

Head -019 Office of the Leader of the Opposition in Parliament

1. Financial Statements

1.1 Qualified Opinion

Head 019 - The audit of the financial statements of the Office of the Leader of the Opposition in Parliament 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 including information related to the material accounting policies 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 Office of the Leader of the Opposition in Parliament was issued to the Chief Accounting Officer on 22 May 2024 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Office of the Leader of the Opposition in Parliament was issued to the Chief Accounting Officer on 06 August 2024 in terms of Section 11(2) of the Audit Act. This report will be tabled in 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 Office of the Leader of the Opposition in Parliament 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

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 is 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 Responsibility of the Chief Accounting Officer and the 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 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 Office of the Leader of the Opposition in 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 Office of the Leader of the Opposition in 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

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 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 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 terms of Section 6 (1) (d) of the National Audit Act, No. 19 of 2018.

- (a) The financial statements are not consistent with the preceding year according to the following audit observations.

Audit Observation	Ref. to the paragraph
Property, Plant and Equipment	1.6.2 (c)
Current Liabilities	1.6.2 (f)

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

1.6 Comments on Financial Statements

1.6.1 Non-compliance of the Financial Statements with circular provisions

Financial statements should have been prepared in accordance with Public Accounts Guidelines No. 05/2023 dated 30 November 2023, but the instances that deviated from those requirements are given below.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) As per paragraph 7.9 of the guidelines, the value of “net assets to treasury” was to be calculated by deducting the value of deposit accounts from the value of advance accounts of the reporting institution. Accordingly, the net asset balance to the treasury was Rs. 7,423,754, but it was stated as Rs. 13,429,581 in the statement of financial position with more than Rs. 6,005,827. The above figure of	The value of Rs. 6,005,827 is the lease investment value of the vehicles acquired by the company on leasing basis. It is also included in the calculation of Net Asset value to the treasury. The lease installments will be paid in the year 2024 and as the value will be included in the value of the property and equipment of the company, the value can be obtained in the	Action should be proceeded as indicated in the guide.

Rs. 6,005,827 which was the lease creditor balance was not mentioned under current liabilities in the statement of financial position. preparation of the 2024 financial statements as indicated in the audit observation.

- (b) As per paragraph 7.7 of the guidelines, cash flow statement should be prepared with considering both cash and cross entries, but cross entries were not considered while recording advance payments. It was noted to enter the value as per trial balance, which includes the value of receivings from cross entries, during the preparation of the cash flow statement for the next accounting year. Action should be done as per the guide.

1.6.2 Accounting Deficiencies

(a) Non-Revenue Receivings

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
The income of Rs. 2,262,927 collected by the Office of the Leader of the Opposition for other income heads was not mentioned in the cash flow statement.	While preparing the cash flow statement included in the financial statements, only the value received in cash was prepared as income for the year. It was also noted to enter the value as per trial balance, which includes the value of receivings from cross notes, during the preparation of the cash flow statement for the next accounting year.	Cash flow statement should be prepared according to the trial balance of the institute.

(b) Recurrent Expenditures

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
As per treasury format SA-11, expenses of Rs. 139,250 incurred for the Office of the Leader of the Opposition under other expenditure imprests were to be recorded only in the statement of imprest reconciliation, but it was also mentioned in the cash flow statement.	As the expenses incurred for the Office of the Leader of the Opposition by other expenditure heads are deducted from the expenditure subjects of this office in the monthly summaries of accounts, those are mentioned in the cash flow statement.	Cash flow statement should be prepared according to the trial balance of the institute.

(c) **Property, Plant and Equipment**

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
The physical asset construction or purchase balance of Rs. 14,244,186 under investment activities in the audited cash flow statement of the previous year was not recorded in the column of previous year in the cash flow statement of the year under review.	Accept the observation.	Relevant information should be entered accurately.

(d) **Balances of Advance Accounts**

The following deficiencies were revealed in accounting of the year end balances of advance accounts.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(i) As per treasury format SA-52, the advance recovery was Rs. 2,866,959, but it was mentioned as Rs. 2,705,081 with less of Rs. 161,878 in the statement of financial performance.	The receivings value of Rs. 2,705,081 was included in 8493-0-0-019-011-0 treasury computer printout (SA 52).	The statement of financial performance should be prepared from the treasury printouts.
(ii) Although the advance recoveries were Rs. 3,527,513 as Rs. 2,705,081 advance recoveries in the year under review and Rs. 822,432 credits made to the Advance B account for other expenditure heads, it was not mentioned in the cash flow statement.	Only the value received in cash was entered as advance receivings for the year during the preparation of cash flow statement in the financial statement.	Both cash and cross entries should be considered during the preparation of cash flow statement.
(iii) Advance payment was Rs. 3,233,249 as per treasury format SA-52, but it was Rs. 2,410,817 and understated by Rs. 822,432 in the statement of financial performance.	Rs. 2,410,817 has been entered in the treasury printout (SA-52) 8493-0-0-019-0-11-0.	The statement of financial performance should be prepared from the treasury printouts.

