***Business Analysis Framework (BAF)*** is used to obtain an in-depth understanding of the entity's operations and to assess audit risk. Using the BAF, the auditor compares the point of view that has been formed on business risks to management's view, both will help to assess management's risk analysis and control environment and also to develop an appropriately tailored audit approach to address those risks.

The ***Audit Comfort Cycle*** is the approach to assess risk, to build evidence about the effectiveness of controls and decide what further substantive evidence is needed. This comprises four phases, namely **scoping** as to how the audit should focus the audit working, **understanding** the managements functions and the internal controls implemented, **evaluation** of the management process of running the business and **validating** the assessment to ensure that the controls designed by the management to achieve objectives and management of risk are operating effectively. The Audit Comfort Matrix (ACM) is the main record of key audit planned responses prepared on the basis of information available at the outset of the audit and subject to gradual updating as the audit progresses. This serves as a record of item-wise evidence on the financial statements and assertions gathered during the audit process.

Our audit methodology is also include to conduct performance and operational review with regard to these public institutions coming under the purview of the Auditor General to a certain extent specially the performance of achieving the objectives and goals in the Corporate Plan and the Annual Action Plan. The observations are also included in the Reports.

To fulfill the requirements in the National Audit Act, we prepare three types of reports to be submitted to the Auditee institution to published in their annual report as well as to be informed to take corrective action and a separate report to be tabled in Parliament directly by the Auditor General. The expected timeline and the number of reports that will be submitted by the Auditor General to the Auditee institution and to the Parliament is given below.

Institution Category	Number of institutions	Time line		

		Detailed Management Audit Report to be submitted to the auditee institution by	Summary Audit Report to be published in the Annual Report	Report to be tabled in Parliament by the Auditor General
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State Banks	09	On or Before 31 th August 2023	Within 3 months of the receipt of the approved financial statements	On or Before 31 October 2023
Statutory bodies	204	On or Before 31 th August 2023	Within 3 months of the receipt of the approved financial statements	On or Before 31 October 2023
Companies	125	On or Before 31 th August 2023	Within 3 months of the receipt of the approved financial statements	On or Before 31 October 2023
Statutory and other Funds	64	On or Before 31 th August 2023	Within 3 months of the receipt of the approved financial statements	On or Before 31 October 2023
Foreign Funded Projects	111	On or Before 30 June 2023	On or Before 30 June 2023	On or Before 31 October 2023
Local Authorities	341	On or Before 31 th August 2023	Within 5 months of the receipt of the approved financial statements	On or Before 31 October 2023

Sport Associations	66	On or Before 31 th August 2023	Within 3 months of the receipt of the approved financial statements	On or Before 31 October 2023
Agrarian Service Centres	565	On or Before 31 th August 2023	Within 3 months of the receipt of the approved financial statements	On or Before 31 October 2023
Ministries	29 *	On or Before 31 th May 2023	On or Before 31 th May 2023	On or Before 31 October 2023
Departments	117 *	On or Before 31 th May 2023	On or Before 31 th May 2023	On or Before 31 October 2023
District secretariats	25	On or Before 31 th May 2023	On or Before 31 th May 2023	On or Before 31 October 2023
Provincial Councils	09	On or Before 31 th May 2023	On or Before 31 th May 2023	On or Before 31 October 2023
Provincial Special spending units, Ministries and departments	273 *	On or Before 31 th May 2023	On or Before 31 th May 2023	On or Before 31 October 2023
Institutions Established under provincial council statutes	70 *	On or Before 31 th May 2023	On or Before 31 th May 2023	On or Before 31 October 2023

*based on the data year 2022

Performance audit

Conventional financial auditing expresses an opinion on the financial position and financial outcome of an accounting unit as well as the accuracy and fairness of the disclosures required, and the performance audit concludes that whether the particular government, agency, a program project, expenditure unit or a process has achieved the intended purpose. Relevant recommendations will be made to correct any audit observations that may be made.

In addition to financial issues in particular, special areas of social issues are covered in performance audits and are evaluated based on identified criteria.

