

Head 1 – His Excellency the President

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Expenditure Head of His Excellency the President- Head 1 for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance and cash flow statements 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 Expenditure Head of His Excellency the President was issued to the Chief Accounting Officer on 03 August 2022 in terms of Section 11 (1) of the National Audit Act, No. 19 2018. The Annual Detailed Management Audit Report relating to the Office was issued to the Chief Accounting Officer on 30 August 2022 in terms of Section 11 (2) of the Audit Act. 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 financial statements give a true and fair view of the financial position of the Expenditure Head of His Excellency the President as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with the Generally Accepted Accounting Principles.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those audit 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 Responsibility of the 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 in terms of Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Chief Accounting Officer determines 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 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 of the Office.

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 Office and carry out periodic reviews to monitor the effectiveness of such system 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

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, 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 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 Office'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

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 me on the financial statements relating to the preceding year had been implemented.

2. Financial Review
2.1 Management of Expenditure

The following observation is made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(a) Unproductive Provision</p> <p>The entire provision totalling Rs.8.10 million made relating to 02 Objects of the Expenditure Head had been saved without utilizing for any purpose.</p>	<p>Activities on implementation of the Official Language Policy and its update, could not be executed as planned due to the Covid-19 pandemic.</p>	<p>Estimates of expenditure should be prepared as realistically and accurately as possible in terms of the Financial Regulation 50.</p>
<p>(b)Excess Provision</p> <p>Excess provision totalling Rs.620,808,200 had been made for 03 Objects and out of that, provision totalling Rs.388,061,381 had been utilized. As such, provision totalling Rs.232,746,819 had been saved. That savings, ranged between 15 per cent and 72 per cent of the net provision relating to the respective Objects.</p>	<p>Even though provision had not been utilized, liabilities had been entered into on Objects 1508 and 2003. As the Office of Task Force had been established in the Prime Minister's Office for the Object 2202, provision for capital equipment had been made by the said Office.</p>	<p>Estimates of expenditure should be prepared as realistically and accurately as possible in terms of the Financial Regulation 50.</p>

2.2 Incurring of Commitments and Liabilities

The following observation is made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>Certain projects executed under the President's Office relating to the year 2019 had been executed under other Ministries by the year 2021. Liabilities totalling Rs.3,039,495 incurred in the year 2019 by those projects had been recorded in Treasury Books as liabilities</p>	<p>Even though according to Treasury Books (SA 92), a sum of Rs.129,758,726 had been indicated as commitments and liabilities of the Office by 31 December 2021, items of liabilities recorded therein relating to projects executed under the President's Office in the year 2019 but currently being executed under other Ministries, were not</p>	<p>Liabilities for the year under review should be disclosed through financial statements.</p>

under the President's Office included in the Note (iii) of the in the year 2021. Those financial statements for the year liabilities had not been 2021 and moreover, those Objects shown in the financial have not been included in the statements. Budget Estimate of the year 2021 as well.

2.3 Issuance and Settlement of Advances

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) The Distress loan balance of Rs.111,780 receivable from a deceased Driver was brought forward for a period ranging from 3 years to 4 years as at 31 December 2021 and the loan balance recoverable further by 05 June 2022 amounted to Rs.104,900. Moreover, the outstanding balance of Festival Advance of Rs.10,000 had not been recovered even by the end of the year under review.	The Distress loan balance recoverable as at 31.12.2021 from the deceased officer was Rs.111,780. The said outstanding loan balance is being recovered from the guarantor and the current loan balance had decreased up to Rs.104,900. Further, the outstanding loan balance of Festival Advance amounting to Rs.10,000 is being paid as installments by the spouse of the debtor.	Action should be taken to recover outstanding loan balances of Festival Advance without delay.
(b) Even though the property loan balance totalling Rs.259,423 recoverable from a retired officer and a Garden Labourer was brought forward over a period of 5 years, action had not been taken to recover those outstanding loan balances even by the end of the year under review.	Action will be taken to recover the said balance from pensions gratuity of the debtor according to the retirement based on abolition of office in terms of Section 2.7 of the Minutes on Pensions as notified by the Department of Pensions.	Action should be taken to recover outstanding loan balances of Festival Advance without delay.
(c) Distress loan balances totalling Rs.190,302 recoverable from two	The Distress loan balances recoverable from two interdicted Drivers as at 31.12.2021 totalled	Action should be taken to recover outstanding loan

interdicted Drivers, was brought forward for over a period of 03 and 04 years as at 31 December 2021 respectively and the loan balance recoverable by 05 June 2022 amounted to Rs.178,910. Moreover, loan balances of Distress and Festival Advances amounting to Rs.129,615 and Rs.6,250 respectively relating to an interdicted Driver, were brought forward for over a period of 02 and 03 years by 31 December 2021 respectively. However, the Distress loan balance further recoverable by 05 June 2022 was Rs.123,486 whilst the loan balance of Festival Advance had been Rs.2,500.

