

Head- 001 Presidential Secretariat

1. Financial Statements

1.1 Opinion

Head 001- The audit of the financial statements of the Presidential Secretariat for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 Presidential Secretariat was issued to the Chief Accounting Officer on 29 May 2024. In terms of Sub-section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the Presidential Secretariat was issued on 11 October 2024 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 financial statements give a true and fair view of the financial position of the Presidential Secretariat as at 31 December 2023 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

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility, under those standards is further described in the Auditor's Responsibility 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 Statement

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

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 Presidential Secretariat 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 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 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, 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, 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 Presidential Secretariat'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 findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Report on Other Legal Requirements

As required by Sub-section 6 (d) of the National Audit Act, No.19 of 2018, I state the followings:

- (A) that the financial statements of the year under review are consistent with the preceding year,
- (B) Recommendations on financial statements had been made by the Presidential Secretariat.

1.2 Comments on the Financial Statements

1.2.1 Accounting Deficiencies

Non-compliance with laws, rules and regulations

Audit Observation	Comments of the Accounting Officer	Recommendation	
(a) Reference to Laws, Rules and Regulations Financial Regulations of the Government of Sri Lanka F.R.315, 880 and 881	Non-compliance No official of the Presidential Secretariat to be furnished surety had deposited the surety.	It is expected that the Guarantee Association of Public Servants or the National Savings Bank will carry out the activities related to the surety of public officials and as there is no specific mention of the value of the security to be furnished according to the positions of the officials according to the existing guidelines regarding the surety of public officials, I kindly inform that the decision has to be made to consider the responsibilities and risks of the officials.	Actions should be taken to act in Compliance with Financial Regulations.

- (b) Paragraph 1:3:1 Although it is Although a committee has been **-do-**
of Circular mandatory to get appointed to assess the current value
dated 31 and an valuation for of the vehicles, since the
letter No. all vehicles once Presidential Secretariat has nearly
PS/IAD/TR/Q/I in 05 years, the 600 vehicles deployed for duties
nsurance/2024/ vehicles of the across the country, it is problematic
25 of Senior Presidential for a single committee to assess, it
Assistant Secretariat had has been suggested that sub-
Secretary not been assessed committees be appointed to carry out
(Administration during the year the assessment process correctly.
) to the under review as The Motor Traffic Department has
President and per the circular been informed in this regard and the
dated 21 instructions. current values can be provided
October 2023 promptly after the Valuation
Committee reports.

2 Financial Management

2.1 Cost Management

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The estimated allocation had been saved without any expenditure during the year from the annual estimated allocation of three expenditure subjects totaling Rs.3,000,000 .	Although these allocations have been made to Ex-presidents for building and construction, the entire allocation has been left in 2023 as no claims have been made by the ex-presidents.	Actions should be taken to identify needs and prepare annual plans and estimates.
(b) The total estimated allocation of two expenditure subjects which was Rs.3,500,000 had been transferred to another expenditure subject through F.R..66.	Due to the non-generation of expenditure as expected and the discontinuance of the National Salary and Cadre Commission, surplus allocations were transferred to under-expenditure subjects.	- do-
(c) Due to insufficient allocation of annual estimate allocations for 15 expenditure subjects, the allocations had been increased by a total of Rs.223,855,000 through the Financial regulations 66 ranging from 20 to 456 percent of the original allocation.	Due to deployment of officers for essential duties, increase in maintenance costs, need to carry out essential maintenance of buildings, staff requests for transport allowances more than expected, increase in vehicle spare parts prices, establishment of new divisions, sending officers for foreign training, increase in expenditure of stationery, establishment of new commissions, happening to transfer the required	-do-

provision for accounting of fuel coupons from surplus expenditure subject and insufficient provision for necessary facilities, it happened transfer from surplus expenditure subject.

- (d) In addition to the provision of annual estimates for 06 expenditure subjects, F.R. 66 and the supplementary estimates made a total provision of Rs. 801,500,000 and provisions had been increased in the range of 49 percent to 3648 percent.
- As the estimated provision was not sufficient due to invitations to conferences and seminars at the diplomatic level more than the expected foreign visits, increase in fuel prices, increase in electricity and water bills, settlement of house rent arrears in previous years etc. Provisions were procured from Surplus expenditures and subjects and supplementary estimates.
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- (e) Provisions had been provided through the supplementary estimates for the National Procurement Commission at a rate of Rs.43,400,000 and the World Food Subsidy Program at a rate of Rs.3,868,600,000 which were not allocated provisions.
- Since the National Procurement Commission did not have budgetary allocations for the year 2023 until a new budget head is introduced for the year 2024, an additional allocation of 43.4 million has been given under License No. 355. through His Excellency President 's expenditure head.
- Since the implementation of the World Food Program for the period 2023-2027 (CSP 2023-2027) was taken under the Presidential Secretariat, the provisions prepared under the National Planning Department were transferred to the the Presidential Secretariat through a supplementary estimate on 10.01.2023 by the National Budget Department under license number 01. As an emergency response to the economic crisis during the years 2022-2023, the value of the material food stock of Rs.2,068,600,000 donated by the World Food Program to Sri Lanka in accordance with Public Accounts Circular 30/94 is required to be accounted by a supplementary estimate from the National Budget Department. Arrangements were made to procure under license number 361 on 25.10.2023.
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- (f) In relation to eight expenditure subjects for which provisions were made through the supplementary estimates, Rs. 253,481,202 had been left unspent and it was in the range of 12 percent to 90 percent.
- According to the budget circulars, strict control of local travel expenses, use of low-cost methods for transport purposes, water and electricity bills in December are included in this saving, printing of procurement guidelines and manuals at low cost, Payment of interest on property loans obtained by two officers only and purchase of furniture and other equipment at cheaper rates, training programs at low cost, provision made for government contribution to the World Food Program and above those reasons have contributed to the savings in provisions.
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3. Operational Review