Performance audits are carried out under my direction in accordance with the provisions of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka and Sections 3 (1) (d), 5 (2), 12 (h) of the National Audit Act. Audit topics selected by the Performance Audit Unit and at the level of Audit Branches and the audit topics that are of timely importance and need as well as the specific areas determined by the Committee on Public Accounts and the Committee on Public Enterprises as well as by me and Performance audits are conducted on those audit topics.

Accordingly, the performance audit topics carried forward from the previous year were completed in the year 2022 and reports related to 08 of them were tabled in Parliament. Out of them, the performance audits related to 03 topics were performed by the performance audit division and 05 topics were performed at the branch level. Out of the 05 topics proposed to implement by the Performance Audit Division in the year 2022, the scope of 01 topic was expanded and started in the year 2022. The final report of one of those topics will be submitted in the year 2022. Also, instead of the performance audit related to the evaluation of the public sector mechanism for the effective use of organic fertilizers, special audit reports were tabled in the year 2022 under the 02 issues of procurement of organic fertilizers and procurement and distribution of nano fertilizers. Further, a special report on the utilization of containers owned by the port and customs was issued instead of the topic related to use of land owned by the Port, and a special audit was conducted and a report was issued instead of the performance related to the maintenance of aircrafts of Sri Lankan Airlines.

Out of the topics proposed to conduct at the branch level in relation to the year 2022, the topic on the printing and distribution of textbooks is under a special report and the audit related to the performance of the program to increase to 1000 national schools will be started in the year 2022 and will be completed in the year 2023. Three broad scope performance topics have been identified related to the benefits from foreign loan projects of S.L.T.B and Sri Lanka Railways Department, performance audit related to the procurement of ongoing projects in the transport sector through local and foreign investments and performance of the workshops of S.L.T.B and planned to commence in the year 2022 and expected to completed in the year 2023 covering the 03 topics of performance audit.

The following performance audit topics were submitted and approved by the Auditor General on 18 October 2022 and are expected to be completed by the year 2023.

01. Evaluate the performance of Tax Income Collecting System of Inland Revenue Department.
02. Performance audit on the administration and use of government quarters and circuit bungalows under the Ministry of Public Administration, Home Affairs, Provincial Council, and Local Government.
03. Evaluate the contribution of the Office of the Commissioner General of Rehabilitation for the socialization and rehabilitation of drug addicted prisoners. (Performance audit)
04. Evaluate the performance of the Ministry of Disaster Management and related institutions in relation to the natural disasters in Sri Lanka.
05. Performance audit of the reuse of equipment transferred to the universities and other institutions procured under research grants by the National Science Foundation.
06. Performance audit of evaluation the contribution of training institutions in creating a skilled workforce suitable for the local and international employment market.
07. Performance audit of the Program to Increase the Number of National Schools to 1000.
08. Performance evaluation of maximum capacity utilization of the S.L.T.B bus fleet.
09. Performance audit to evaluate the services received by the passengers against the provisions spent on maintaining the railway service.
10. Performance audit on modernization of railway communication system project.
11. Performance audit related to the “Adarsha Gammana” project constructed by National Housing Development Project.

12. Evaluate the performance of Tourism Development Authority's tourism projects and tourism areas in contributing to the tourism industry.
13. Performance Audit on Empowerment of Samurdhi Beneficiaries through Implementation of Samurdhi Subsidies and Various Livelihood Programmes.
14. Performance audit of private health service regulatory process in Sri Lanka.
15. Evaluate the institutional Performance in Implementation of Sustainable Development Objectives.
16. Evaluate the institutional role relevant to the upliftment of the export sector.
17. Performance evaluation of implementation of e-government service.
18. Performance audit of housing projects of the “Api wenuwen Api” Fund.
19. Performance audit related to establishment of the National Register of Persons and the issuance of the electronic National Identity Card Project.
20. Performance Audit of Procurement of Materials of Building Construction and procurement of supplies of the Central Engineering Services Pvt. Ltd. affiliated to Central Engineering Consultancy Bureau.
21. Performance audit of the progress of projects undertaken by the Construction Division of the State Engineering Corporation.
22. Performance audit related to capacity utilization of factories of MILCO Company.
23. Performance audit of execution of the functions in the Protection of Consumers by the Consumer Affairs Authority.
24. Evaluation of the performance of execution of the functions of the Ministry of Commerce and related institutions in providing essential food at a reasonable price in a hyperinflationary situation.
25. Performance Audit of Graphite Mining, Usage and Revenue Generation in Sri Lanka.
26. Performance audit on recovery of compensation for environmental damages caused by shipwrecks in the maritime area.
27. Evaluate the performance of the mechanism of cutting elephant trenches as a remedy for the human elephant conflict.
28. Evaluate the participation in researches in the university system and evaluate the contribution of research reports to national development.