Rs.190,302. These two outstanding balances of Distress loans are being recovered from guarantors by now and the outstanding balance has decreased up to Rs.178,910 at present. The balances relating to Distress loan and Festival Advance recoverable from the said interdicted Driver as at 31.12.2021 amounted to Rs.129,615 and Rs.6,250 respectively. These outstanding balances relating to Distress and Festival Advance are already being recovered from his wife who is in the public service and as such, those outstanding balances relating to Distress loan and Festival Advance have decreased up to Rs.123,486 and Rs.2,500 respectively by now.

balances of Festival Advance without delay.

- (c) Loan balances totalling Rs.901,198 were recoverable by 31 December 2021 from seven officers who had left the service. Even though those loan balances were brought forward for a period ranging from 01 year to 05 years, action had not been taken to recover those outstanding loan balances even by the end of the year under review.
- Action has been taken to recover outstanding loan balances totalling Rs.212,639 recoverable from four officers who had left the service, from relevant guarantors. Moreover, legal action has been taken to recover the loan balances totalling Rs.680,558 recoverable from three remaining officers.
- Action should be taken to recover outstanding loan balances of Advance without delay.

2.4 Non-compliance with Laws, Rules, and Regulations

The following non-compliances were observed.

	Observation	Comments of the Chief Accounting Officer	Recommendation
	Reference to Laws, Rules and Regulations	Non-compliance	
(a)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka		
(i)	F.R.454	<ul style="list-style-type: none"> • The Inventory or Form T & A 66 had not been prepared and made available to the Annual Board of Survey as at 21 March 2022 by the Private Security Office (PSO) and the Internal Affairs Coordination Division. • Twenty three stores/equipment relating to 11 items of the Transport Division, had not been recorded in inventory books even by 21 March 2022. • Sixty three stores / equipment relating to 46 items available in the Garden Office of the President's House, Fort had not been handed over by the Gardener even by 31 March 2022 and those stores /equipment had not been included in 	<p>Directives have been given to prepare inventories or Forms T & A 66</p> <p>Action should be taken in terms of Financial Regulations.</p> <p>These stores have already been included in inventories.</p> <p>Action should be taken in terms of Financial Regulations.</p> <p>Only 12 stores /equipment relating to 09 items available in the Garden Office are owned by the Gardener and action has been taken to include those stores /equipment in inventory books.</p> <p>Action should be taken in terms of Financial Regulations.</p>

		inventory books.		
		<ul style="list-style-type: none"> • There were 09 stores and equipment exchanged between various divisions but not included in inventories. 	Action has been taken to rectify them.	Action should be taken in terms of Financial Regulations.
		<ul style="list-style-type: none"> • Action had not been taken even by 21 March 2022 to hand over 12 items relating to 08 stores/equipment through Form General 141 –Issue Orders, which were revealed by the Annual Board of Survey conducted for the year 2020, not inventoried by the Division of the Private Secretary to the President (Second Floor) and not handed over to the premises and Information and Communication Technology Division by any person through Issue Orders. 	Relevant officers have been instructed for rectifications.	Action should be taken in terms of Financial Regulations.
(ii)	F.R. 715(2)	A custodian had not been appointed permanently by 31 March 2022 for the President’s House, Fort and an Administrative Officer had been appointed by the Office for covering duties.	Mr. H.M.A.R.B. Herath, Administrative Officer has been appointed for covering duties until a custodian is appointed permanently for the President’s House.	Action should be taken in terms of Financial Regulations.
(iii)	F.R. 755	<ul style="list-style-type: none"> • Inventory goods available in the Office of the Secretary to the President had not been physically verified and a large quantity of goods handed over to the Premises Division had not been handed 	A Board of Survey has been appointed for physical verification of inventory goods available in the Office of the Secretary to the President and rectifications will be made accordingly.	Action should be taken in terms of Financial Regulations.

over properly through Form General 141-Issue Orders.

