

## **Head 002 - Prime Minister's Office**

### **1. Financial Statements**

#### **1.1 Opinion**

**Head-002** The audit of the financial statement of the Prime Minister's Office 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, including material accounting policy information 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 May 2024 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 02 August 2024. 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 2023, 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 Imprest Management

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
The planned imprest value for the year 2023 was Rs.1,042,000,000 and it was observed that there was a variation of Rs.20,338,000 between the planned and the requested imprest as the imprest value requested from the treasury was Rs.1,062,338,000,	Based on the decrease in the amount of vouchers offered for payment during the respective month, the requested imprest has been less than the planned imprest.	Actions should be taken to prepare the imprest Planning as accurately as possible.

### 2.2 Cost Management

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
(a) Transfer of allocations (i) In addition to the provision of the annual estimate, the provision of 12 expenditure subjects as per F.R.66 and the supplementary estimates had been increased from 3 to 200 per cent making provision for a subject of expenditure.	The annual budget was prepared for the actual staff and I kindly inform that supplementary estimate provisions have been made as per F.R.66 due to the filling of vacancies based on the need for service, new responsibilities were assigned to the Honorable Prime Minister and the scope was expanded, increasing of fuel prices, repairing of generators and other machines and machinery and increase of their accessories, Inadequate provision for payment for the rent of the security division building, purchase of air conditioners for the newly constructed lecture hall and cabinet, insufficient provision allocated on account of increase in foreign tours, settlement of outstanding rent bills of the building where the officers of the Prime Minister's staff stayed in <b>2022</b> , other expenses, insufficient provisions for general administrative and corporate services project and insufficient provisions for the purchase of computer hardware to establish an IT disaster relief site and other machinery etc.,.	Actions should be taken to prepare estimates as accurate as possible.

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| <p>(ii) An amount of provisions between 3 percent and 586 per cent of the budget's estimated provision had been transferred to 20 other expenditure subjects by F.R.66.</p>                | <p>As a result of the restriction on the hiring of the Prime Minister's personal staff, there was no provision for local travel expenses, the Hon'ble Prime Minister did not travel abroad with local currency, control of stationery and office requirements, absence of uniformed officers, use of information technology for correspondence, use of administrative methods. Minimizing the cost of electricity and water, limiting the purchase, not assigning other officers despite shifting locations and a significant number of officers taking domestic and foreign leave without pay, reducing the number of officers receiving transport allowances, limited number of officers who had taken property loans, reductions and restrictions on purchase of furniture and office equipment, training programs were conducted in groups and many resource persons provided their services for free, there was a saving in allocations made and accordingly they were transferred to other expenditure subjects.</p> | <p>-Do-</p>  |
| <p>(iii) For 02 budgetary subjects that had not been allocated in the annual budget estimate, the allocations had been obtained and spent through supplementary estimates and F.R..66.</p> | <p>Rs. 75 million additional provision and an amount of 34 million according to F.R.66 was allocated for accounting of the financial value of the stock of school equipment received for distribution as donations from the Chinese government arisen in the previous year of the previous year's unplanned conversion as per paragraph 2.1.4 of Public Accounts Guidelines No. 2/22 and account the same under the budget heading 002-1-2-6-2202/13 and Rs. 24.5 million had incurred on making additional provision to pay the customs import duties and other taxes to free the relevant school equipment stocks.</p>   | <p>Actions should be taken to identify the need and prepare estimates.</p> |

### 2.3 Non-compliance with laws, rules and regulations

The instances where laws, rules and regulations were not complied with are as follows.