Environmental audit

An environmental audit is a performance, compliance, or financial audit of a particular environmental issue or economic policy or program, as well as the approach taken by the agencies responsible for their performance in managing environmental issues.

Issues such as pollution, water, air, biodiversity, as well as soil degradation, groundwater depletion, water pollution, marine and coastal pollution, deforestation, air quality and pollution and hazardous pollution are discussed here.

This environmental audit is based on the legal provisions received for a performance audit as well as the ISSAI 5110,5120,5130 and 5140 bases under international audit standards.

The environmental audit reports related to the 03 topics proposed for the year 2022 and the 03 topics brought forward from the year 2021 to the year 2022 are expected to be completed in the year 2022 and the proposed environmental audits for the year 2023 are as follows.

01. Consideration of import of electric motor vehicles, usage and environmental friendliness.
02. Environmental audit related to the desilting process of hydroelectric generation reservoirs in Sri Lanka.

Special Audits

In addition to financial, performance, investigation, forensic and environment audits carried out by me, special examinations on current areas/incidents of national significance are carried out and special audit reports issued in terms of Section 13 of the National Audit Act. A special audit investigation is carried out by me on specially identified areas/incidents and reports tabled thereon. Moreover, special audit reports are issued as well in response to written requests made to me by the Committee on Public Accounts, Committee on Public Enterprises, institutions of judicial nature and by other parties on various legal provisions to carry out examinations in regard to specific areas/incidents.

Special audit reports on fields/incidents decided by me, will be issued within the period appropriately determined by me on the respective audit assignment while reports issued in

response to requests will be issued within the period of requests made. Reports which cannot be issued on the expected date due to difficulties in obtaining information and response from audit institutions or external parties and subject to periods taken for responding to public complains which cannot be forecasted, received by me in terms of Section 4 of the National Audit Act, will be issued before the first halfyear of the ensuing year. In addition to audit observations, recommendations and conclusions will be included as appropriate in these special audit reports.

However, audit opinions relating to financial statements were published and tabled in Parliament even within the restrictions due to Covid pandemic situation that prevailed in the year 2021 and priority was given to matters such as subjects of other special audit reports on current requirements and requests despite non-inclusion in the Work Program 2021. Therefore, the matters of 29 special audit reports planned to be commenced in the said year could not be carried out as expected. Further, the expected tasks could not be performed as specified in the year due to the economic crisis prevailing in the country in the year 2022. As such, special audit reports of which could not be commenced/completed and special audit reports on the following subjects identified by me in view of the current situation will be expected to be implemented in the year 2023.

Special audit reports expected to be tabled in the year 2023

1. Special audit related to the gas procurement by Litro Gas Company.
2. Special audit related to goods and materials presently retained in Sri Lanka Customs and Ports.
3. Special audit on the defects and irregularities could be occurred in the computer system of the Motor Traffic Department.
4. Special audit on the present situation of Mattala, Palali, Kankasanthurai and Ratmalana International Airports.
5. Special audit of capability of manufacturing of chlorine in locally.
6. Evaluate the contribution of vocational training institutes in creating a skilled workforce suitable for the local and foreign job market.
7. Special Audit on Central Expressway Project