- A shortage of 12 mobile phones and 02 IPADs belonging to the Office of the Private Secretary to the President, were observed during the Annual Board of Survey conducted for the year 2020 and action had not been taken even by 21 March 2022 to take over those stores in a proper manner. It has been informed to take over those stores to the Division in a formal manner by notifying officer who had taken away these stores. Action should be taken in terms of Financial Regulations.
- One Samsung printer had been temporarily issued by the Research and Special Assignments Division to the “One Country – One Law” Division. However, it had not been subjected to physical inspection and documentary evidence was not made available to Audit whether a written note therefor or issue orders had been given. The item, Samsung printer of this Division had been issued to the Presidential Task Force for “One Country, One Law” through written notes. Action should be taken in terms of Financial Regulations.
- According to Form T. & A. 66 of the International Relations Division, a shortage of 6 types of stores had been indicated and those stores had been handed over to various Divisions. Action has been taken to hand over these stores properly to relevant Divisions. Action should be taken in terms of Financial Regulations.

through letters. However, those had not been eliminated from the Inventory of the International Relations Division after verifying their return.

- A mobile phone had been provided without any proper written documents whatsoever from stores on a personal request made by an official driver of an officer of the personal staff of the former President. Instructions have been given to hold a formal inquiry in this regard. Action should be taken in terms of Financial Regulations.
- The old custodian of the President's House in Fort had not handed over the stores in Inventory Nos. 9 and 10 to the new custodian. The stores included in those inventories had been handed over to divisions such as the close security division of the President's Security Division, the Navy and the Special Task Force. However, there was no person entrusted with their custody. Moreover, particulars on stores included in Inventory No. 10 had not been indicated in reports on the Board of Survey as well. A Board of Inquiry had been appointed to conduct a preliminary investigation in this regard and accordingly, further steps will be taken after receiving the report of the said Board of Inquiry. Action should be taken in terms of Financial Regulations.
- Two wood screens which were indicated Inquiries are being held relating to these items and Action should be taken in

as a shortage in Form T. & A. 66 and a Full Model LG 21” Television set of the President’s House in Kataragama had been taken to Temple Trees on 27 February 2014 and 29 October 2013 respectively and those had not been returned to the House even by 21 March 2022.

- Even though a Sharp Q072 Fax machine indicated as a shortage in Form T. & A. 66 of the President’s House in Kataragama had been handed over to the Information and Communication Technology Division on 14 July 2013, it had not been returned to the House even by 21 March 2022. Moreover, information on elimination of 01 Samsung 81cm LED Television set and 01 Samsung 40” LED Television set from Inventory books, had not been made available to Audit.

further action will be taken after confirming relevant information. terms of Financial Regulations.

Action has been taken to eliminate 01 Samsung 81cm LED Television set and 01 Samsung 40” LED Television set from Inventory books and inquiries are being held relating to other items and further action will be taken after confirming relevant information. Action should be taken in terms of Financial Regulations.

(iv) F.R.760(a)

- Information on disposal of the camera equipment (NIKON B500 Camera) of the Office of the Director of Security This item, NIKON B500 Camera had been found from the relevant Division and action will be taken to dispose of it this year. Action should be taken in terms of Financial Regulations.

Coordination, had not been made available to Audit.

(v) F.R.772

- The old elevator of the President's House in Fort has been dismantled due to lack of space and the parts including the motor dismantled thereof have been kept near the four storeyed building. The said elevator was old and in operational condition and as such, it could have been made use of as per recommendations of the Board of Survey. However, it had not been made use of even by 31 December 2021.
- As the elevator was old and in operational condition, it is not needed at the House in Fort. As such, it has been safely stored for future use.
- Action should be taken in terms of Financial Regulations.

(b)Public Finance Circular No.01/2020 of 28 August 2020

In terms of paragraph 11 of Public Finance Circular No.01/2020 of 28 August 2020 and F.R.756 (6), the time frame in which the Annual Board of Survey should be conducted and completed, had been indicated. In terms of the Financial Regulation, a Board of Survey should have been appointed on or before 15 December 2021. However, it had not been so done. A survey had not been conducted on vehicles of the Office even by 21 March 2022.

Action is being taken in terms of the internal audit report of 02 December 2021 relating to the Transport Unit of the President's Office.

