

Head 2 - Prime Minister's Office

1. Financial Statements

1.1 Audit Opinion

The audit of the financial statement of the Prime Minister's Office 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 including my comments and observations on the financial statements of the Prime Minister's Office was issued to the Chief Accounting Officer on 22 June 2021 in terms of Sub-section 11 (1) of the National Audit Act, No. 19 and the Detailed Annual Management Audit Report relating to the Office in terms of Sub-section 11 (2) of the National Audit Act, No. 19 of 2018 was issued to the Chief Accounting Officer on 29 October 2021. This report will be presented in Parliament in pursuance of provisions in Article 154 (6) of the Constitution to be read in conjunction with Section 10 of 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 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 Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). 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 Responsibilities of Chief Accounting Officer for the Financial Statements

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 such internal control as management determine 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 Prime Minister's 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

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. 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 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 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, significant audit findings, any significant deficiencies in internal control and other matters that I identify during my audit.

1.5 Report on Other Legal and Regulatory Requirements

I express the following matters in accordance with 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 on the financial statements relating to the preceding year had been implemented.

2. Financial Review

2.1 Management of Expenditure

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
Provision totaling Rs.44,500,000 made on 02 capital Objects during the year under review had been saved in full.	Not commented.	The annual estimates should be prepared as realistic and productive as possible.

2.2 Non-compliances with Laws, Rules, and Regulations

Instances of non-compliances with provisions of Laws, Rules, and Regulations observed in the audit test checks are analyzed below.

Reference to Laws, Rules, and Regulations	Observation Non-compliance	Comment of the Chief Accounting Officer	Recommendation
Public Finance Circulars. Guideline 06 issued by the Department of State Accounts in accordance with Paragraph 10:1 of the Public Finance Circular, No. 02/2020.	(a) The non-revenue receipts totaled Rs.11,570,319 as per the books of the Department, but the same had been shown as Rs. 99,570 in the cash flow statement, thus observing a difference of Rs.11,470,749 in the net cash flow.	Only the cash receipts had been included in the cash flow statement.	The Guideline should be followed.
	(b) According to the books of the Department, the expenditure incurred on the other Heads of Expenditure totaled Rs. 5,373,182, but the same had been shown as Rs.4,739,183 in the cash flow statement. As such, a difference of Rs. 633,999 was observed in the net cash flow.	- Do.	- Do.

- (c) According to the books of the Department, the expenditure incurred on the personal emoluments and operating expenses totaled Rs.827,475,393, but that value had been understated by a sum of Rs. 17,847,816 in the cash flow statement thereby showing the value of Rs. 809,627,577. - Do. - Do.
- (d) According to the books of the Department, the values of payments and receipts of deposits amounted to Rs. 12,429,740 and Rs.12,608,604 respectively. However, payments and receipts of deposits had been shown as Rs.11,822,540 and Rs.11,873,427 respectively in the cash flow statement. As such, the cash outflow and cash inflow had been understated by sums of Rs.607,206 and Rs.735,177 respectively. - Do. - Do.
- (e) Although the expenditure incurred on the construction of physical assets in the year totaled Rs.67,439,583, that value had been shown as Rs.65,514,746 in the cash flow statement. As such, a difference of Rs. 1,924,837 was observed in the net cash flow. - Do. - Do.

- (f) Payment of advances totaled Rs.37,646,754 as per the books of the Department, but the same had been shown as Rs.10,605,985 in the cash flow statement, thus observing a difference of Rs.27,040,769 in the net cash flow. - Do. - Do.
- (g) According to the books of the Department, the recovery of advances totaled Rs.36,435,255, but the same had been shown as Rs.586,554 in the cash flow statement, thus observing a difference of Rs.35,848,701 in the net cash flow. - Do. - Do.

3. Operating Review

3.1 Action Plan

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
<p>Paragraph 03 of the Circular, No. PFD/RFD/01/04/2014/01 of the Ministry of Finance and Planning, dated 17 February 2014 included the Action Plan relating to the year of finance. Nevertheless, information on the organizational structure updated for the relevant year, approved cadre, actual cadre, annual Procurement Plan, and Internal Audit Plan, had not been included in the Action Plan presented for the year 2020.</p>	<p>Action will be taken in due course to prepare a single Action Plan by including those plans.</p>	<p>The said Circular should be followed.</p>

3.2 Annual Performance Report

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
No progress was observed on the activities coordinated by the Secretariat for Coordinating Reconciliation Mechanisms mentioned under “reconciliation” in the Action Plan.	As the operations of the Secretariat for Coordinating Reconciliation Mechanisms had come to an end by 31 March 2020, no progress could be observed in that connection.	The Secretariat for Coordinating Reconciliation Mechanisms had remained functional for 03 months in the year 2020, and the functions thereof had ended in that year, action should have been taken to show the progress.

4. Human Resource Management

The following matter was observed.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
The number of vacancies stood at 192 by the end of the year under review representing 30 per cent of the approved cadre, and 81 vacancies in the secondary level had included therein.	The security clearance reports had to be obtained with respect to many persons, and a delay occurred in recruiting staff owing to the unfavorable health situation in the country.	In case of performance of the Department being unfavorably affected by the vacancies in the staff, action should be taken either to fill those vacancies or revise the approved cadre.