- (iv) Although Rs. 161,878 have been credited to the Advance “B” account of the Office of the Leader of the Opposition by other institutions as per treasury format SA -51, it was mentioned as Rs. 822,432 and over accounted by Rs. 660,554 in the imprest adjustment account (formal ACA-7). Accept the observation. Correct balances should be entered.

(e) Financial Assets

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
There was not balance in the cash book at the end of the year under review, but the negative balance of Rs. 4,420,760 had been mentioned in the cash flow statement.	The net changes of cash in the institute in the year 2023 was mentioned as Rs. 4,420,760 and it was stated that there is not balance after remittance to the treasury on 31.12.2023.	Cash flow statement should be prepared with including correct balances.

(f) Current Liabilities

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
The lease creditor balance of Rs. 16,866,212 was not included in the values of previous year in the statement of financial position of the year under review. Also, the balances of the last year in the statement of financial position were not correctly balanced.	Rs. 16,866,212 have been recorded in the values related to the previous year. Furthermore, after the lease values were properly balanced, the value was mentioned in the statement of financial position.	Financial statements should be prepared correctly.

2. Financial Review

2.1 Expenditure Management

2.1.1 Utilization of Provisions

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Due to failure to prepare the estimates as completely and accurately as possible with proper consideration about economy and efficiency in accordance with the Financial Regulations 50, a total of Rs. 13,555,000 was obtained through a supplementary estimate in addition to the estimated allocation of Rs. 74,500,000 allocated for 04 expenditure subjects, but there was a surplus of Rs. 3,861,062 from the net allocation at the end of the year under review.	As the original estimate for the year 2023 has not included the personnel salary and wages, allowances, overtime, travel expenses and other expenses incurred for the provision of other facilities for the two deputy organizers and the said staff, provision was made by supplementary estimate to incur the said expenditure. Savings have been made as savings should be made from the allocations made in accordance with National Budget Circular No. 01/2023.	Estimates should be prepared with full accuracy, considering about economy and efficiency as per the Financial Regulations.
(b) Due to over-provisioning in the preparation of initial estimates, a further sum of Rs. 2,503,124 had been remained after transferring Rs. 4,382,000 from the estimate provision to other expenditure subjects by F.R. 66/69 out of the sum of Rs. 18,000,000 of two expenditure subjects.	Savings have been made as savings should be made from the allocations in accordance with National Budget Circular No. 01/2023.	Action should be taken to prepare the estimates correctly.
(c) 50 Percent of the estimated allocation of Rs. 1,000,000 for foreign travel expenses was remained as Rs. 502,943 due to that the expenses were not accurately forecasted.	Savings have been made as savings should be made from the allocations in accordance with National Budget Circular No. 01/2023.	Action should be taken to prepare the estimates correctly.

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| (d) | As per paragraph 2(a) of Budget Circular No. 01/2023 dated 27 January 2023, an amount equal to 06 percent of the recurrent provision should be deducted at least, but only 04 percent of the provision for recurring expenses of the office was remained. | The treasury has informed that due to the appointment of new deputy organizers, it was not possible to save a provision of 6% and only a provision of 2% could be saved as they had to provide the necessary facilities for those organizers and those staff. | Action should be taken to act in accordance with the circular. |
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2.2. Incurring into the Liabilities and Obligations

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
The total liabilities of Rs. 799,196 related to the year under review was not included in the Statement of Liabilities and Obligations (Treasury computer printouts) and the accounts payable register and the sum of the liabilities of two expenditure subjects amounting to Rs. 167,585 exceeded the balance of the provision on the year under review.	It was noted to include the liability values in preparing the accounts for the next accounting year.	All liabilities related to the year should be included in the financial statements and liabilities should not be entered into beyond the provisions.

