

## Head 02- Prime Minister's Office

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### 1. Financial Statements

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#### 1.1 Audit Opinion

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The audit of the financial statements of the Prime Minister's office for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 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 including my comments and observations on the financial statements of the Prime Minister's Office was issued to the Chief Accounting Officer on 31 May 2019 in terms of Section 11(1) of the National Audit Act No.19 of 2018. The Annual Detailed Management Report relating to the Prime Minister's Office was issued to the Chief Accounting Officer on 31 May 2019 in terms of Section 11(2) of the National Audit Act. This report is furnished to Parliament in terms of Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with the National Audit Act No.19 of 2018.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Prime Minister's Office as at 31 December 2018, and of its financial performance and its cash flows for the year ended in accordance with Generally Accepted Accounting Principles.

#### 1.2 Basis for the Audit Opinion

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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 evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### 1.3 Responsibility of the Chief Accounting Officer for the Financial Statements

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The Chief 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 Section 38 of the National Audit Act no.19 of 2018.

As per Section 16(1) of the National Audit Act No.19 of 2018, the Prime Minister's Office 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 by the Prime Minister's Office.

The Chief Accounting Officer should confirm that an effective system of internal control is prepared and maintained for the financial control of the Prime Minister's Office in terms of

Section 38(1)(c) of the National Audit Act and a review on the effectiveness of the system is made from time to time and as such, necessary changes are being made to effectively carry out the system.

#### **1.4 Auditor's Responsibility for the Audit of 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 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. Misstatement 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 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 tasks, 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 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 Prime Minister's Office'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 Chief Accounting Officer regarding, among other matters, significant audit finding, including any significant deficiencies in internal control that I identify during any audit.

## 1.5 Report on Other Legal; and Regulatory Requirements

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

- (a) The financial statements of the year under review could not be reconciled with the preceding year on not having a requirement of preparing financial statements relating to the preceding year.
- (b) The recommendations on the financial statements are not furnished by this report on not having a requirement of preparing financial statements relating to the preceding year by the Prime Minister's Office.

## 2. Financial Review

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### 2.1 Expenditure Management

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The following observations are made.

<b>Audit Issue</b>	<b>Recommendation</b>	<b>Comment of the Chief Accounting Officer</b>
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(a) Savings of provisions of each Object relating to 33 Recurrent Objects were ranging from 21 per cent to 100 per cent and those savings had been 50 per cent of the Total Net Provision.	The Annual Estimates should be prepared in a realistic manner.	Savings of the provisions had been made due to taking steps in every possible instance to manage in a manner that minimizes expenses and not incurring the intended expenditure and not being able to execute the planned activities on conditions that could not be controlled.
(b) Supplementary Provisions amounting to Rs.177,000,000 had been obtained for a Recurrent Object and 67 per cent of that provision had been saved.	-do-	Savings of provisions had been occurred on not being able to implement the planed programmes due to conditions that could not be controlled.

## 2.2 Issuance and Settling of Advances

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The following observations are made.

Audit Issue	Recommendation	Comment of the Chief Accounting Officer
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A loan balance amounting to Rs.202,366 recoverable from a period of 02 years from the interdicted Officers remained.	That, outstanding loans should be recovered without a delay in terms of the Circular.	That, action had been initiated to recover the Distress Loan Balance amounting to Rs.199,866 and its Interest from the two guarantors of the debtor from May 2019 and that action to settle the Festival Advances amounting to Rs.2,500, had been carried out.

## 3. Operational Review

### 3.1 Non- executions of Functions

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The following observations are made.

Audit Issue	Recommendation	Comment of the Chief Accounting Officer
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(a) The functions of the establishment of 2500 Rural State Units and the establishment of the Public Service Delivery Authority had not been executed.	Action should be taken to execute the functions mentioned in the Action Plan as intended.	That, matters relating thereto had not been maintained for the future on various programmes and functions had to be executed on the basis of priority.
(b) Even though it had been scheduled to sign the Agreements necessary to implement the Land Administration Project in December 2018 by the Millennium Challenge Corporation Project Office, action had not been taken accordingly.	-do-	That, approval had been obtained by including the activity identified relating to the Project to the Action Plan, by analyzing the initial Agreement and the Project Proposals as mentioned in the Action Plan by including it as an activity of the year 2018.
(c) The initial performance	-do-	That, action had been taken to

under the function of the Development of International Corporation had been 4 per cent.

report the information that could be pre- planned relating to the functions executed in the year as Activity 02 in the Action Plan and to report the Progress by Chapter 03 of the Performance Report.

- (d) The Financial -do- Performance under the functions of National Reconciliation, Religious Affairs and Social Services had been only 47 per cent.

That, the Estimates and the performance made relating to the sum of Rs.26.1 million incurred in this connection had been explained in Chapter 05.

#### 4. Human Resources Management

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The following observations are made.

<b>Audit Issue</b>	<b>Recommendation</b>	<b>Comment of the Chief Accounting Officer</b>
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Eighty- seven or 25 per cent of the total approved staff remained vacant and it was observed that 10 vacancies or 11 per cent of employees remained vacant in the Senior Level.	Action should be taken either to fill those vacancies in the instance where remaining vacancies adversely affects towards the performance of the Institution or to abolish those posts.	That, action had been taken to make the necessary revisions by paying constant attention relating to the vacancies remaining in the approved cadre.