

## **Head 02- Prime Minister's Office**

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### **1. Financial Statements**

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#### **1.1 Opinion**

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The audit of the financial statements of the Prime Minister's Office for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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. In terms of Sub-section 11(1) 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 Accounting Officer on 08 June 2020. In terms of Sub-section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the Office was issued on 16 December 2020 to the Chief Accounting Officer. This report which should be read in conjunction with Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka is submitted to Parliament in terms of Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, the accompanying financial statements prepared in accordance with the provisions of the State Accounts Circular No. 271/2019 dated 03 December 2019 give a true and fair view of the financial position of the Prime Minister's Office as at 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### **1.2 Basis for 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 opinion.

#### **1.3 Responsibilities of Chief Accounting Officer for the Financial Statements**

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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 provisions in Section 38 of the National Audit Act, No.19 of 2018 and for such internal control is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-section 16(1) of the National Audit Act No. 19 of 2018, the 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.

As per Sub-section 38 (1) (c) of the National Audit Act, the Chief Accounting Officer shall ensure that effective internal control system for the financial control of the Office exists 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.

#### **1.4 Auditor's Responsibilities for the Audit of the 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 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, 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 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 the 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 structure and content of the financial statements containing the disclosures and the transactions and events that underlie the financial statements in an appropriate and reasonable manner.

I communicate with the Chief Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## 1.5 Report on Other Legal Requirements

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As required by Sub-sections 6 (1)(d) and Section 38 of the National Audit Act, No.19 of 2018, I state the followings.

- (a) That the financial statements are consistent with the preceding year,
- (b) The recommendations made by me on the financial statements furnished in the previous year had been executed.

## 2. Comments on Financial Statement

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### 2.1 Expenditure Management

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The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) The provision totalling Rs.742,698,537 had been saved out of the total net provision of Rs.776,600,000 for capital expenditure in 12 Object Codes during the year under review. It ranged from 69 per cent to 95 per cent of the net provision.	The requirement to take steps to maximum utilization of annual budget provisions	It was informed that the provisions had saved due to advising to keep the recurrent expenses to a minimum level by National Budget Circular No.04/2019 of the Ministry of Finance and 25 per cent of the allocations made for capital expenditure had blocked by the National Budget Circulars Nos. 03/2019 and 05/2019 of the Ministry of Finance.
(b) The provision totalling Rs.48,403,681 had been saved out of the total net provision of Rs.88,650,000 for recurrent expenditure in 28 Object Codes. It ranged from 24 per cent to 98 per cent of the net provision.	-do-	-do-

- (c) The provision totalling Rs.610,100,000 in 07 capital Object Codes and the provision totalling Rs.6,250,000 in recurrent Object Codes had been saved totally. It had included an Object Code obtained supplementary provisions. -do- -do-

### 3. Operational Review

#### 3.1 Non-achievement of Functions

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) The Land Administration Project and the Transport Development Project under the Millennium Challenge Corporation Project Office had not been implemented during the year under review.	The requirement to execute planned functions accordingly	Although allocations were made for the projects, it had been informed that they were not implemented properly due to the prevailing situation in the country and the nature of the projects.
(b) The progress of the Japan-Sri Lanka Joint Comprehensive Partnership Secretariat (JCPS) had not been mentioned in the performance report.	The requirement to report progress about the work done accordingly	Although allocations were made for the projects, it had been informed that they were not implemented properly due to the prevailing situation in the country and the nature of the projects.

**4. Human Resource Management**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
At the end of the year under review, there were 85 out of total staff or 23 per cent of the approved cadre were vacant and there were 55 senior level vacancies in it. It was 15 per cent of its approved cadre.	The requirement to fill those vacancies if they are adversely affecting to the performance or to revise the approved cadre if they are not affected.	It had been informed that this situation is correct and the recruitment of staff is being done after reviewing the required staff for the Office by preparing a new organizational structure and obtaining the approval of the Treasury.