2.3 Certification to be done by the Chief Accounting Officer

According to the provisions of section 38 of the National Audit Act No. 19 of 2018, the Chief Accounting Officer should have made certification regarding the following matters, but that had not been done accordingly.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(i) The Chief Accounting Officer should ensure that an effective internal control system is developed and maintained for the financial control of the Office of the Leader of the Opposition and that the effectiveness of the system should be reviewed from time to time and	The delegation of authority for incurring expenses has been done according to the financial regulations in relation to the functions of this office and informed to the Auditor General and although reviews of the expense incurring process and	Action should be done in accordance with the National Audit Act.

necessary changes should be made accordingly to make the system effective and those reviews should be done in writing and a copy of that should be submitted to the Auditor General, but statements that such reviews were carried out were not submitted to the audit. internal control have been carried out and necessary changes have been made in the internal control methods from time to time, the information has not been informed to the audit in writing.

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| (ii) | Although the Chief Accounting Officer should ensure that there is an effective system for the proper execution of internal audit functions, but that requirement was not fulfilled as per the observation mentioned in paragraph 4.1 of the report. | Observation is accepted. | Action should be done in accordance with the National Audit Act. |
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2.4 Non- compliance with Laws, Rules and Regulations

Instances of non-compliance with the provisions in laws, rules and regulations observed during the course of audit test checks are analyzed and mentioned below.

	Observation	Comments of the Chief Accounting Officer	Recommendation
	Reference to the Laws, Rules and Regulations	Amount	Non-compliance
		(Rs.)	
(i)	Public Administration Circulars		
	Sub section iv of the Public Administration Circular No. 09/2009 dated 16 April 2009	3,005,046	If the payment of overtime and allowances paid after regular working hours is based on time , it
			Currently arrangements have been made to fix finger print machines and these records will be used to confirm the
			Should be act as per the circular.

should be verified arrival and departure by finger print of officers. machine, but overtime and allowances were paid without such verification from January to December 2023.

3. Operational Review

3.1 Procurements

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) According to section 04 of the Public Finance Circular No. 02/2020 dated 28 august 2020, all Accounting Officers should prepare the annual procurement plan for the implementation of recurrent and capital programmes in next year according to the subjects and tasks assigned to their institution, but only capital programmes were included in the procurement plan submitted by the Office of the Leader of the Opposition. Further, the detailed procurement plan for the year under review was also not submitted as per section 4 of the Guideline No. 13.	It was noted to include recurrent and capital programmes during the preparation of the annual procurement plan for the next year and to prepare a comprehensive procurement plan.	The procurement plan should be prepared and submitted as per the circular.
(b) Rs. 500,000 had been allocated for the building construction and rehabilitation works of office No. 30 of the Opposition Leader. There was a 195 percent variation between the value of the procurement plan and the actual contract value as the value of	According to the budgeted estimate and procurement plan for the year 2023, Rs. 500,000 each for office No. 30 and Rs. 500,000 for the office in Parliament, but as the arrangement of the security	Action should be taken to amend the procurement plan.

the contract for preparing and fixing the security guardroom was Rs. 1,477,000.

guardroom in office No. 30 was highlighted as a necessary and important matter, this work had to be done by utilizing all the provisions.

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| (c) | Although the work in (b) above was scheduled to commence on 01 January and to be completed on 30 September of the year under review as per the procurement plan, the effectiveness of the planning was minimum as the on-site inspection and identification of the need for modernization works was carried out in August 2023. | Although this work was planned to commence on 01 January, as the Board of Councilors led by the Hon. Leader of the Opposition is constantly stay in this office, there has been an unexpected delay in planning this work by calling outside officers. Although there was a time delay for this procurement, there was a time delay due to a situation where the daily work of the Hon. Leader of the Opposition could not be postponed. | Should be act as per the procurement plan. |
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3.2 Assets Management

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
The Board of Survey report related to the year under review, which should be submitted in accordance with sub No. 06 of paragraph 11.1 of the Ministry of Finance Circular No. 01/2020 dated 28 August 2020, was not submitted to the Auditor General.	It will be submitted very quickly.	The Board of survey reports should be submitted within the relevant period according to the circular.

4. Good Governance

4.1 Internal Audit

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
According to the provisions of section 38 of the National Audit Act No. 19 of 2018, the Chief Accounting Officer had not prepared a system necessary for the proper execution of internal audit duties.	The necessary procedures have been prepared now for the proper implementation of internal audit functions and action have been made to hold an audit and management committee meetings.	Action should be taken as per the National Audit Act.

5. Human Resource Management

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
The approved number of employees in the office was 50 and the actual number of employees was 43 and the number of vacancies was 07. There were two senior level officers in it.	Appropriate officers will be selected and vacancies will be filled immediately.	Action should be taken to fill the vacancies in essential posts.