

Head 17 - Office of the Leader of the House of Parliament

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Office of the Leader of the House of Parliament for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory 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 to be 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 Office of the Leader of the House of Parliament was issued to the Chief Accounting officer on 30 June 2020 in terms of section 11(1) of the Audit Act No.19 of 2018. The Annual Detailed Management Audit Report of the Office was issued to the Chief Accounting Officer on 04 September 2020 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 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 prepared in terms of provisions of the State Accounts Circular No.271/2019 dated 03 December 2019 give a true and fair view of the financial position of the Office of the Leader of the House of Parliament as at 31 December 2019, and of its financial performance and its 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 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 Responsibility of the Chief Accounting Officer in relating to 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 Provision 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 House of 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 House of 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 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 Leader of the House of Parliament internal control.
- It had been included that structure and content of the financial statements are based transactions and events appropriate and fairly included when presenting the financial statements as a whole.
- 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 and Regulatory Requirements

I express the following matters in accordance with section 6 (1) (d) and section 38 of National Audit Act No. 19 of 2018.

- (a) The financial statements presented were consistent with the preceding year.
- (b) Recommendations made by me on the financial statements presented in the preceding year with regard to the observations included in Paragraph 1.6.3(a) and 1.6.6 (b) (ii) of this report had not been implemented.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Performance

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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A sum of Rs.4,542,526 stated as the receipts of advance according to the Format ACA-5 prepared in terms of State Accounts Circular No.271/2019 dated 03 December 2019 had not been stated in the statement of financial performance. Further, a sum of Rs. 5,256,043 stated as payment of advance had been shown as Rs.2,001,680 in the statement of financial performance.	Correct values should be included in the financial statements.	Observations are accepted.

1.6.2 Statement of Financial Position

The following observations are made.

Audit Observations	Recommendation	Comments of the Chief Accounting Officer
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(a) The van valued at Rs.9,100,000 owned by the Office as at 31 December 2019 had	The correct value relevant to the item should be stated in the financial statements.	Instructions were given to include the value of the van and thereby, correct the financial statements.

not been included in the Format ACA-6 in the Statement of Non-financial Assets submitted together with the financial statements and in the Format ACA-P in the Statement of Financial Position under the Property, Plant and Equipment and Property Plant and Equipment Reserve.

- (b) There was a difference of Rs.224,229 between the values stated in the Format ACA-6 in the Statement of Non-financial Assets as at 31 December 2018 and the values stated in the Format ACA-6 in the Statement of Non-financial Assets as at 01 January 2019 presented together with the financial statements.
- Values stated in the Format ACA-6 in the Statement of Non-financial Assets as at 31 December 2018 and the values stated in the Format ACA-6 in the Statement of Non-financial Assets as at 01 January 2019 presented together with the financial statements should be equal.
- This error is due to a defect of the computer system of the State Accounts Department and the State Accounts Department has agreed to rectify the error in the future.
- (c) Even though acquisition of capital assets in the year 2019 had been shown as Rs.50,384, a sum of Rs.398,041 had been stated as the purchase value in the Format ACA-6 in the financial statements.
- Correct information should be included in the financial statements.
- This error is due to a defect of the computer system of the State Accounts Department and instructions have been given to rectify the error in the future.

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| (d) Even though computer accessories and furniture had not been disposed of in the year 2019, a value of Rs.143,811 had been eliminated under the disposal of assets (sale of assets) in the Statement of Non-financial Assets (Format ACA-6) of the year under review. | Correct information should be included in the financial statements. | This error is due to a defect of the computer system of the State Accounts Department and instructions have been given to rectify the error in the future. |
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1.6.3 Advance Account Balances

The following observations are made.

Audit Observations	Recommendation	Comments of the Chief Accounting Officer
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(a) The balance of distress loan amounting to Rs.128,800 due from an interdicted officer had remained outstanding for more than 4 years as at 31 December 2019.	Action should be taken to recover the outstanding loan balances.	This matter has been referred to the Attorney General to initiate legal action. The Attorney General's Department has informed the borrower to settle the loan.
(b) Difference of Rs.131,215 between the advance balances as at 31 December 2019 included in the Statement of Financial Position (Format ACA-P) and the Treasury advance balances had not been reconciled in the financial statements.	Reconciliations should be made in the financial statements for the difference.	Observations are accepted.