<b>Reference to Non-compliance laws, rules and regulations</b>	<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
(i) F.R. 104(3)	A copy of the preliminary report and the final reports on the losses related to vehicle accidents in the year 2023 had not been forwarded to the Auditor General.	I will arrange to send the preliminary report and the final report pertaining to F.R.104(3) to the audit office as soon as the investigations are completed	Actions should be taken to act according to rules and regulations
(ii) F.R. 115(1)	Claims presented within a financial year should be settled within the financial year itself as far as possible and the cases where this is not possible should be done with enough discretion and foresight to reduce as much as possible, but during the sample check, the payment of Rs.1,842,254 had not accordingly in 04 instances.	Non-receipt of bills during the financial year, lack of imprest at the end of 2022 for the new addition to the Prime Minister's Office in 2022. According to your observations, I have made a note to pay and settle within that financial year as much as possible.	-Do-
(iii) F.R. 315	04 administrative officers and 38 drivers had not given security bonds.	Officers who have to give surety have been informed by the internal circular dated 18.03.2024 to get membership of the Public Service Mutual Provident Association	-Do-
(iv) F.R. 880, 881	Three officers who are administratively responsible or under delegation had not kept the security bonds required for their duties.	One officer has retired from public service and the other officers have been referred to the Public Service Mutual Provident Association.	-Do-

(v) F.R. 892	A revised report of the officers required to be given securities had not been submitted to the Auditor General before the due date.	It was noted that The report be sent to the National Audit Office before the due date.	-Do-
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### 3. Operational Review

#### 3.1 Performance

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Although 21,878 public requests had been received in the year 2023, the number of issues that had been completed after the necessary meetings and discussions had been only 685.	The total number of letters received by the Public Relations Department is 21,878. The Public Relations Department of the Prime Minister's Office regularly follows up on those requests. A total of 685 cases have been resolved through letters, meetings and discussions for issues that have not been resolved for a long time.	Actions should be taken to resolve public issues promptly.
(b) A sub-committee was appointed for the discussion related to the restructuring of the line institutions related to the national cooperative movement held on 23 October 2023 and an action plan suitable for implementation within the next 03 years should be prepared along with the report containing the methodologies and recommendations presented by it, but by 31 December 2023, the The work had not been completed.	The sub-committee of the Cabinet of Ministers appointed in relation to the subject and the information presented later is preparing to submit an interim report to the Cabinet of Ministers based on the facts of the discussions held after that.	. Actions should be taken expedite what was decided in meeting discussions

### 3.2 Asset Management

Audit Observation	Comments of the Chief Accounting	Recommendations
(a) 19 vehicles owned by other public Institutions had been used for the Prime Minister's office within a period of 1 to 8 years without formal transfer and the transfer of those vehicles to the office had not been completed till the end of the year under review.	02 vehicles have been provided by the Ministry of Public Administration and the Ministry of Irrigation on a temporary basis. <b>05</b> vehicles have been taken from the Road Development Authority on loan basis, so <b>04</b> vehicles have been taken over and the remaining vehicles are being formally taken over and the vehicle of the Ministry of Parliamentary Affairs has been transferred. The Ministry of Finance is in the process of transferring two vehicles out of the <b>03</b> vehicles of the Ministry of Finance. One vehicle has been handed over to the Comptroller General for transfer to the Prime Minister's Office due to the liquidation of the owned company.	Actions should be taken to transfer the ownership of assets formally.
(b) 07 vehicles owned by the Prime Minister's Office had been temporarily handed over to other ministries, departments and offices without specifying a date of return.	The specific dates for the return of the vehicles given by the Prime Minister's Office to other offices on a temporary basis have been sent to the respective institutions.	Actions should be taken to follow the Proper procedure in transferring ownership of assets.
(c) A car damaged due to the violent incidents in the country on 09 July 2022, was condemned and according to the instructions of the Ministry of Defense, Rs.200 million had been received on 23 November 2022 without getting the full compensation from the insurance.	Even though the damaged vehicle was condemned and the insurance compensation was Rs. <b>263</b> million, according to the instructions of the Ministry of Defense, the damaged high-security vehicle could not be handed over to the insurance company, so the insurance company had paid only an amount of Rs. <b>200</b> million. Since another similar high-security car is used in the Prime Minister's office and the cost of spare parts is very high, the car has been parked in the Temple Tree premises to save the necessary spare parts and it has been arranged to record in the log book and this car has been removed from non-financial assets in May <b>2024</b> .	Actions should be taken to get insurance and properly account the assets in order to minimize damage to the government .