A Board of Survey should be appointed relating to vehicles of the Office and survey on vehicles conducted in terms of circulars.

3. Operating Review
3.1 Delays in Execution of Projects

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Projects such as fixing the electric gate of the Kotte Raja Maha Vihara, carrying out repairs and construction of the newly proposed two storeyed building of the Madiwaka Pallewela Sri Uposatharama Vihara, reconstruction of the old building of the Kegalle Deraniyagala Pothdenkanda Maha Vidyalaya, construction of the drainage system round the playground and the library building of Hingurakgoda Rajarata Madya Maha Vidyalaya and establishment of the Dialysis Unit of the Hettipola Hospital commenced in the year 2021 by the President's Office under the "Gama Samaga Pilisandarak" Programme of the President, had not been completed in the year under review.	These projects could not be completed due to inadequate time in execution, delay in obtaining items from suppliers as a result of Covid pandemic and effects of weather conditions.	Action should be taken to achieve the expected output of purposes.

3.2 Projects without Progress despite the release of Money

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Provision totalling Rs.66,146,710 had been made by the President's Office for projects commenced in the year 2021 such as construction of the sangavasa building of the Mathgamuwe Vihara, construction of the stadium of the Matara Kokawala Madya Maha Vidyalaya, partition of a	Development projects could not be completed due to the Covid pandemic.	Action should be taken to complete purposes as expected.

room of the Madiwaka CP/Thel/Madiwaka Primary School as a computer laboratory, construction of the flyover opposite Middeniya Primary School, reconstruction of the playground of the Thri/Madawachchiya (Bakmeegama), reconstruction of the Badulla Haldummulla, Kumaratenna and Wallalawita Yattapatha public playground and making financial provision for the Dickwella Batheegama Hospital for services rendered at Corona treatment centres and only a sum of Rs.50,382,682 of that had been utilized. Accordingly, provision of Rs.15,764,028 had been saved by the end of the year under review. The said saving had ranged from 13 per cent to 69 per cent of the provision made.

3.3 Assets Management

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) The existence of 56 vehicles registered in the Department of Motor Vehicles under the President's Office, had not been physically verified. Adequate evidence that a formal inquiry was held relating to those vehicles which were not available in the Office, had not been made available to Audit even by the end of the year under review.	Letters calling information on vehicles registered under the Secretary to the President, have been forwarded to the Inspector General of Police and discussions are being held with the Commissioner of Motor Traffic in this connection.	A formal methodology should be introduced and supervised relating to vehicles of the Office.
(b) There were 45 vehicles registered in other personal names under the addresses	Letters calling information on vehicles registered under the Secretary to the	A formal methodology should be introduced and

of the President's Office, President, have been supervised relating to President's House and forwarded to the Inspector vehicles of the Office. Presidential Security General of Police and Division. Accordingly, discussions are being held information on reasons for with the Commissioner of registration under the Motor Traffic in this President's Office and connection. addresses within its proximity in other personal names or for using those addresses, had not been made available to Audit.

- (c) Twenty vehicles registered under the President's Office had been issued to other institutions. However, action had not been taken even by 21 March 2022 to take over those vehicles again or to transfer them formally to relevant institutions. Letters calling information on vehicles registered under the Secretary to the President, have been forwarded to the Inspector General of Police and discussions are being held with the Commissioner of Motor Traffic in this connection. Action should be taken to transfer vehicles which were provided to other institutions after holding a formal inquiry relating to vehicles of the Office.
- (d) The President's Office had utilized 13 vehicles belonging to other institutions and action had not been taken even by 21 March 2022 to return those vehicles or to take them over properly to the Office. Letters calling information on vehicles registered under the Secretary to the President, have been forwarded to the Inspector General of Police and discussions are being held with the Commissioner of Motor Traffic in this connection. Action should be taken for necessary transfers or take over after holding a formal inquiry relating to the vehicles of the Office.

3.4 Losses and Damage

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
It was observed that moisture collects in the basement of the Safety House of the President's House in Fort due to groundwater and the air condition system as well is inoperative. As such, the furniture stored therein had been damaged due to collection of water vapour inside them.	Necessary steps have been taken to clean the Safety House and the furniture stored therein once a week under supervision of the Administrative Officer and to assure proper maintenance of the furniture and other equipment in that House.	Action should be taken to protect and properly maintain the physical existence of the Safety House.