1.6.4 Imprest Balance

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
The difference of Rs.3,034 in the Imprest Account stated in the Statement of Financial Performance as at 31 December 2019 had not been settled by an adjustment account.	Relevant amounts should be settled by an adjustment account in the financial statements.	Observations are accepted

1.6.5 Other Observations on Financial Statements

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
Instead of stating the numerical values of the budget, 2019 in the left column in the Format ACA-F, Statement of Financial Performance of the financial statements for the year under review, values of the net provision made as at the end of the year had been included.	Numerical values of the budget, 2019 should be included in the left column of the Statement of Financial Performance.	Actual provisions for the year 2019 have been stated under each Object.

1.6.6 Non-compliance with Laws, Rules and Regulations

The following observations are made.

Observation		Recommendation	Comments of the Chief Accounting Officer
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Reference to laws, rules and regulations	non – compliance		
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
F.R.371(2) (a)	A petty cash sub-imprest had not been maintained.	Action should be taken in accordance with the Financial Regulation 371 (2)(a)	Instructions have been given to obtain a petty cash imprest in the year 2020 in order to incur expenditure.
(b) Public Administration Circulars			

(i) Circular No.09/2009 dated 16 April 2009, Circular No.09/2009(i) dated 17 June 2009 and Circular No.03/2017 dated 19 April 2017.	A Finger Scanner had not been used for recording arrival and departure of the officials of the Office.	Action should be taken in accordance with the circular provisions.	Apart from the explanations made on previous 5 occasions and according to the risk of spreading the Covid-19, it is observed that the use of finger scanners is not practical.
Paragraph 6 of the Circular No.09/2009 dated 16 April 2009, Circular No.09/2009(i) dated 17 June 2009 and Circular	If time is taken as the base for the payment of allowances for the duties performed after the normal duty hours that time should be confirm by finger	Action should be taken in accordance with the circular provisions.	Arrival, departure of the officers and their retaining in the office is subject to my personal supervision. Recommendation and approval for the payment of these allowances are given up

No.03/2017 scanner, whereas dated 19 April 2017. without doing so, a sum of Rs.2,114,960 had been paid as attendance allowances and the unavailed leave .

on examination of attendance register and the duties of each officer.

- (iii) Circular No.13/2008 (iv) dated 09 February 2011. From 16 January 2015 to November 2019, a sum of Rs.705,411 had been overpaid in excess of the approved fuel limit for the post of Coordinating Secretary of the Secretary to the Leader of the House. Action should be taken in accordance with the circular provisions. Payments have been made in excess of the fuel limit included in the circular pertaining to the fuel limit applicable to the post of Coordinating Secretary of the Secretary to the Leader of the House as per the Cabinet paper related to the officers who held the above posts. However, it is informed that the relevant officer is given only 120 litres of fuel at present.

2. Financial Review

2.1 Incurring Liabilities and Commitments

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
<p>In terms of Paragraph 3.4 of the State Accounts Circular No.271/2019 dated 03 December 2019, the liabilities stated in the Statement of Commitments and Liabilities should be in line with the Statement of Commitments and Liabilities issued by the Treasury pertaining to each expenditure head. Any commitment or liability thus not reported should not be settled in the year 2020 as an expenditure of the previous year.</p>	<p>The value stated in the Commitments and Liabilities should be in line with the Statement of Commitments and Liabilities issued by the Treasury pertaining to each expenditure head.</p>	<p>Entries had been correctly made in the liability register and presentation of those values by the Note V had been omitted.</p>

Nevertheless, liabilities of Rs.18,415 not stated in the Statement of Commitments and Liabilities of the financial statement, 2019 had been settled in the year 2020.

3. Human Resource Management

The approved cadre by the end of the year under review was 37 and the actual cadre was 32. Accordingly, the number of vacancies was 05.