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| (d) | The damage value related to 07 vehicles owned by the Prime Minister's Office had not been submitted for audit. Out of which 06 vehicles had been listed as major repair.   | The Vehicle Valuation Committee will evaluate the vehicles after completing the repairs and getting them into running condition and provide new valuation values for the vehicles concerned.  | Actions should be taken to expedite Vehicle accident assessments.                          |
| (e) | 03 government bungalows belonging to the Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government, which were used by the Prime Minister's Office, have been unused for the Prime Minister's Office since 22 September 2022. It had not been handed over to the concerned Ministry till the end of the year under review. | Although these three government bungalows have not been used by the Prime Minister's Office since 22.07.2022, they have not been underutilized as members of the security forces have been staying in them. The transfer of custody was problematic due to the existence of arrears of rent, water and electricity bills and as per the discussion held on 27.03.2024, the provisions allocated to the Defense Forces as per the Director General of National Budget's letter No. BD/NSLE/103/13/2022 and dated 08.04.2024, the Secretary of the Ministry of Defense has informed the concerned security chiefs to pay the outstanding bills. After the outstanding bills are paid, the ministry will transfer the custody of the two houses. | Actions should be taken to utilize the government property to the maximum extent possible. |

### 3.3 Losses and Damages

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
According to the Register Losses and damages, it was observed that the losses for six vehicle accidents had not been recovered till the end of the year under review.	Losses have been recovered for three vehicles so far. Repairing has been delayed due to a shortage of spare parts for one of the vehicles. Another vehicle has not yet received approval from the insurance company for repairs. Reasons for delay has been inquired on 09.04.2024.	Actions should be taken to recover the losses from the relevant parties.

### 3.4 Management Weaknesses

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) According to the National Budget Circular No. 03/2022 dated 26 April 2022, despite it has been specified that public expenditure should be used only for essential services and the cessation of construction and renting of buildings should be strictly followed, Rs.181,520,617 and Rs.38,883,447 had been spent for the maintenance and renovation of the Prime Minister's Official residence in the years of 2022 and 2023 respectively.	According to the Cabinet Memorandum submitted, stating " the Prime Minister's Office will complete the remaining repairs at the final stage and transfer the house to the Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government. " The maintenance has been carried out upon the cabinet approval. Although actions were taken to carry out the maintenance as per section 02 of the National budgetary circular No.03/2022 and dated 26.04.2022 and since there was also the responsibility of completing the work of this building and handing it over as suitable for use and as there was no provision for the year 2023, a request was made for additional provision. it has been informed that related expenses are managed within the allocations given to the Prime Minister's Office and if allocations are required for that, it will be considered in the future. the Department of National Budget has provided additional provisions of Rs. 25 million to the requested made on 05.04.2023. Accordingly, as per the relevant circular, the building has been handed over to the Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government for maintenance by paying all outstanding bills.	As per the National Budget Circulars, efforts should be made to limit the expenditure.

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| <p>(b) The total expenditure for the renovation of the Wijerama Official Residence from the year 2021 to the year 2023 was Rs.472,529,073, of which Rs.456,032,672 had been paid for the purchase of building materials from Lanka Building Materials Corporation Limited. According to the documents of the Building Materials Corporation Limited, it was confirmed that the total value of the invoices issued to the Prime Minister's Office was Rs.639,218,155. Accordingly, it was observed there was a mismatch of Rs.183,185,483.</p> | <p>According to our documents, there is no money due to the Building Materials Corporation for the renovation of the official residence of the former Prime Minister, the Fifth Executive President.</p> | <p>Actions should be taken to negotiate with the relevant institutions and settle the accounts.</p> |
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### 3.5 Human Resource Management

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
<p>The number of approved cadre for Prime Minister's Office was 556 out of which 264 posts were vacant. It was observed that 25 of the vacancies were senior level posts.</p>	<p>There is no specific role assigned to the Prime Minister constitutionally and according to the needs of the time, the Prime Minister's Secretary will arrange to get the services of a qualified staff to fulfill the role assigned to the Prime Minister upon the agreement of the Prime Minister. If the approved number of employees for the Prime Minister's Office is to be revised based on the current service requirement, it is appropriate to maintain the number of approved staff positions as the approved staff, taking into consideration the difficulty of creating positions promptly in case of need again.</p>	<p>Actions should be taken to carry out a staff amendment if vacancies are not to be filled or roles are affected.</p>