

## **Head - 16 Parliament**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Parliament for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 Parliament was issued to the Chief Accounting Officer on 05 July 2021 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report was issued to the Chief Accounting Officer on 05 August 2021 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report is presented to Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Parliament as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### **1.2 Basis for Qualified Opinion**

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My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements are 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 Responsibilities of the Chief Accounting Officer and the 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 provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that 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 Parliament 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 Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Parliament 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 Responsibility 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 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:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parliament's internal control.
- Evaluate the 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.
- Evaluate the overall presentation, structure and content of the financial statements including 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 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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I express the following matters in terms of Section 6 (1) (d) of the National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year
- (b) The recommendations made by me on the financial statements of the preceding year had been implemented.

**1.6 Comments on Financial Statements**  
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**1.6.1 Statement of the Financial Position**  
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**(a) Property, Plant and Equipment**  
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The following matters were revealed during the accounting of the Property, Plant and equipment.

<b>Audit Observation</b> -----	<b>Comments of the Chief Accounting Officer</b> -----	<b>Recommendation</b> -----
(i) Contrary to paragraph 3 of the Public Accounts Circular No. SA/AS/AA/Circular dated 24 January 2013, Madiwala Housing Complex owned by Parliament, General’s House in Nuwara Eliya and lands and buildings belonging to Anuradhapura Meth Sevana had not been assessed and accounted for.	Although the Valuation Department has been requested to assess the assets of the lands and buildings belonging to the Parliament and a number of reminder letters have been sent but the department has so far failed to provide assessment reports and a reminder letter will be sent to the Valuation Department in this regard in the future.	Non-current assets should be assessed and accounted for in accordance with the Circular.

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| (ii) | Assets amounting to Rs.52,217,264 received as donations had not been accounted for. | The value of the donated assets will be taken into account in the year 2021. | Donated assets must be accounted for without delay. |
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## 1.6.2 Advance Accounts Balances

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Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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There were differences of Rs.498,260 and Rs.125,843 in the opening and closing balances between the advance control account balance and the individual balance.	The difference between the balance of the advance control account and the individual loan classification summary amount of Rs.498,260 as at 31 December 2019, had been reduced to Rs.125,843 during the preparation of financial statements as at 31 December 2020 and by now the difference has been reduced to Rs.62,217.60.	Action must be taken to correct differences between accounts.

## 2. Financial Review

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### 2.1 Incurring of Liabilities and Commitments

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Following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) Liabilities amount of Rs.3,199,200 which had not included in the liability register and statement of liabilities and commitments of the Treasury had been settled in 2021.	This shortcoming occurred because the values related to liabilities and commitments that the financial sector could not find details of at the time of preparation of the financial statements was not included in the statement of liabilities and the necessary advice was given to minimize this situation in the future.	Action should be taken in accordance with the circular.

- (b) According to Financial Regulation 94(2), liabilities amounting to Rs. 194,831 which are not related to supply and service liabilities were stated in the financial statements. This shortcoming has occurred due to a classification error and it has been advised to avoid such shortcomings in the submission of financial statements for the year 2021. Liabilities should be recorded in accordance with Financial Regulations.

## 2.2 Reconciliation Statements on Advances to Public Officers Account

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Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) Outstanding balance of over 5 years due from suspended, resigned and other officers was Rs.941,450.	Out of the loan balances of Rs.232,362, a sum of Rs. 100,336 has been recovered from the officer so far, Debt balances of Rs.132,026 and Rs.310,386.67, which are yet to be recovered, could not be recovered, Loans amount of Rs.36,063.33 which the loan balance were confirmed as less than Rs. 25,000 has been written off with the approval of the Chief Accounting Officer and the approval has been granted to write off the total loan balance of Rs.333,136.34, which should be recovered from 07 officers who have left the service with more than Rs.25,000, by the letter No. PFD / RED / WO / 2020/30 dated 08 June 2021 of the Director General of Public Finance and further, Rs.398,701.85 due from the suspended officers could not be recovered as the legal proceedings have not been completed yet.	Action should be taken to recover the outstanding debt balance immediately.

- (b) Loans amount of Rs.162,024 due from retired officers for the years 2018 and 2019 were stated in the advance account without considering the instructions in paragraph 4 of Circular No. 262/2017 dated 29 December 2017 of the Department of Public Accounts.
- Notice has been given in writing and over the phone to pay the festival advance of Rs. 7,500 to be charged from one officer for the year 2018 and again informed on 05.05.2021 and further efforts will be made to recover the arrears. Regarding the loan balance amounting to Rs.154,524 due to one officer for the year 2019, requested the a confirmation from the Ministry of External Affairs regarding the payment of pension contributions for the period of service attached to the Foreign Mission Service from 01.05.2008 to 09.09.2011 and after giving the relevant confirmation to the Director General of Pensions, action will be taken to recover the loan amount from the pension gratuity.
- Action should be taken in accordance with the circular provisions.

### 3. Operational Review

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#### 3.1 Planning

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##### Action Plan

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##### Audit Observation

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The plans could not be successful due to the fact that only Rs.2,000,000 had been allocated for local and foreign training with an estimated cost of Rs. 5,018,000 included in the action plan.

##### Comments of the Chief Accounting Officer

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Agreed and advised to adjust as much as possible to the approved financial allocation limit in order to make the annual training plan a success.

##### Recommendation

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Estimates should be prepared accurately and practically.

### 3.2 Irregular Transactions

#### Audit Observation

#### Comments of the Chief Accounting Officer

#### Recommendation

Ignoring the paragraph 1.2 of the Trade and Investment Policy Circular No. 01/2018 dated 15 February 2018 the instructions in the letter No. TIP / SS /01/84 dated 25 April 2019 issued to the Secretary General of Parliament by the Director General of the Department of Trade and Investment Policy, vehicle permits were issued to three officers of the Parliamentary staff who did not have six years of active service in a senior executive post.

The Director of the Department of Trade and Investment Policy, in his recent explanation of the possibility of issuing a concessional motor vehicle license to the Librarian of Parliament, had submitted an observation which was inconsistent with the approval given in writing by his predecessor dated 05.02.2015. In such a situation, it would not be appropriate to relinquish the privilege enjoyed by the officers without a basis, as it did not directly negate the decision made by his predecessor. Therefore, since it was recorded as a mere observation, the methodology implemented since 2015 has been adopted up to now. The issuance of vehicle permits has been suspended following the audit inquiry and plans are afoot to hold a discussion soon to bring this issue to the attention of the Minister of Finance and other relevant officials and to seek advice.

Action should be taken in accordance with the circulars.

### 4. Human Resource Management

Following observations are made.

#### Audit Observation

#### Comments of the Chief Accounting Officer

#### Recommendation

Out of the 153 vacancies in the approved cadre as at 31 December 2020, 08 were senior level posts.

There were 984 in approved cadre, 831 of actual and 153 vacancies as at 31 December 2020 in the staff of the Secretary-General of Parliament.

Should take action to fill the vacancies taking into consideration the requirements.