3.1 Failure to complete tasks

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Out of the allocation of Rs.348,654,373 given to 12 institutions for development programs, only Rs.239,275,587 had been spent. Accordingly, 31 percent or Rs. 109,378,786 of the allocation allocated by eight institutions had not been utilized.	Among the development projects submitted to the Presidential Secretariat, allocations have been made for the projects that are selected based on priority. I kindly inform that the allocations released to other institutions have been utilized very efficiently except the allocations given to the Ministry of Education and the Ministry of Transport and Highways.	Actions should be taken to select the essential and feasible projects when selecting development programs.
(b) 40 and 76 percent of the allocations given for development programs had been left unspent and there was no system in place to ensure that the allocations were used efficiently and that the unused funds had been directed to other development activities.	At the request of the Sri Lanka Transport Board, the Ministry of Transport and Highways has given Rs.60 million to the Ministry of Transport and Highways to upgrade the Pothuvil sub-depot into a main depot, and the Ministry of Transport and Highways has the full responsibility of providing the necessary funds to carry out the development project efficiently and settle the bills. I would like to kindly inform you that Rs.100 million, the provision of imprest for the construction of the Ministry of	Regular monitoring should be carried out on the efficient utilization of annual allocations for development activities.

Education and the provision of funds for the construction and settlement of related bills is the responsibility of the Ministry of Education and it is beyond the control of the Presidential Secretariat.

3.2 Activities contrary to the main functions

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) Although an allocation of Rs. 1,000,000 has been allocated for the rehabilitation and improvement of capital assets for a retired president, the entire provision was saved without any expenditure and although it was stated that the expenses did not arise as expected due to the balance in the financial statements, from the development initiative coordination and monitoring expenditure, the same Provisions of Rs.18,336,135 had been made to the Sri Lanka Navy for repairing the quarters of the former President and Rs.15,093,876 to install an escalator in the quarters and Rs.4,885,844 to buy a generator by bills. These expenses were 10 percent of the total cost of development coordination and supervision and in comparison with the provision made for the rehabilitation and improvement of capital assets for the same president from the annual budget allocation, it was observed that Rs.37,315,855 was borne under the head of development initiative coordination and monitoring expenses exceeding that provision.</p>	<p>I Kindly inform that provision has been made for rehabilitation and improvement of capital assets. But I kindly inform that due to insufficient allocations under budget head 001-1-03-5-2001 to carry out some essential maintenance work that arose out of necessity in relation to the provision of facilities to the retired President, allocations have been made to the Sri Lanka Navy under the development initiative coordination and monitoring budget. The amount of Rs.19,979,720 spent for the purchase of the escalator and generator is the acquisition of new capital assets. Since there was not enough provision in the budget subject 001-01-01-0-2103 at that time, I would like to kindly inform that it has been spent under the development initiative coordination and monitoring budget subject.</p>	<p>Arrangements should be made to achieve the desired objectives in utilizing the estimated provisions.</p>

- (b) Although Rs. 45,710,216 from the development initiative coordination and supervision expenditure allocations were used for building renovation and construction of three main schools in Colombo district, the criteria for school selection were not revealed.
- I would like to kindly inform you that considering the requests made by Ananda Vidyalaya-Colombo, Visakha Vidyalaya and Royal College, funds have been allocated to carry out some very important and essential maintenance works for the wellbeing of those schools. I kindly inform that not only for carrying out the repair works of these schools but also provision has been made to the Ministry of Education for the construction of half-completed buildings in several schools in Puttalam district.
- Attention should be paid to be careful consideration of needs while selecting development projects.

3.3 Assets Management

Audit Observation	Comments of the Accounting Officer	Recommendati on
Actions had not been taken to complete the disposal of 07 vehicles recommended for auction and 06 vehicles recommended in 2022 and 2023.	I kindly inform that actions have been taken to obtain a confidential report containing the valuation from the Valuation Committee and prompt actions are taken to auction these 07 vehicles and disposal of other vehicles is in the final phrase except for the 3 vehicles under litigation and the blacklisted vehicle.	Prompt actions should be taken to complete the auctioning of assets and disposal.