8. Special audit related to the program of sending Sri Lankan workers for employments in Korea on the basis of the work permit system
9. Special Audit on Handling of Complaints received by the Special Investigation Unit of the Bureau from 2018 to 2022
10. Special Audit on Locally Funded 100,000 km Road Programme.
11. Special Audit on Ruwanpura Expressway Project.
12. Special Audit on Determining the requirement and Distributing of Textbooks for Main Subjects of Years 6, 7, 8, 9 in Government Schools.
13. Special audit on income and expenditure management of state media institutions and future existence of those institutions.
14. Special audit on present situation of Lotus Tower project.
15. Special Audit on Colombo Wastewater Management Project and Investment Program 2 and 3 for Wastewater Management.
16. Special Audit of Acquisition of Government and Private Lands in Colombo District by Urban Development Authority and Utilization of those lands for the Acquired Purposes.
17. Special audit on the management of land acquired for the Colombo Flood Control Project.
18. Special audit on recent Investment Promotion Zones implemented by Board of Investment of Sri Lanka.
19. Special Audit on Utilization of Government Vehicles
20. Special audit on evaluating the role of Public Enterprises Department in supervision of public enterprises.
21. Special audit on management of overcrowding in the prison system.
22. Special audit on execution of functions of Public Service Commission.
23. Special audit on the determination and payment of compensation to the fishing industry affected by the shipwrecked of MV Express Pearl.
24. Special Audit on Petroleum Procurement by Sri Lanka Petroleum Corporation.
25. Special Audit on Land Acquisition, Compensation payment and Resettlement of Moragahakanda Kalu Ganga Reservoir Project.
26. Special audit on release of land for development activities in Mahaweli B zone and utilization in planned development activities.

27. Special audit on 2023 turn to the relevant objectives in the selection of investors for investments under the Board of Investment of Sri Lanka.
28. Special Audit on Use of Vehicles in Armed Forces.
29. Special audit on payment of allowances to the officers of the Department of Government Printing.
30. Performance of recovery of due tax revenue as on 31.12.2021

In addition to these reports, I expect to carry out examinations and report to Parliament during the year 2023, on transactions and areas which should be subjected to a special examination on requests made by the Parliamentary Committee on Public Enterprises and Committee on Public Accounts, as and when required.

Other Assurance Engagements

Several other assurance engagements requested by the public entities that need to be performed by the statutory auditor as per the provisions in the respective Acts and directives issued by the Central Bank of Sri Lanka (CBSL). Fact finding report on the compliance with the corporate governance code issued by the CBSL with regard to Banks and other financial institutions, review report of directors' statements on internal control over financial reporting with regard to banks and financial institutions and Notional Tax certification are also planned to be performed during the year 2023.

Assistance to Parliament

One of the responsibilities of the Auditor General is to assist Parliamentary oversight Committees on Public Accounts and Public Enterprises to examine the manner in which the public sector institutions are managed with a view to improving the quality of governance, and to assess the situation and ensure the public accountability.

The two Committees regularly hold hearings based on the Auditor General's reports tabled in Parliament and taking evidence from the senior officials responsible for managing resources in their Institutions.

During the year 2023 Auditor General and his staff will actively participate and assist the Committee on Public Accounts (COPA) to examine Ministries and Departments and the Committee on Public Enterprises (COPE) to examine Public Enterprises as decided by the respective oversight committees in the form of preparing brief discussion notes based on the audit reports.

Assistance for Improvement

Auditor General's reports are sent to the Heads of the Institutions concerned such as Secretaries to Ministries (Chief Accounting Officers), Heads of Departments (Accounting Officers), Chairmen of Public Corporations and statutory Boards (Accounting Officers), Chairmen of State owned Companies (Accounting Officers) and Heads of Local Authorities (Accounting Officers), etc.

Some of these reports are made in conformity with specific statutory requirements such as, in the case of Public Corporations, the statutory reports are furnished in terms of Section 13(7)(a) of the Finance Act, No. 38 of 1971, to the Chairmen of Corporations and with regard to Ministries and Departments to the Chief Accounting Officer or the Accounting Officer as per section 11(2) of the National Audit Act No. 19 of 2018. These detailed management audit reports include recommendations which will help the management to rectify or improve themselves.

The roles and functions of audit and management are complementary to each other and the aims, purposes and objectives of the both are identical in the context of public accountability. A study of audit reports, specially the detailed reports would enable the managements to identify the deficiencies, shortcomings and irregularities prevailing in their domain, and to determine the needed corrective action to be taken and to effect improvements. It is, therefore, the responsibility of the management to endeavour to achieve the predetermined goals and objectives having due regard to economy, efficiency, regularity and propriety as manifested where the Auditor General makes a constant review and an objective assessment for reporting to take corrective measures needed to pave the way for enhancing the public accountability.